

Are you ready for SFTR?

“There is no such thing as being too prepared or starting too early”

Sunil Daswani, Senior Consultant & Business Development for Securities Lending at MarketAxess, explains why we need to learn from the past and start preparing earlier for new compliance and regulatory reporting demands. And when it comes to SFTR, to allow for at least 3 to 6 months of testing (or more) ahead of implementation. Which means getting ready now

From April 2020, the first phase of the Securities Financing Transaction Regulation (SFTR) reporting obligations will come into force. There is no doubt that SFTR will mean an extra reporting and control lift in securities finance functions across the industry.

This is evident when you outline, even in brief, the challenges and requirements of the new regulation.

What are some of the key challenges?

- Complexity – and the failure of tweaking legacy systems to be able to cope with that complexity
- Volume of Data – SFTR requires over 150 reportable data fields. We estimate that there may be anything up to, or exceeding, 115 million daily transactions that are reportable. So sourcing the required data is a huge lift, for everyone.
- Time and money – SFTR reporting is now only 8 months away, and the clock is ticking. There are potential fines waiting for those who fail to make the deadline.
- Time - phased implementation with backloading requires most firms to be ready in early 2020 due to matching with counterparties, if both are in-scope organisations for SFTR reporting

With the deadline fast approaching, some firms may find that they are still requiring help with preparation.

Lessons learned from past regulatory directives, including EMIR, show that there is no such thing as being too prepared or starting too early. From conversations with phase 3 go-live firms (e.g. Asset Managers, pension funds etc), it is clear that some are still yet to start planning for SFTR.

We would like to urge those who have not yet begun project planning not to ignore the extent of preparations needed ahead of the deadline, even if volumes are believed to be small.

The key lessons learnt from previous regulatory transaction reporting, like EMIR

EMIR was a long time in the making, and while derivatives trading now runs smoothly, it wasn't always the case. What we learnt from EMIR were two key lessons: one, that there are always those less prepared than they should be, and two, that regulatory change can, by its nature, change right up until the last minute.

What this means is that both firms and their potential vendor partners need to ensure they have planned for all the potential changes and anticipated what this might mean in terms of resourcing or adapting to the change as it happens.

To ensure proper preparation for the 2020 deadline, MarketAxess have already begun UAT (User Acceptance Testing) with key clients.

This ensures that any existing issues can be picked up and addressed, maximising our clients' ability to identify process gaps and development areas, and then action resolution steps in time for implementation.

So are you ready?

If the answer is not yet, then it is time to take stock and begin a strategic approach.

Here's our four top things to remember as you hit the autumn:

1. Easter weekend: SFTR Phase 1 goes live on Easter weekend 2020. Make sure it's in your diary, along with the chocolate egg reminders
2. Early commencement of UAT is critical – and we do mean early. Like now. No matter which phase you are in for “go-live”
3. Data needs to be sourced and source systems, trading systems and records need to be updated before end-to-end reporting can take place.
4. Controls need to be in place to ensure systems operate correctly and reporting is accurate

Remember, regulatory reporting can drive organisational change that goes beyond just simple compliance, and that can deliver greater operational efficiency, reduced costs and greater transparency. If you do it right.

What should you look for in vendor solution(s)?

More than anything, you need to be able to find a partner who you can trust, and who has the knowledge and experience to deliver a sophisticated, informed and modular approach to solving your particular problems. Your partner should offer:

- Access to near real-time reporting dashboards and reporting
- Regulator-approved solutions and services
- The ability to track the entire reporting process with full visibility.
- Affordable pricing
- The necessary people and expertise to be able to adapt your solution to additional regulatory changes post go live
- Experience with live platforms already in place for all types of regulatory reporting

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Drawing on its deep data and analytical resources, MarketAxess enables automated trading solutions and, through its Trax® division, provides a range of pre- and post-trade services and products.

MarketAxess is headquartered in New York and has offices in London, Amsterdam, Boston, Chicago, Los Angeles, Miami, Salt Lake City, San Francisco, São Paulo, Hong Kong and Singapore.

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