



MEPs back transparency rules on lending and re-use of securities

[24-03-2015 - 17:28]

Securities financing transactions (SFTs) when the ownership of securities such as bonds, shares or derivatives temporarily changes hands to create liquidity, facilitate funding or support price discovery should be more transparent and public disclosure on SFTs should be expanded to credit institutions and listed companies, Economic and Monetary Affairs committee MEPs decided in their vote on Tuesday.

The draft regulation seeks to cover all forms of lending, borrowing and re-use of securities in the EU and in all the branches of counterparties to SFTs no matter where they are located. While the effect on current practices will be marginal, these trades should become more transparent.

More transparency and less risk

The complex and opaque nature of SFTs makes it difficult to identify counterparties and for supervisors to monitor risk concentration.

The draft rules require that information on SFTs carried out by all counterparties (with enlisted exceptions below) is reported to trade repositories that centrally collect and maintain the transactions' records. The ECON MEPs have also added a provision that not only investment funds but also listed companies and banks would have to disclose their use of SFTs and reuse of collateral in their annual financial reports.

The MEPs also extended the conditions that must be fulfilled when financial instruments received as collateral are being re-used. The providing party should be informed about risks and consequences involved in granting a right to use collateral and transferring a title to it in the event of the default of the receiving party.

This transparency would allow regulators and supervisors to obtain a proper overview of the risks linked to securities financing transactions and of the links between the regulated and the shadow banking sectors.

Reporting rules

The European Securities and Markets Authority (ESMA) is mandated to develop the reporting standards but the details of a transaction should at least specify:

- The parties to the SFT
- The information on collateral, such as its type, currency, value, repurchase rate, lending fee or maturity date
- The Parliament also underlined the need to develop clear entity and transaction identifiers to mark each reported transaction.

These details should be reported to a trade repository no later than the third working day following the conclusion, modification or termination of the transaction.

The trade repository collecting SFTs reports would have to register with ESMA or apply for extension of services when it is already registered under the European Market Infrastructure Regulation (EMIR) for collecting reports on derivatives' trade.

Exemptions

Press release

The rules would not apply to:

- the members of the European System of Central Banks (ESCB) and other bodies in member states performing similar functions
- other public bodies in the UE charged with or intervening in the management of the public debt
- the Bank for International Settlements

The central banks will not have to report to trade repositories but would have to cooperate with competent authorities such as ESMA if access to data on their SFTs is necessary to those authorities.

Next steps

The vote consolidates the ECON position and the upcoming negotiations with the member states should start in April.

Useful links

- Watch webstreaming live: <http://www.europarl.europa.eu/wps-europarl-internet/frd/live/live-program?language=en>
- Catch up via Video On Demand (VOD)
: <http://www.europarl.europa.eu/ep-live/en/committees/search?end-date=&start-date=&legislature=&organ-code=&pageIndex=>
- Committee on Economic and Monetary Affairs:
<http://www.europarl.europa.eu/committees/en/econ/home.html>

Contact

Dorota KOLINSKA

BXL: (+32) 2 28 32787

STR: (+33) 3 881 74005

PORT: (+32) 498 98 32 80

EMAIL: econ-press@europarl.europa.eu

TWITTER: EP_Economics