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DRAFT REPORT


Committee on Economic and Monetary Affairs

Rapporteur: Renato Soru
### Symbols for procedures

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(The type of procedure depends on the legal basis proposed by the draft act.)

### Amendments to a draft act

**Amendments by Parliament set out in two columns**

Deletions are indicated in **bold italics** in the left-hand column. Replacements are indicated in **bold italics** in both columns. New text is indicated in **bold italics** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

**Amendments by Parliament in the form of a consolidated text**

New text is highlighted in **bold italics**. Deletions are indicated using either the **▌** symbol or strikeout. Replacements are indicated by highlighting the new text in **bold italics** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.
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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION


(Ordinary legislative procedure: first reading)

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2014)0040),

– having regard to Article 294(2) and Article 114 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0023(2014)),

– having regard to Article 294(3) of the Treaty on the Functioning of the European Union,

– having regard to the opinion of the European Central Bank of 7 July 2014¹,

– having regard to the opinion of the European Economic and Social Committee of 10 July 2014²,

– having regard to Rule 59 of its Rules of Procedure,

– having regard to the report of the Committee on Economic and Monetary Affairs (A8-0000/2015),

1. Adopts its position at first reading hereinafter set out;

2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;

3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation
Recital 1

Text proposed by the Commission

Amendment

(1) The 2008 global financial crisis

revealed important regulatory gaps, ineffective supervision, opaque markets and overly-complex products in the financial system. The Union has adopted a range of measures in order to render the banking system more solid and more stable, including strengthening capital requirements, rules on improved governance and supervision and resolution regimes. The progress made on the establishment of the banking union is also decisive in this context. However, the crisis also highlighted the need to improve transparency and monitoring not only in the traditional banking sector but also in areas where non-bank credit activities take place, called ‘shadow banking’.

Excessive leveraging of the financial system, in particular when this excess results in increased shadow banking activities, should be tackled in order to prevent a repeat of a major financial crisis.

Or. en

Amendment 2

Proposal for a regulation

Recital 2

Text proposed by the Commission

(2) In the context of its work to curb shadow banking, the Financial Stability Board (the ‘FSB’) and the European Systemic Risk Board (the ‘ESRB’) have identified the risks that securities financing transactions (‘SFTs’) pose. SFTs allow for the build-up of leverage, pro-cyclicality and interconnectedness in the financial markets. In particular, a lack of transparency in the use of securities financing transactions (‘SFTs’) and other financing structures has prevented regulators and supervisors as well as investors from correctly assessing and

Amendment

(2) In the context of its work to curb shadow banking, the Financial Stability Board (the "FSB") and the European Systemic Risk Board (the "ESRB") have identified the risks that securities financing transactions ("SFTs") pose. SFTs, including repurchase transactions, securities or commodities lending, securities or commodities borrowing, buy-sell back or sell-buy back transactions, and collateral swap transactions, allow for the build-up of leverage, pro-cyclicality and interconnectedness in the financial markets. In particular, a lack of
monitoring the respective bank-like risks and level of interconnectedness in the financial system in the period preceding and during the financial crisis. Against this background, on 29 August 2013, the FSB adopted a policy framework for addressing shadow banking risks in securities lending and repos. This was subsequently endorsed in September 2013 by the G20 Leaders.

transparency in the use of SFTs has prevented regulators and supervisors as well as investors from correctly assessing and monitoring the respective bank-like risks and level of interconnectedness in the financial system in the period preceding and during the financial crisis. Against this background, on 29 August 2013, the FSB adopted a policy framework for addressing shadow banking risks in securities lending and repos. This was subsequently endorsed in September 2013 by the G20 Leaders.

Amendment 3
Proposal for a regulation
Recital 2 a (new)

Text proposed by the Commission

(2a) Subsequently, on 14 October 2014, the FSB published a regulatory framework for haircuts on collateral posted in non-centrally cleared SFTs. In the absence of clearing, such operations raise major risks if they are not properly collateralised. While enhancing transparency on the re-use of collateral would be a first step towards facilitating counterparties' capacity to analyse and prevent risks, the FSB also considered it necessary to propose further reforms in the area of haircuts and margin requirements to the effect that market participants should apply haircuts on assets received as collateral for non-centrally cleared SFTs with non-banks. These proposals are intended to prevent excessive leveraging and mitigate concentration and default risk. The FSB is due to complete its work on those collateral haircuts by 2016, with the development of a final set of recommendations on haircuts for
collateral delivered in non-centrally cleared non-bank-to-non-bank STFs.

Amendment 4
Proposal for a regulation
Recital 3

Text proposed by the Commission

(3) In March 2012, the Commission published a Green Paper on Shadow Banking. Based on the extensive feedback received and taking into account international developments, the Commission published on 4 September 2013, a Communication to the Council and the European Parliament on Shadow Banking. The Communication stressed that the complex and opaque nature of SFTs makes it difficult to identify counterparties and monitor risk concentration. This also leads to the built-up of excessive leverage in the financial system.

Amendment

(3) In March 2012, the Commission published a Green Paper on Shadow Banking. Based on the extensive feedback received and taking into account international developments, the Commission published on 4 September 2013, a Communication to the Council and the European Parliament on Shadow Banking. The Communication stressed that the complex and opaque nature of SFTs makes it difficult to identify counterparties and monitor risk concentration. The Communication also concluded that this leads to the built-up of excessive leverage in the financial system.

Amendment 5
Proposal for a regulation
Recital 6

Text proposed by the Commission

(6) This Regulation responds to the need to enhance transparency of securities financing markets and thus of the financial system. In order to ensure equivalent conditions of competition and international convergence, this Regulation follows the FSB Recommendations. It creates a Union

Amendment

(6) This Regulation responds to the need to enhance transparency and control of securities financing markets and thus of the financial system. In order to ensure equivalent conditions of competition and international convergence, this Regulation aims to follow the FSB Recommendations
framework under which information on SFTs can be efficiently reported to trade repositories and investors. This need for international convergence is reinforced by the probability that following structural reform of the Union banking sector activities that are currently exercised by traditional banks might migrate to the shadow banking sector and encompass financial and non-financial entities. Therefore, even less transparency may arise for regulators and supervisors in respect of those activities, preventing them from obtaining a proper overview of the risks linked to securities financing transactions. This would only aggravate already well-established links between the regulated and the shadow banking sectors in particular markets.

1, 2, 5, 7, 12, 13 and 14. It creates a Union framework under which information on SFTs carried out by all financial and non-financial counterparties (except by central banks and counterparties of trades with central banks) can be efficiently reported to trade repositories and investors and under which the haircuts for the collateral posted under these SFTs should be properly calculated and thresholds for these haircuts adequately applied. This need for international convergence is reinforced by the probability that following structural reform of the Union banking sector activities that are currently exercised by traditional banks might migrate to the shadow banking sector and encompass financial and non-financial entities. Accordingly, a need for greater transparency may arise for regulators and supervisors in respect of those activities, which would allow them to obtain a proper overview of the risks linked to securities financing transactions. This would serve to counteract the already well-established links between the regulated and the shadow banking sectors in particular markets.

Or. en

Amendment 6
Proposal for a regulation
Recital 8

Text proposed by the Commission

(8) The new rules on transparency therefore provide for the reporting of details regarding SFTs concluded by all market participants, whereas they are financial or non-financial entities, including the composition of the underlying collateral, if the underlying collateral is available for use or has been used, and the haircuts applied. For reasons

(8) The new rules on transparency therefore provide for the reporting of details regarding SFTs concluded by all market participants, whereas they are financial or non-financial entities, including the composition of the underlying collateral, if the underlying collateral is available for use or has been used, and the haircuts applied. With a view
of efficiency, respective operational costs for market participants should be minimised and, thus, the new rules should build on pre-existing infrastructures and processes. Therefore, it is important that this legal framework is, to the extent possible, identical to that of Regulation (EU) No 648/2012/EC of the European Parliament and of the Council in respect of the reporting of derivative contracts to trade repositories registered for that purpose. This should also enable trade repositories authorised in accordance with Regulation (EU) No 648/2012/EC to fulfil the repository function assigned by the new rules, if they comply with certain additional criteria.

to minimising additional operational costs for market participants, the new rules and standards should build on pre-existing infrastructures and processes which have been introduced in the area of over-the-counter derivatives. For this reason, this legal framework is, to the extent possible, identical to that of Regulation (EU) No 648/2012/EC of the European Parliament and of the Council in respect of the reporting of derivative contracts to trade repositories registered for that purpose. This should also enable trade repositories authorised in accordance with that Regulation to fulfil the repository function assigned by the new rules, if they comply with certain additional criteria, including third-country trade repositories.

Amendment 7

Proposal for a regulation
Recital 11

(11) SFTs are used extensively by fund managers for efficient portfolio management. This use can have a significant impact on the performance of those funds. They can be used either to fulfil investment objectives or to enhance returns. Managers also have the possibility to use other financing structures that have effects equivalent to SFTs. Those other financing structures include total return swaps, liquidity swaps or collateral swaps. They are also extensively used by fund managers to get exposure to certain strategies or to enhance the returns. Both SFTs and other financing structures have in common that they increase the general risk profile of the fund whereas their use is not properly disclosed to investors. It is crucial

(11) SFTs are used extensively by financial and non-financial counterparties, and can represent a risk for such parties. Fund managers use SFTs for efficient portfolio management. This use can have a significant impact on the performance of those funds. They can be used either to fulfil investment objectives or to enhance returns. Managers also have the possibility to use other financing structures that have effects equivalent to SFTs. Those other financing structures include total return swaps, liquidity swaps or collateral swaps. They are also extensively used by fund managers to get exposure to certain strategies or to enhance the returns. Both SFTs and other financing structures have in common that they
to ensure that investors in such funds are able to make informed choices and to assess the overall risk and reward profile of investment funds.

increase the general risk profile of the fund whereas their use is not properly disclosed to investors. It is crucial to ensure that investors in such funds are able to make informed choices and to assess the overall risk and reward profile of investment funds.

Amendment 8
Proposal for a regulation
Recital 11 a (new)

Text proposed by the Commission

(11a) In addition, SFTs are also used by other financial counterparties, such as credit institutions, and by non-financial counterparties, thereby creating specific risks for those who hold shares or who are clients of these counterparties. Credit institutions should therefore disclose their activities in SFTs. Likewise, listed companies are required to disclose any activities in SFTs to their shareholders, who should be able to make informed choices about the risk profile of the companies in which they invest. Consequently, those credit institutions and listed companies should also inform the public of their activities in SFTs as part of their regular public reports.

Amendment 9
Proposal for a regulation
Recital 17
(17) Re-hypothecation provides liquidity and enables counterparties reducing funding costs. However, it creates complex collateral chains between traditional banking and shadow banking, posing financial stability risks. The lack of transparency on the extent to which financial instruments provided as collateral have been re-hypothecated and the respective risks in case of bankruptcy can undermine confidence in counterparties and magnify risks to financial stability.

(18) This Regulation establishes information rules towards counterparties...
on re-hypothecation which should not prejudice the application of sectorial rules adapted to specific actors, structures and situations. Therefore, the rules on re-hypothecation provided for in this Regulation should apply, for example, to funds and depositaries only insofar as there are no more stringent rules on re-use foreseen within the framework for investment funds constituting a lex specialis and taking precedence over the rules contained in this Regulation. In particular, this Regulation should be without prejudice to any rule restricting the ability of counterparties to engage in re-hypothecation of financial instruments that are provided as collateral by counterparties or persons other than counterparties.

Amendment 11
Proposal for a regulation
Recital 18 a (new)

Text proposed by the Commission

(18a) The definition of the term "re-use" in this Regulation seeks to provide alignment with the FSB Recommendations. For the purpose of this Regulation, "re-use" encompasses the concept of re-hypothecation, without prejudice to the use of the term "re-use" elsewhere in legislative acts of the Union, such as in Directive 2014/91/EU.
(20) Technical standards in the financial services sector should ensure consistent harmonisation and adequate protection of depositors, investors and consumers across the Union. As a body with highly specialised expertise, it is efficient and appropriate to entrust the ESMA with the elaboration of draft regulatory technical and implementing standards, which do not involve policy choices. ESMA should ensure efficient administrative and reporting processes when drafting technical standards. The Commission should be empowered to adopt regulatory technical standards by means of delegated acts pursuant to Article 290 of the Treaty on the Functioning of the European Union and in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council in the following areas: the details of the different types of SFTs, the details of the application for registration of a trade repository, and the frequency and the details of publication of and access to trade repositories' data, the methodology for calculating haircuts on collateral in certain types of SFTs and the minimum collateral haircuts on collateral in certain types of SFTs.
(21) The Commission should be empowered to adopt implementing technical standards developed by ESMA by means of implementing acts pursuant to Article 291 of the Treaty on the Functioning of the European Union and in accordance with the procedure set out in Article 15 of Regulation (EU) No 1095/2010 with regard to the format and frequency of the reports, the format of the application for registration of a trade repository, as well as the procedures and forms for exchange of information on sanctions with ESMA. The format for reporting, which is to be developed by ESMA, should be based on the format used for reporting under the Regulation on OTC derivatives, central counterparties and trade repositories (European Market Infrastructure Regulation, the "EMIR").

Amendment 14
Proposal for a regulation
Recital 22

(22) The power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of amending the list of entities that should be excluded from the scope of this Regulation in order to avoid limiting their power to perform their tasks of common interest; specific details concerning definitions; the type of fees, the matters for which fees are due, the amount of the fees and the manner in which they are to be

Amendment

(22) The power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of amending the list of entities that should be excluded from the scope of this Regulation in order to avoid limiting their power to perform their tasks of common interest; extending the list of SFTs covered by this Regulation; the type of fees, the matters for which fees are due, the amount of the fees and the manner in
paid by trade repositories, and of the amendment of the Annex in order to update information on SFTs and other financing structures and information to investors. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level. The Commission, when preparing and drawing up delegated acts, should ensure a simultaneous, timely and appropriate transmission of relevant documents to the European Parliament and to the Council.

Amendment 15
Proposal for a regulation
Recital 24

Text proposed by the Commission

(24) In accordance with the principle of proportionality, it is necessary and appropriate to ensure the transparency of certain market activities such as SFTs, rehypothecation and, where appropriate, other financing structures and to enable the monitoring and identification of the corresponding risks to financial stability. This Regulation does not go beyond what is necessary in order to achieve the objectives pursued in accordance with Article 5(4) of the Treaty on the European Union.

Amendment

(24) In accordance with the principle of proportionality, it is necessary and appropriate to ensure the transparency of certain market activities such as SFTs, re-use and, where appropriate, other financing structures and to enable the monitoring and identification of the corresponding risks to financial stability. This Regulation does not go beyond what is necessary in order to achieve the objectives pursued in accordance with Article 5(4) of the Treaty on the European Union.

Amendment 16
Proposal for a regulation
Article 1 – paragraph 1
This Regulation lays down rules on the transparency of securities financing transactions (SFTs), other financing structures and rehypothecation.

This Regulation lays down rules on the reporting of securities financing transactions (SFTs), the public disclosure of the SFTs of investment funds, listed companies and credit institutions SFTs and the conditions and the limitations for the re-use of financial instruments received as collateral.

Amendment 17

Proposal for a regulation
Article 2 – paragraph 1 – point (d)

(d) a counterparty engaging in rehypothecation that is established:

(1) in the Union, including all its branches irrespective of where they are located;

(2) in a third country, in either of the following cases:

(i.) the rehypothecation is effected in the course of the operations of an EU branch;

(ii.) the rehypothecation concerns financial instruments provided as collateral by a counterparty established in the Union or an EU branch of a counterparty established in a third country.

(d) a counterparty engaging in re-use that is established:

(1) in the Union, including all its branches irrespective of where they are located;

(2) in a third country, in either of the following cases:

(i.) the re-use is effected in the course of the operations of an EU branch;

(ii.) the re-use concerns financial instruments provided as collateral by a counterparty established in the Union or an EU branch of a counterparty established in a third country.

Amendment 18

Proposal for a regulation
Article 2 – paragraph 2 – introductory part
2. This Regulation shall not apply to:

Amendment

Articles 4 and 15 of this Regulation shall not apply to:

Or. en

Amendment 19

Proposal for a regulation
Article 2 – paragraph 2 – point b

Text proposed by the Commission

(b) the Bank for International Settlements.

Amendment

(b) the Bank for International Settlements;

Or. en

Amendment 20

Proposal for a regulation
Article 2 – paragraph 2 – subparagraph 1a (new)

Text proposed by the Commission

Articles 4 and 15 of this Regulation shall not apply to transactions to which the bodies listed in points (a) and (b) of the first subparagraph are counterparty.

Amendment

Or. en

Amendment 21

Proposal for a regulation
Article 2 – paragraph 3 – subparagraph 1a (new)

Text proposed by the Commission

To that end, and before adopting such delegated acts, the Commission shall produce a report specifying the reasons
for removing counterparties from, or adding them to, the list set out in paragraph 2 of this Article and analysing the potential effects of such a decision. It shall present this report to the European Parliament and the Council.

Or. en

Amendment 22

Proposal for a regulation
Article 2 – paragraph 3 – subparagraph 1b (new)

Text proposed by the Commission

Amendment

A decision of the Commission to adopt delegated acts in accordance with this Article in order to remove counterparties from the list set out in paragraph 2 shall take into account a comparative analysis of the treatment of these counterparties in third countries.

Or. en

Amendment 23

Proposal for a regulation
Article 3 – paragraph 1 – point 2

Text proposed by the Commission

Amendment

2. 'counterparties' means 'financial counterparties' and 'non-financial counterparties' as defined in points (8) and (9) of Article 2 of Regulation (EU) No 648/2012 as well as 'CCPs' as defined in point (1) of Article 2 of Regulation (EU) No 648/2012;

2. 'counterparties' means 'financial counterparties', 'non-financial counterparties' and 'CCPs' as defined in points (1), (8) and (9) of Article 2 of Regulation (EU) No 648/2012 as well as 'CSDs' as defined in point (1) of Article 2 of Regulation (EU) No 909/2014;

Or. en
Amendment 24

Proposal for a regulation
Article 3 – paragraph 1 – point 6 – indent 3

Text proposed by the Commission

– any transaction having an equivalent economic effect and posing similar risks, in particular a buy-sell back or sell-back transaction;

Amendment

– buy-sell back or sell-buy back transaction or collateral swap transaction;

Or. en

Amendment 25

Proposal for a regulation
Article 3 – paragraph 1 – point 6 a (new)

Text proposed by the Commission

6a. "re-use" means any use by a receiving counterparty of financial instruments delivered in one transaction in order to collateralise another transaction;

Amendment

Or. en

Amendment 26

Proposal for a regulation
Article 3 – paragraph 1 – point 7

Text proposed by the Commission

7. ‘rehypothecation’ means the use by a receiving counterparty of financial instruments received as collateral in its own name and for its own account or for the account of another counterparty;

Amendment

deleted

Or. en
Amendment 27
Proposal for a regulation
Article 3 – paragraph 1 – point 7 a (new)

Text proposed by the Commission

Amendment

7a. "title transfer financial collateral arrangement" means a title transfer financial collateral arrangement as defined in point (b) of Article 2(1) of Directive 2002/47/EC;

Or. en

Amendment 28
Proposal for a regulation
Article 3 – paragraph 1 – point 7 b (new)

Text proposed by the Commission

Amendment

7b. "security financial collateral arrangement" means a security financial collateral arrangement as defined in point (c) of Article 2(1) of Directive 2002/47/EC;

Or. en

Amendment 29
Proposal for a regulation
Article 3 – paragraph 1 – point 10 a (new)

Text proposed by the Commission

Amendment

10a. "haircut" is the margin applied by a collateral receiver that is subtracted from the market value of an asset used as collateral.
Amendment 30

Proposal for a regulation
Article 3 – paragraph 2

**Text proposed by the Commission**

*In order to reflect the evolution of market practices and technological developments,* the Commission shall be empowered to adopt delegated acts in accordance with Article 27 concerning measures to further specify the types of transactions which have an equivalent economic effect and pose similar risks to SFTs as set out in point (6).

**Amendment**

The Commission shall be empowered to adopt delegated acts in accordance with Article 27 in order to extend the list set out in point (6) of this Article to cover other types of transactions which have an equivalent economic effect and pose similar risks to SFTs. The Commission shall adopt such delegated acts on the basis of an analysis of the evolution of market practices and technological developments establishing that other types of transactions should be included in the list set out in point (6) because these transactions have an equivalent economic effect and pose similar risks to SFTs.

Amendment 31

Proposal for a regulation
Article 4 – paragraph 1 – subparagraph 2 – point a

**Text proposed by the Commission**

(a) were concluded before the date referred to in the second subparagraph of Article 29 and remain outstanding on that date;

**Amendment**

(a) were concluded before the date of application of this paragraph referred to in the second paragraph of Article 28 and remain outstanding on that date;
Amendment 32
Proposal for a regulation
Article 4 – paragraph 1 – subparagraph 2 – point b

Text proposed by the Commission
(b) are concluded after the date referred to in the second subparagraph of Article 29.

Amendment
(b) are concluded after the date of application of this paragraph referred to in the second paragraph of Article 28.

Amendment 33
Proposal for a regulation
Article 4 – paragraph 2

Text proposed by the Commission
2. Counterparties shall keep a record of any SFT that they have concluded, modified or terminated for at least ten years following the termination of the transaction.

Amendment
2. Counterparties shall keep a record of any SFT that they have concluded, modified or terminated for at least five years following the termination of the transaction.

Amendment 34
Proposal for a regulation
Article 4 – paragraph 4

Text proposed by the Commission
4. Trade repositories and ESMA shall respect the relevant conditions on confidentiality, integrity and protection of information received under this Article set out in Regulation (EU) No 648/2012, in particular Article 80 of Regulation (EU) No 648/2012. References in that article to Article 9 of Regulation (EU) No 648/2012 and to ‘derivative contracts’ shall be read as references to Article 4 of this Regulation.

Amendment
4. Trade repositories and ESMA shall respect the relevant conditions on confidentiality, integrity and protection of information received under this Article and shall comply with the obligations set out in particular in Article 80 of Regulation (EU) No 648/2012, and be liable to the relevant fines set out in Article 65 of that Regulation. References in Article 80 of Regulation (EU) No 648/2012 to Article 9 of that same Regulation and to ‘derivative
and 'SFTs' respectively. contracts’ shall be read as references to Article 4 of this Regulation and 'SFTs' respectively.

Amendment 35
Proposal for a regulation
Article 4 – paragraph 7 – subparagraph 1 – point a a (new)

Text proposed by the Commission

Amendment

(aa) the individual assets being used as collateral or that are subject to SFTs including, individual assets in the case of transactions collateralised by pools of assets.

Amendment 36
Proposal for a regulation
Article 4 – paragraph 7 – subparagraph 1 – point b

Text proposed by the Commission

Amendment

(b) the principal amount, currency, type, quality and value of the individual assets being used as collateral, the method used to provide collateral, where it is available for rehypothecation, if it has been rehypothecated, any substitution of the collateral, the repurchase rate or lending fee, counterparty, haircut, value date, maturity date and first callable date.

(b) the principal amount, currency, type, quality and value of the individual assets being used as collateral, the method used to provide collateral, where it is available for re-use, if it has been re-used, any substitution of the collateral, the repurchase rate or lending fee, counterparty, haircut, value date, maturity date and first callable date.

Or. en
Amendment 37
Proposal for a regulation
Article 4 – paragraph 7 – subparagraph 2

Text proposed by the Commission
ESMA shall submit those draft regulatory technical standards to the Commission by [12 months after the publication of this Regulation].

Amendment
The technical standards shall take into account the technical specificities of pools of assets in order to facilitate reporting. The technical standards shall ensure compliance with the most recent internationally agreed standards.

ESMA shall submit those draft regulatory technical standards to the Commission by [12 months after the publication of this Regulation].

Or. en

Amendment 38
Proposal for a regulation
Article 4 – paragraph 8 – subparagraph 1

Text proposed by the Commission
In order to ensure uniform conditions of application of paragraph 1, ESMA shall, in close cooperation with the ESCB and taking into account its needs, develop draft implementing technical standards specifying the format and frequency of the reports referred to in paragraphs 1 and 3 for the different types of SFTs;

Amendment
ESMA shall, in close cooperation with the ESCB and taking into account its needs, develop draft implementing technical standards that ensure uniform conditions of application of paragraph 1 by specifying the format and frequency of the reports referred to in paragraphs 1 and 3 for the different types of SFTs. The format shall include global legal entity identifiers (LEIs) or, until the current interim implementation phase of the Global Legal Entity Identifier System ends, shall include pre-LEIs, international securities identification numbers (ISINs), and a unique trade identifier (UTI) for each transaction, where applicable.

Or. en
Amendment 39
Proposal for a regulation
Article 5 – paragraph 4

Text proposed by the Commission
4. A trade repository shall submit an application for registration to ESMA.

Amendment
4. A trade repository shall submit an application for registration to ESMA. Where a trade repository is already registered under Regulation (EU) 648/2012, it shall apply for an extension of services.

Amendment 40
Proposal for a regulation
Article 5 – paragraph 6 – subparagraph 1

Text proposed by the Commission
ESMA shall develop draft regulatory technical standards specifying the details of the application for registration referred to in paragraph 4.

Amendment
ESMA shall develop draft regulatory technical standards specifying the details of the application for registration referred to in paragraph 4, taking into account the need to prevent duplication of procedures for those trade repositories applying for an extension of services already provided under Regulation (EU) 648/2012.

Amendment 41
Proposal for a regulation
Article 11 – paragraph 1 a (new)

Text proposed by the Commission
1a. Where a trade repository has been registered under this Regulation and also
under Regulation (EU) No 648/2012, fees charged by ESMA to the trade repository in accordance with this Regulation shall cover only ESMA's additional necessary expenditure.

**Amendment 42**

**Proposal for a regulation**
**Article 12 – paragraph 2**

1. **Text proposed by the Commission**

2. A trade repository shall collect and maintain the details of SFTs and shall ensure that the entities referred to in Article 81(3) of Regulation (EU) No 648/2012, the European Banking authority (EBA) and the European Insurance Occupational Pensions Authority (EIOPA) have direct and immediate access to these details to enable them to fulfil their respective responsibilities and mandates.

1. **Amendment**

2. A trade repository shall collect and maintain the details of SFTs and shall ensure that the entities referred to in Article 81(3) of Regulation (EU) No 648/2012, including the ECB in the context of carrying out its responsibilities and mandate under the Single Supervisory Mechanism pursuant to Council Regulation (EU) No 1024/2013, the European Banking authority (EBA) and the European Insurance Occupational Pensions Authority (EIOPA) have direct and immediate access to these details to enable them to fulfil their respective responsibilities and mandates.

**Amendment 43**

**Proposal for a regulation**
**Article 12 – paragraph 3 – subparagraph 1 – point b**

1. **Text proposed by the Commission**

(b) operational standards required in order to aggregate and compare data across repositories;

1. **Amendment**

(b) operational standards required in order to aggregate and compare data across repositories automatically;
Amendment 44

Proposal for a regulation
Article 12 – paragraph 3 – subparagraph 1 – point c

Text proposed by the Commission
(c) the details of the information to which the entities referred to in paragraph 2 have access to.

Amendment
(c) the details of the information to which the entities referred to in paragraph 2 have access to, depending on their respective responsibilities and mandates.

Amendment 45

Proposal for a regulation
Article 12 – paragraph 3 – subparagraph 1 – point c a (new)

Text proposed by the Commission

Amendment
(ca) the modalities under which the trade repositories shall grant direct and immediate access to the entities referred to in paragraph 2.

Amendment 46

Proposal for a regulation
Article 12 – paragraph 3 a (new)

Text proposed by the Commission

Amendment
3a. All transfers of data between trade repositories, whether located in the Union or in a third country, and entities referred to in paragraph 2 should be made in accordance with Regulation (EC) No
Amendment 47
Proposal for a regulation
Article 13 – title

Text proposed by the Commission
Investment fund's transparency in periodical reports

Amendment
Transparency in periodical reports

Or. en

Amendment 48
Proposal for a regulation
Article 13 – paragraph 1 – introductory part

Text proposed by the Commission
1. Management companies of UCITS, UCITS investment companies and AIFMs shall inform their investors on the use they make of SFTs as well as of other financing structures:

Amendment
1. Management companies of UCITS, UCITS investment companies and AIFMs shall inform their investors on their use of SFTs and their re-use of collateral in SFTs by disclosing all of the information listed in Section A of the Annex to this Regulation:

Or. en

Amendment 49
Proposal for a regulation
Article 13 – paragraph 1 a (new)

Text proposed by the Commission
1a. Credit institutions established in a Member State and authorised in

Amendment

Or. en
accordance with Directive 2013/36/EC shall inform their shareholders bi-
annually, where applicable as part of their half-yearly and annual corporate report,
of their use of SFTs and their re-use of collateral in SFTs by disclosing all of the information listed in Section A of the Annex to this Regulation.

Or. en

Amendment 50
Proposal for a regulation
Article 13 – paragraph 1 b (new)

Text proposed by the Commission

1b. Undertakings admitted to trading on a regulated market or on a multilateral trading facility shall inform their shareholders bi-annually, where applicable as part of their half-yearly and annual corporate report, of their use of SFTs and their re-use of collateral in SFTs by disclosing all of the information listed in Section A of the Annex to this Regulation.

Or. en

Amendment 51
Proposal for a regulation
Article 13 – paragraph 3

Text proposed by the Commission

3. The Commission shall be empowered to adopt delegated acts in accordance with Article 27 to amend Section A of the Annex in order to reflect the evolution of market practices and technological developments.

Amendment

3. The Commission shall be empowered to adopt delegated acts in accordance with Article 27 to amend Section A of the Annex in order to reflect the evolution of market practices and technological developments and shall also be
empowered to adopt implementing acts to ensure uniformity in the disclosure of the information referred to in paragraphs 1, 1a and 1b.

Amendment 52
Proposal for a regulation
Article 14 – paragraph 3

Text proposed by the Commission

3. The Commission shall be empowered to adopt delegated acts in accordance with Article 27 amending Section B of the Annex in order to reflect the evolution of market practices and technological developments.

Amendment

3. The Commission shall be empowered to adopt delegated acts in accordance with Article 27 amending Section B of the Annex in order to reflect the evolution of market practices and technological developments and shall also be empowered to adopt implementing acts to ensure uniformity in the disclosure of the information referred to in paragraphs 1, 1a and 1b.

Amendment 53
Proposal for a regulation
Article 15 – title

Text proposed by the Commission

Rehypothecation of financial instruments received as collateral

Amendment

Re-use of financial instruments received as collateral

Or. en
Amendment 54
Proposal for a regulation
Article 15 – paragraph 1 – introductory part

Text proposed by the Commission

1. Counterparties **shall have the right to rehypothecation** where at least all the following conditions are fulfilled:

Amendment

1. Counterparties **may re-use financial instruments received as collateral** where at least all the following conditions are fulfilled:

Or. en

Amendment 55
Proposal for a regulation
Article 15 – paragraph 1 – point a

Text proposed by the Commission

(a) the providing counterparty has been duly informed in writing by the receiving counterparty of the risks that may be involved in granting consent as referred to in point (b) in particular the potential risks in the event of the default of the receiving counterparty;

Amendment

(a) the providing counterparty has been duly informed in writing by the receiving counterparty of the risks **and legal consequences** that may be involved in granting consent as referred to in point (b) in particular the potential risks in the event of the default of the receiving counterparty;

Or. en

Amendment 56
Proposal for a regulation
Article 15 – paragraph 1 – point b – subparagraph 1 a (new)

Text proposed by the Commission

The condition set out in point (b) shall be deemed fulfilled where the providing counterparty agrees to provide collateral under a title transfer financial collateral arrangement.

Amendment
Amendment 57

Proposal for a regulation
Article 15 – paragraph 2 – introductory part

Text proposed by the Commission

2. Counterparties shall exercise their right to rehypothecation where at least all the following conditions are fulfilled:

Amendment

2. Counterparties may exercise their right to re-use only when at least all the following conditions are fulfilled:

Amendment 58

Proposal for a regulation
Article 15 – paragraph 2 – point a

Text proposed by the Commission

(a) rehypothecation is undertaken in accordance with the terms specified in the written agreement referred to in point (b) of paragraph 1;

Amendment

(a) re-use is undertaken in accordance with the terms specified in the written agreement referred to in point (b) of paragraph 1;

Amendment 59

Proposal for a regulation
Article 15 – paragraph 2 – point b

Text proposed by the Commission

(b) the financial instruments received as collateral are transferred to an account opened in the name of the receiving counterparty.

Amendment

(b) the financial instruments received as collateral are transferred from the account of the providing counterparty to a separate account opened in the name of or held by the receiving counterparty.
Amendment 60
Proposal for a regulation
Article 15 – paragraph 3 a (new)

Text proposed by the Commission

Amendment

3a. Counterparties shall follow methodologies to calculate haircuts on an individual asset basis or on a consolidated portfolio basis, depending on the nature of their trading activities.

Amendment 61
Proposal for a regulation
Article 15 – paragraph 3 b (new)

Text proposed by the Commission

Amendment

3b. In order to ensure the consistent application of paragraph 3a, ESMA, in close cooperation with the European System of Central Banks (ESCB) and taking into account international regulatory developments, shall develop draft regulatory technical standards specifying the methodologies to be used by counterparties to determine:

(a) the appropriate calculation method (individual asset basis or on a consolidated portfolio basis), depending on the type of counterparty and of its trading activities;

(b) the appropriate degree of variation of haircuts to prevent procyclicality;

(c) the minimum time period for historical data to take as reference in calculating haircuts;
(d) the liquidation risk when liquidating large concentrated positions;

(e) the "wrong-way" risk when the exposure to a single counterparty and the probability of default of the issuer of the collateral are positively correlated;

(f) portfolio margin requirements and stress testing of these requirements.

Amendment 62

Proposal for a regulation
Article 15 – paragraph 3 c (new)

Text proposed by the Commission

Amendment

3c. Credit institutions which engage in non-centrally cleared SFTs with other counterparties that are not credit institutions against collateral other than government securities shall apply minimum numerical haircuts to the collateral received or collect minimum excess margin amounts consistent with the minimum numerical haircuts.

Amendment 63

Proposal for a regulation
Article 15 – paragraph 3 d (new)

Text proposed by the Commission

Amendment

3d. Institutions other than credit institutions which engage in SFTs with other counterparties that are not credit institutions against collateral other than government securities shall apply minimum numerical haircuts to the
3e. In order to ensure the consistent application of paragraphs 3c and 3d, ESMA, in close cooperation with the ESCB and EBA and taking into account international regulatory developments and the need for an harmonised international approach, shall develop draft regulatory technical standards specifying:

(a) the haircut levels for corporate and other issuers and for securitised products, depending on the residual maturity of the collateral;

(b) the conditions for exempting cash-collateralised securities lending from the haircut levels;

(c) the conditions for exempting "collateral upgrade" transactions from the haircut levels;

(d) the approach of a competent authority in a Member State to implement these haircut levels, whether at product level or at entity level;
3f. The technical standards referred to in paragraphs 3b and 3e shall take into account the technical specificities of different counterparties and portfolios. They shall ensure compliance with the most recent internationally agreed standards.

ESMA shall submit those draft regulatory technical standards to the Commission by ... *.

Power is delegated to the Commission to adopt the regulatory technical standards referred to in paragraph 3b and 3e in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

* OJ: please insert the date: 18 months after the publication of this Regulation

Amendment 66
Proposal for a regulation
Article 16 – paragraph 1 – point a

(a) for financial counterparties, the competent authorities referred to in point (8) of Article 2 of Regulation (EU) No 648/2012;

(a) for financial counterparties, the competent authorities designated in accordance with the legislation referred to in point (8) of Article 2 of Regulation (EU) No 648/2012;

Or. en

Amendment 67
Proposal for a regulation
Article 16 – paragraph 1 – point b
(b) for non-financial counterparties, the competent authorities designated in Article 10(5) of Regulation (EU) No 648/2012;

(b) for non-financial counterparties, the competent authorities designated in accordance with Article 10(5) of Regulation (EU) No 648/2012;

Amendment 68

Proposal for a regulation
Article 16 – paragraph 1 – point d

(d) for central securities depositories, the competent authorities designed in accordance with CSDR;

(d) for central securities depositories, the competent authorities designed in accordance with Article 11 of Regulation (EU) 909/2014;

Amendment 69

Proposal for a regulation
Article 16 – paragraph 1 – point e

(e) for investment funds, the competent authorities designated in accordance with Directive 2009/65/EC and Directive 2011/61/EU.

(e) for UCITS and UCITS managing companies, the competent authorities designated in accordance with Article 97 of Directive 2009/65/EC;

Amendment 70

Proposal for a regulation
Article 16 – paragraph 1 – point e a (new)
(ea) for AIFs and AIF managing companies, the competent authorities designated in accordance with Article 44 of Directive 2011/61/EU.

Amendment 71
Proposal for a regulation
Article 19 – title

Recognition of trade repositories

Equivalence of supervisory arrangements and recognition of trade repositories

Amendment 72
Proposal for a regulation
Article 19 – paragraph 1 – subparagraph 1 a (new)

When the Commission adopts an implementing act on equivalence for a third country, the counterparties entering into a securities financing transaction and located in that third country shall be deemed to have complied with Article 4 of this Regulation if, in respect of the transaction concerned, they comply with the relevant similar reporting obligations of that third country.
Amendment 73

Proposal for a regulation
Article 19 – paragraph 3 – subparagraph 2 a (new)

Text proposed by the Commission

Amendment

International agreements that have been concluded between the Union and third countries pursuant to Article 75(2) of Regulation (EU) No 648/2012 shall be amended so that their scope extends also to SFTs.

Or. en

Amendment 74

Proposal for a regulation
Article 19 – paragraph 3 – subparagraph 2 b (new)

Text proposed by the Commission

Amendment

With respect to ongoing negotiations of international agreements between the Union and third countries pursuant to Article 75(2) of Regulation (EU) No 648/2012, the Commission shall request new negotiating directives from the Council in order to extend its negotiating directives granted by the Council in respect of Regulation (EU) No 648/2012.

Or. en

Amendment 75

Proposal for a regulation
Article 19 – paragraph 4

Text proposed by the Commission

Amendment

4. Within 30 working days of receipt of the application, ESMA shall assess whether the application is complete. If the

4. Within 30 working days from the receipt of the application, ESMA shall assess whether the application is complete. If the
application is not complete, ESMA shall set a deadline by which the applicant trade repository has to provide additional information.

Amendment 76
Proposal for a regulation
Article 19 – paragraph 5

Text proposed by the Commission

5. Within 180 working days of the submission of a complete application, ESMA shall inform the applicant trade repository in writing with a fully reasoned explanation whether the recognition has been granted or refused.

Amendment

5. Within 180 working days from the submission of a complete application, ESMA shall inform the applicant trade repository in writing with a fully reasoned explanation whether the recognition has been granted or refused.

Amendment 77
Proposal for a regulation
Article 19 – paragraph 7

Text proposed by the Commission

7. By way of derogation from points (b) and (c) of paragraph 3, where direct and immediate access by Union relevant authorities to the data they need to fulfil their respective responsibilities and mandate available at trade repositories registered or established in third countries is ensured as a binding and enforceable obligation against those trade repositories, the Commission may conclude cooperation agreements with the relevant third country authorities regarding mutual access to, and exchange of information on, SFTs held in trade repositories which are established in

Amendment

7. By way of derogation from points (b) and (c) of paragraph 3, where direct, continuous and immediate access by the authorities referred to in Article 12(2) to the data they need to fulfil their respective responsibilities and mandate available at trade repositories registered or established in third countries is ensured by an international agreement or a legal disposition of the third country as a non-reversible, binding and enforceable obligation against those trade repositories, the Commission may, after consulting ESMA, conclude cooperation
that third country, provided that professional secrecy, including the protection of business secrets shared by the authorities with third parties, is guaranteed. **arrangements** with the relevant third country authorities regarding mutual access to, and exchange of information on, SFTs held in trade repositories which are established in that third country, provided that professional secrecy, including the protection of business **and trade** secrets shared by the authorities with third parties, is guaranteed. **These arrangements may take the legal form of a Memorandum of Understanding.**

Amendment 78

Proposal for a regulation
Article 20 – paragraph 1 – subparagraph 1 – point a

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) breach of the reporting obligation set out by Article 4;</td>
<td>(a) breach of Article 4;</td>
</tr>
</tbody>
</table>

Or. en

Amendment 79

Proposal for a regulation
Article 20 – paragraph 1 – subparagraph 1 – point b a (new)

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ba) breach of Article 18.</td>
<td></td>
</tr>
</tbody>
</table>

Or. en

Amendment 80

Proposal for a regulation
Article 20 – paragraph 3 – subparagraph 1
Where Member States have chosen to lay down criminal sanctions for the breaches of the provisions referred to in paragraph 1 of this Article, they shall ensure that appropriate measures are in place so that competent authorities have all the necessary powers to liaise with judicial authorities within their jurisdiction to receive specific information related to criminal investigations or proceedings commenced for possible violations of Articles 4 and 15, and to provide the same to other competent authorities and ESMA to fulfil their obligation to cooperate with each other and, where relevant with ESMA for the purposes of paragraph 1 of this Article.

Amendment

Where Member States have chosen to lay down criminal sanctions for the breaches of the provisions referred to in paragraph 1 of this Article, they shall ensure that appropriate measures are in place so that competent authorities have all the necessary powers to liaise with police and criminal justice authorities within their jurisdiction to receive specific information related to criminal investigations or proceedings commenced for possible violations of Articles 4, 15 and 18, and to provide the same to other competent authorities and ESMA to fulfil their obligation to cooperate with each other and, where relevant with ESMA for the purposes of paragraph 1 of this Article.

Proposal for a regulation
Article 20 – paragraph 3 – subparagraph 2

Text proposed by the Commission

Competent authorities may also cooperate with competent authorities of other Member States with respect to the exercise of their sanctioning powers.

Amendment

Competent authorities may also cooperate with competent authorities of other Member States and of third countries with respect to the exercise of their sanctioning powers.

Proposal for a regulation
Article 20 – paragraph 4 – subparagraph 1 – point d

Amendment

Or. en
(d) withdrawal or suspension of the authorisation;

(d) suspension of the authorisation;

Amendment 83

Proposal for a regulation
Article 20 – paragraph 4 – subparagraph 1 – point g

Text proposed by the Commission

(g) maximum administrative pecuniary sanctions of at least three times the amount of the profits gained or losses avoided because of the breach where those can be determined;

Amendment

(g) in the event of a breach of Article 15, the maximum administrative pecuniary sanctions shall be at least five times the amount of the profits gained or losses avoided because of the breach, where those can be determined; in the event of a breach of this Regulation other than a breach of Article 15, maximum administrative pecuniary sanctions of at least three times the amount of the profits gained or losses avoided because of the breach where those can be determined;

Amendment 84

Proposal for a regulation
Article 20 – paragraph 4 – subparagraph 1 – point i

Text proposed by the Commission

(i) in respect of legal persons, maximum administrative pecuniary sanctions of at least 10% of the total annual turnover of the legal person according to the last available accounts approved by the management body; where the legal person is a parent undertaking or a subsidiary of

Amendment

(i) in respect of legal persons, maximum administrative pecuniary sanctions of at least EUR 5 000 000 or 10% of the total annual turnover of the legal person according to the last available accounts approved by the management body, whichever is the highest, where the legal
the parent undertaking which has to prepare consolidated financial accounts according to Directive 2013/34/EU, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income according to the relevant accounting regime according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

person is a parent undertaking or a subsidiary of the parent undertaking which has to prepare consolidated financial accounts according to Directive 2013/34/EU, the relevant total annual turnover shall be the total annual turnover or the corresponding type of income according to the relevant accounting regime according to the last available consolidated accounts approved by the management body of the ultimate parent undertaking.

**Amendment 85**

Proposal for a regulation
Article 20 – paragraph 4a (new)

*Text proposed by the Commission*

4a. The ECB shall, pursuant to Article 4(1)(a) of Council Regulation (EU) No 1024/2013, be the authority competent to withdraw authorisations of credit institutions in the event of any of the breaches referred to in paragraph 1 of this Article.

**Amendment**

5. A breach of the rules laid down by Article 4 shall not affect the validity of the terms of a SFT or the possibility of the parties to enforce the terms of a SFT. A breach of the rules defined under Article 4...
shall not give rise to compensation rights
from a party to a SFT.

defined under Article 4 shall not give rise
to compensation rights from a party to a SFT.

Or. en

Amendment 87
Proposal for a regulation
Article 26 – paragraph 1

Text proposed by the Commission

Three years after the entry into force, the
Commission shall, after consulting ESMA,
report on the effectiveness and efficiency
of this Regulation to the European
Parliament and to the Council and, if
appropriate, submit a revised proposal.

Amendment

Three years after the entry into force, or as
soon as the Financial Stability Board
publishes its complete and final
regulatory set of policy recommendations
on SFTs, whichever is the earlier, the
Commission shall, after consulting ESMA,
report on the effectiveness and efficiency
of this Regulation to the European
Parliament and to the Council and, submit
a revised proposal taking into account all
recent international regulatory
developments, including implementation
of similar FSB recommendations in third
countries.

Or. en

Amendment 88
Proposal for a regulation
Article 28 – paragraph 2 – subparagraph 1 – point a

Text proposed by the Commission

(a) Article 4(1), which shall apply 18
months after the date of entry into force; and

Amendment

(a) Article 4(1), which shall apply four
months after the date of entry into force of
the regulatory technical standards and of
the implementing technical standards
adopted by the Commission pursuant to
Articles 4(7) and 4(8); and
**Amendment 89**

**Proposal for a regulation**

**Article 28 – paragraph 2 – subparagraph 1 – point b**

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b) Articles 13 and 14, which shall apply 6 months after the date of entry into force.</td>
<td>(b) Articles 13 and 14, which shall apply <strong>three</strong> months after the date of entry into force.</td>
</tr>
</tbody>
</table>

**Amendment 90**

**Proposal for a regulation**

**Article 28 – paragraph 2 – subparagraph 1 – point b a (new)**

<table>
<thead>
<tr>
<th>Text proposed by the Commission</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>(ba) Article 15(3), which shall apply six months after the date of entry into force of the regulatory technical standards adopted by the Commission pursuant to Article 15(4)</em></td>
<td></td>
</tr>
</tbody>
</table>

Or. en
EXPLANATORY STATEMENT

1. Background

The global economic and financial crisis since 2007 made government and supervisory authorities very well aware of the consequences and the costs for the economy and the society of leaving the financial system unregulated. Since then, unprecedented regulatory efforts aimed at reducing systemic risks in the financial sector and legislative changes in the banking sector could result in regulatory arbitrage, with a considerable amount of banking activities shifting into the shadow banking system. Now, shadow banking provides a valuable alternative to bank funding for the real economy, but it is also generally considered as a potential source of risks in the current financial system. This is due to its size, worth $75 Billion in 2014 according to the Financial Stability Board, and to the interconnectedness between the shadow banking system and the regulated sector, particularly the banking system. Consequently, the Commission proposed several measures addressing existing and potential systemic risk in the area of shadow banking, including a proposal for a regulation aimed at increasing transparency of certain transactions outside the regulated banking sector. The latter provides a set of measures aiming to enhance regulators’ and investors’ understanding of securities financing transactions (STFs).

The Commission's proposal was largely based on the work done in this field by the Financial Stability Board (FSB) with the support of the G-20. FSB produced since 2013 policy recommendations to regulate Securities Financing Transactions (SFTs) and the rapporteur welcomes that the European Commission proposed to start transposing them in Europe through the abovementioned regulation, even if the FSB will complete its mandate only by 2017.

The basic principles and objectives of the Commission's proposal correspond largely to those introduced by the European Market Infrastructure Regulation in 2011, which are applicable to over-the-counter derivatives. The SFT Regulation should seek full transparency on these trades for the authorities, promote appropriate public disclosure of sensible information to investors and shareholders and aim at mitigating risks associated to these trades. The rapporteur believes nevertheless that the SFT legislation should include more ambitious provisions for these different aspects, including expanding the public disclosure requirements to credit institutions and listed companies and providing a sound regulatory frame for the haircuts to be applied on collateral provided in SFTs.

2. Reporting obligation

The reporting obligations should cover all financial and non-financial counterparties, with the exception of central banks and their counterparties. The rapporteur believes that reporting obligations should cover all types of SFTs currently in the market while leaving to the Commission the power to extend the list of SFTs and of SFT's counterparties to be included in the scope of the Regulation.

Reporting obligations and the consequent acquisition of reliable data, would allow supervisory Authorities to better identify the links between banks and shadow banking entities and to better monitor the exposures to and risks associated with SFTs and, eventually take measures directed at further reducing these risks.

Given the parallels with EMIR as far as reporting requirements are concerned, lessons can be
drawn and synergies can be built. Existing mechanisms under EMIR should be established to mitigate extra costs for counterparties to report their SFTs and for trade repositories (TRs) to extend their services to the recording of these trades. The application and registration of trade repositories, as well as recognition of third-country repositories, have to rest on existing rules and procedures as much as possible.

Likewise, lessons should be drawn from EMIR with regards to the practicalities of data communication and information technology systems to be devised. Data discrepancies between various reporting should also be prevented, as it would increase the likelihood of errors in the reporting and make the interpretation of aggregated data more complicated and ultimately less reliable. Therefore, the rapporteur supports the work of the authorities, including the FSB, in that area.

Authorities and counterparties have also gained experience in dealing with the implementation of such requirements and should therefore be able to implement them in a more coherent manner than under EMIR.

3. Transparency obligation

The rapporteur believes that using SFTs is far from a risk-free activity. Therefore, investment funds, which are the most likely financial counterparties to be involved in such transactions, must disclose all relevant details on these activities in their applicable public report and investor documents.

Credit institutions are also key components of our financial system and their stability is of primary importance. Therefore, disclosure details on their SFTs, similarly to what is required to other financial institutions, would help to inform their clients and stakeholders at large of the risk profile of the credit institution.

Finally, listed companies have a clear responsibility, should they engage in SFTs, to inform their shareholders of the risks that these activities entail.

Increased transparency will allow investors to compare and better assess different investment opportunities and thus to make more informed decisions.

4. Re-use

This regulation should aim at making the European Union compliant with FSB Recommendations on SFTs by end of 2017, the targeted implementation date set by the FSB. It is therefore very important, in the view of the rapporteur, to take the opportunity of this regulation to set already all the principles agreed by the FSB in a text of legislative nature while leaving out the technical details to be specified by the ESMA in a time frame which binds the EU to deliver in a timely fashion standards equivalent to the international recommendations of the FSB.

For this reason, the rapporteur believes necessary to include the following elements in Article 15:

- An immediate clarification of the conditions for re-use of collateral;
- An obligation for counterparties to use a common methodology for haircuts applicable to collateral in certain types of SFTs;
- Mandatory minimum haircuts on collateral in certain types of SFTs.

The development of a framework for Haircuts will contribute to reduce risks related to the
build-up of excessive leverage and pro-cyclical incentives associated with securities financing transactions, particularly in times of financial stress.

5. Other issues

In line with the overall effort directed at reducing fragmentation and to avoid possible incoherencies and overlapping between the SFTR and other Directives and Regulations regulating financial markets, the Rapporteur has dedicated particular attention to harmonization issues. Specific attention has been dedicated also to harmonization issues in the international context, in the attempt of making the rules clearer, more coherent and to avoid double legislation.