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Ref: SFTR: Request to extend the implementation timeline for the recent Level 3 changes

Dear Mr. Westphal, dear Mr. Dale,

Thank you for your letter of 30 September highlighting concerns in relation to the timeline for implementation of the updates to SFTR XML schemas and validation rules. ESMA has indeed been already made aware of certain concerns in this regard and took the steps to mitigate any potential risks.

As a general remark, I would like to emphasise that the impact of the proposed timeline was carefully considered and assessed against the supervisory need to have data on SFT positions and to enhance quality of the transaction data reported under SFTR.

Please note that the deadline of 31 January 2022 is a regulatory deadline included in the Guidelines on calculation of SFT positions, published in May 2021, and in the amended SFTR validation rules, both of which form part of the regulatory framework and respective technical requirements for reporting under SFTR. The final schemas and SFTR validation rules were published on 29 July 2021, i.e. more than 6 months ahead of the established deadline for the first release, in line with the ESMA's practices for similar implementations.

Furthermore, we would like to draw your attention to the fact that 31 January 2022 deadline concerns only subset of the envisaged updates to SFTR technical instructions, notably only those updates that are necessary to meet the regulatory deadline of the SFTR Position reporting as well as updates that must be introduced at the same time due to the interdependencies between the XML messages. These updates are also supported by the relevant amendments in the SFTR validation rules to ensure their consistency.

The remaining changes (e.g. updates to rejection and reconciliation messages) will need to be implemented by 29 April 2022. The original time plan (single release for all updates) has been adjusted following to the feedback from the market participants by splitting it in two releases. This was done to limit the development and testing efforts prior to the 31 January 2022 and to ensure that the go-live does not coincide with the seasonal holiday break, while respecting the regulatory deadlines. Splitting the implementation in two releases was done to allow entities to focus their efforts accordingly and to allow for sufficient testing.

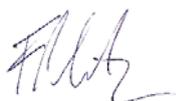
Please note that UnaVista's decision to withdraw its registration under SFTR is being handled separately by ESMA in accordance with the existing regulatory processes and timelines. ESMA is engaging with the relevant TRs to monitor the timely transfer of data well in advance of the SFTR xml schemas go-live date. While acknowledging the additional resources involved in on-boarding to a new trade repository (TR), we note that the limited number of impacted SFTR reporting entities has minimal impact on the implementation of the XML schemas.

We also would like to refer to the aspects related to settlement discipline implementation. We understand that the Guidelines on confirmation and allocation of trades published in April 2020 provide the relevant clarifications and no major implementation issues has been brought to ESMA's attention. On cash penalties regime, we are aware that there are ongoing contractual adaptations and IT implementations at the relevant impacted entities. Following the two postponements of the regime, namely from the initial application date in September 2020, to 1 February 2021 due to technical reasons and the last one to 1 February 2022 due to COVID-19, it is our understanding, also based on your letter from 14 July 2021, that "considerable progress has been made towards implementation". We therefore understand that while coinciding in time, the settlement discipline implementation is rather advanced, hence a postponement of the SFTR XML schemas go-live is unnecessary.

We highly appreciate your continuous engagement with SFTR. ESMA remains open to discussing with the industry any adaptations to the timelines for implementation of future amendments to reporting instructions. However, ESMA notes that when adequate implementation periods are provided as we understand is the case now, the regulatory deadlines should be maintained to ensure credible engagements from all involved parties towards the fulfilment of the relevant obligations. ESMA therefore expects that efforts should be focused on performing the corresponding preparations to meet the established timeline.

ESMA stands ready to assist the market participants in the implementation of the changes by providing any further clarifications that may be necessary.

Yours sincerely,

A handwritten signature in black ink, appearing to read "F. Planta", is written over a light blue horizontal line.

Fabrizio Planta

Head of Markets and Data Reporting Department