

Global Securities Financing Data Collection and Aggregation

Frequently Asked Questions

12 April 2021



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Background

Securities financing transactions (SFTs) such as securities lending and repurchase agreements play a crucial role in supporting price discovery and secondary market liquidity for a wide variety of securities. However, such transactions can also be used to take on leverage as well as maturity and liquidity mismatched exposures, and therefore can pose risks to financial stability.

Building on the policy recommendations to address financial stability risks in SFTs published in August 2013¹, the Financial Stability Board (FSB) in November 2015 developed the data standards and processes for collecting and aggregating global data on SFTs (hereafter *SFT Data Standards*).² Based on the *SFT Data Standards*, the FSB, through its Data Experts Group on Securities Financing Transactions (SFTDEG), has been working on the global data collection and aggregation, through developing detailed operational arrangements such as the reporting guidelines (hereafter *Reporting Guidelines*)³ and facilitating national implementation. The Bank for International Settlements (BIS), leveraging on its expertise in managing international banking and financial statistics, has agreed to provide the operational support for the collection and potential dissemination of aggregated securities financing data as global aggregator.

This document includes Frequently Asked Questions (FAQs) that are prepared by SFTDEG to help national implementation of the *SFT Data Standards*. These FAQs are based on practical issues raised by FSB member jurisdictions in their implementation of the *SFT Data Standards* as well as by the BIS as the global aggregator, that may benefit from a common approach as developed by the SFTDEG. As market practices evolve, the SFTDEG will continue to update the FAQs as needed going forward. Jurisdictions that have additional questions on these FAQs are invited to contact the FSB Secretariat (e-mail: fsb@fsb.org).

¹ FSB, *Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos* (August 2013)

² FSB, *Standards and Processes for Global Securities Financing Data Collection and Aggregation* (November 2015)

³ FSB-BIS, *Securities Financing Transactions: Reporting Guidelines* (March 2018)

Abbreviations

BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
CCP	Central Counterparty
CSD	Central Securities Depository
DQC	Data Quality Check
ETF	Exchange-Traded Fund
ETN	Exchange-Traded Note
FSB	Financial Stability Board
GMRA	Global Master Repurchase Agreement
REIT	Real Estate Investment Trust (REIT)
SFTs	Securities Financing Transactions
SFTDEG	Data Experts Group on Securities Financing Transactions
SWF	Sovereign Wealth Fund

Frequently Asked Questions

Q1. How should collateral residual maturity (i.e. Data Elements 4.12, 6.12 and 9.9 in the *SFT Data Standards* be reported in the case of securities with embedded options?

For the collateral residual maturity for securities to be reported under the *SFT Data Standards*, jurisdictions should report the difference between the final maturity date and the current reporting date, without any consideration of embedded options.⁴

Background

Put/call options, giving the holder/issuer of a security the right to demand repayment/redeem the title, seem a relatively common feature among outstanding securities in some jurisdictions.⁵ Since no specific treatment for collateral securities with embedded options is specified in the *SFT Data Standards*, there is a need for clarifying how to report the (residual) maturity of such collateral securities.⁶

Two approaches can be considered. The first approach is to report the residual maturity of the collateral securities without considering the embedded options. In this case, a collateral security reported in June 2019 and maturing in June 2023 would be included in the maturity bracket “more than 1 year and up to 5 years” even if it includes a callable option that can be exercised starting in December 2019.

This approach is relatively easy to implement for the reporting jurisdiction as well as for counterparties that report to the relevant national authorities. It would also allow authorities to analyse the maturity spectrum of securities used as SFT collateral. Moreover, this treatment would be in line with other available data on securities that are compiled according to the statistical standards listed in the *Handbook on Securities Statistics*⁷, potentially allowing links between different sets of data on securities.⁸ On the other hand, this approach would not be able

⁴ For loans with embedded options the treatment is different (see Data Element 3.9 in Table 3 of the *SFT Data Standards* where it is stated that “*For repos with a put, maturity is based on the first day the put can be exercised*”). The rationale for this difference is that loans that have to be reimbursed earlier than final maturity need to be refinanced.

⁵ Embedded options seem to be not so common in Japan. Bank of Spain suggested a pre-screening in jurisdictions that are currently collecting SFTs to evaluate the materiality of these features. The optionality should be only collected in those jurisdictions where the optionality is relevant and more if those jurisdictions are relevant in global SFT markets. If a pre-screening is not possible, the optionality of a collateral security should not be reported when considering the maturity date, because the cost of collecting this information will be too high for every participant. In this case, the collateral maturity should be that of the final maturity date of the security. If the option is exercised, a replacement in the collateral should be reported in the next month data submission.

⁶ A callable bond (security) allows the issuer to redeem before the final maturity date. A puttable bond (security) allows the holder to demand repayment of the bond before the final maturity date.

⁷ BIS-ECB-IMF, *Handbook on Securities Statistics* (May 2015)

⁸ For example, in the EU, this would be consistent with another reporting regime on securities (MiFIR).

to capture the potential exercise of call/put option embedded in the collateral securities and therefore would not be able to assess potential risks associated with a shortfall of collateral.⁹

Under the second approach, the residual maturity of collateral securities will be computed based on the first date where the option could be exercised (the security described in the example above would be reported in June 2019 in the maturity bracket “more than 3 months and up to 1 year”). This approach would, in principle, allow assessing potential risks associated with a shortfall of collateral due to the exercise of embedded options. However, it tends to overestimate the potential risks associated with a shortfall of collateral by implicitly assuming that any existing embedded options on collateral securities will be surely exercised. To reduce such overestimation, additional information related to the likelihood of the embedded options to be exercised needs to be collected, which may increase reporting burden for authorities as well as for counterparties of the SFTs.¹⁰ Also, there are practical difficulties associated with this approach. For example, depending on contractual arrangements, the option could still be exercised later on, either at predefined dates (e.g. every quarter) or at any time before the final maturity date of the security. In the latter case, securities would have to be reported in the shortest maturity bracket ever since, even if they may remain outstanding until their final maturity.

Comparing the above two approaches, the second approach may present a greater potential for an inconsistent representation of maturity information across reporting jurisdictions while conveying only limited additional information. Therefore, adopting the first approach seems to be the practical way forward.

In relation to this, SFTDEG members considered adding the following information in the *SFT Data Standards*: (i) “collateral optionality by the issuer: Yes, No”; and (ii) “collateral optionality by the holder: Yes, No”. These data would allow authorities to understand potential financial stability risks associated with the possible exercise of embedded options in collateral securities. However, most SFTDEG members preferred not to include them in the *SFT Data Standards* at this stage, and therefore, these information will not be included within the scope of data collection and aggregation at the global level at this moment.

⁹ National authorities may still monitor embedded options if they collect granular data including standard IDs for collateral securities within their jurisdictions.

¹⁰ In other words, the benefits of this second approach are difficult to reap without significant additional information. For example, different types of transfer of securities used as collateral may or may not preclude the exercise of the option to the bond holder.

Q2. Should securities lending provided as an agent by a Central Securities Depository (CSD) for settlement enhancing services to prevent or resolve failures (so-called “fails-curing” mechanisms) be included in the SFT reporting?

“Fails-curing” mechanism should be included in reporting to FSB, with the exception of cases where no exchange of collateral is made (i.e. the transactions is reported as uncollateralised) and the entire borrower securities account is pledged instead. In such case, no reporting should be made of “fails-curing” securities lending transactions. Authorities should monitor, if possible, the size of such unreported transactions in their reporting frameworks (e.g. by checking the size of uncollateralised positions intermediated by a CSD).

Background

In the *SFT Data Standards*, footnote 24 (p.11) indicates that “Securities lending provided by a Central Securities Depository (CSD) as a principal for settlement enhancing services to prevent or resolve failures should also be included”. However, the treatment of “fails-curing” transactions in which the CSD does not act as principal but as an agent, possibly providing guarantees, is not specified in the *SFT Data Standards*.

According to information provided by some SFTDEG member jurisdictions, such fails-curing mechanisms are used in EU while are not adopted in the US and in Japan.¹¹ Accordingly, the description below refers to the EU situation (as described by ESMA).

The objective of “fails-curing” (or “fails-prevention”) programmes organised by CSD is to improve settlement efficiency and reduce counterparty claims. CSD participants need to subscribe to the programme as either lender, borrower, or both.¹² These algorithm-based programmes follow the same steps:

1. Detection of a (potential) securities shortage in a borrower’s CSD account (i.e. a failed trade);
2. Identification of adequate securities in a lender’s CSD account; and
3. Transfer of the loan securities against collateral.

If such CSD “fails-curing transactions” are included within the scope of the *SFT Data Standards*, Data Element 5.5 of the *SFT Data Standards* (“Market trading”) - indicating that the transaction has been intermediated by an agent, although without further information either on the nature or

¹¹ In the US, fails to deliver are not negligible and are monitored by authorities. Fails are discouraged via financial penalties for the responsible parties or legal limitations on short sales of securities under certain circumstances rather than via mechanisms such those described in the note. Penalties can be different depending on the type of securities that are required to be delivered and the duration of the fail. No similar services/functions/arrangements seem to exist in Japan. Similarly, the Spanish CSD is not currently offering such services. In the European Union, Regulation (EU) No 909/2014 (Central Securities Depositories Regulation) includes fails penalties but not fails curing mechanisms: however, the two largest CSDs in the EU have securities lending programs in place aimed at making settlement more efficient.

¹² Participation to the programmes is not automatic, though on certain occasions required to become a CSD participant.

sector of that agent¹³ - and Data Element 6.5 (“Collateral management”) - valued as appropriate – will be reported. The inclusions of these transactions would be in line with the objective of the *SFT Data Standards* (i.e. monitoring of potential financial stability risks), although their materiality may be currently rather limited, according to available information.¹⁴

For the purpose of data collection and aggregation at the global level, the fails-curing transaction should be included in the stock data (as long as collateral is reported) with the indication that an agent has participated to the transaction while the original transaction would no longer be included in the stock data.

Note that “fails-curing” mechanisms may require, the pledge of the entire borrower’s securities account at the CSD to collateralise the position rather than the transfer of specific collateral.¹⁵ The collateral is not directly exchanged by the counterparties but remains in the borrower’s account while the CSD provides a guarantee to the lender. According to EU SFT Regulation (SFTR) technical standards in the EU, transactions based on this mechanism will be flagged as uncollateralised, to avoid imposing an excessive reporting burden by asking to report the entire CSD account. Accordingly, this specific type of “fails-curing” transactions will not be included in the *SFT Data Standards*. Authorities are expected to monitor developments in “fails-curing” mechanisms. In case mechanisms based on the collateralisation of the entire portfolio should assume a stronger relevance, the reporting of transactions that include such mechanisms might be reconsidered by jurisdictions.

¹³ CSD would not be identified as such, although this information is available under the EU SFT Regulation (SFTR).

¹⁴ In addition, guarantees offered by CSDs to lenders, and the implicit off-balance sheet commitments associated with such guarantees, may also present financial stability concerns that are similar with agent lender indemnifications (on which the SFTDEG is currently reflecting upon). Such guarantees and implicit commitments may be included in the *SFT Data Standards*, if agent lender indemnifications are included within the scope in the future.

¹⁵ No data are available on the quantitative importance of such specific mechanism.

Q3. Should automatic rollovers of existing agreements be included among the transactions traded during the period for the purpose of reporting the number of transactions in flow data (Table 2 of the *SFT Data Standards*)? Similarly, should novated trades be included for the same purpose?

The number of transactions should include all the new deals agreed during the period, including re-negotiated deals where the terms of the deal have changed with the active involvement of the counterparties. Life cycle events that are already foreseen to take place and do not imply the active involvement of the counterparties (i.e. automatic rollovers) are not considered re-negotiations.

In the case of novated trades (transactions in which the counterparty of the trade becomes a CCP, while the terms of the deals remain the same), only the original transactions should be counted.¹⁶ The rationale for this treatment is that flow data does not include additional data elements that would allow for distinguishing novated trades from the original trades and therefore including the novated transactions would inflate the number of transactions from an economic point of view.

Background

All new trades in a reporting period should be included in flow data, including re-negotiated deals where the terms of the deal have changed with the active involvement of the counterparties. Re-negotiations are all instances in which after the initial agreement, the counterparties of a financial transaction remains the same and agree to modify the initially agreed financial terms applicable to the original transaction. This modification can take place against the payment of a fee or free of charge.

Life cycle events such as margin calls, collateral substitutions, coupon payments, exercising of options or re-setting of the interest rate on variable rate instruments will not be reported in the number of transactions in flow data. These are events in the life cycle of transactions that are already foreseen to take place either on the basis of the transactions terms or on the basis of the master agreement governing the transactions and do not imply the active involvement of the parties.

Therefore, a non-automatic rollover of an open repo should be counted as a new transaction while an automatic rollover should not be included in the number of transactions traded in the reporting period.

¹⁶ In outstanding amounts, the original trade before novation will not be reported after novation. Only novated trade will be reported.

Q4. How should loan amounts be valued in Table 2 (flow data)?

The Data Element 2.5 “Principal amount” is the amount of cash provided for transactions traded in the reporting period and refers to the cash provided or received the day of the transaction. As indicated in paragraph 25 of the *Reporting Guidelines*, jurisdictions that will collect daily data will be in the position to perform currency conversion with the relevant daily exchange rate. Jurisdictions that collect loans flow data at monthly frequency should use the average monthly exchange rate for converting flow data.

Q5. How should exchange-traded funds (ETFs), exchange-traded notes (ETNs), real estate investment trusts (REITs) and infrastructure funds used in repo transactions or securities lending transactions be reported in data elements “Collateral type” (Data Elements 4.9 and 6.9) and “Type of security lent or borrowed” (Data Element 5.9)?

ETFs, REITs and infrastructure funds are reported as “Other assets”. ETNs are reported as “Other assets” if they are traded at exchanges as beneficiary securities (e.g. American Depositary Receipt (ADR), Global Depositary Receipt (GDR), Japanese Depositary Receipts (JDR)), and is reported otherwise as either “Debt securities” or “Corporate debt securities”. Should any of these asset classes become more widely used in SFTs (e.g. ETFs) in the future, this approach may be revised (for example, by adding distinct asset classes to the *SFT Data Standards*).

Background

In the *SFT Data Standards* (Table 4.9), there are 9 types of collateral (including cash). The characteristics of ETFs, REITs and infrastructure funds currently do not allow their classification in any collateral types other than the residual “Other assets (including shares in mutual funds), excluding cash”.

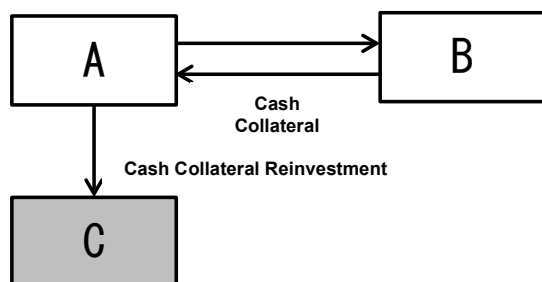
ETNs have different characteristics depending on whether they are traded as beneficiary certificate or not. For example in Japan, “ETN that is not traded as beneficiary certificate” has a character of corporate securities according to laws for corporate securities. Accordingly, it could be classified as either “Debt securities (including covered bonds) issued by banks and other financial institutions” or “Corporate debt securities (including covered bonds) issued by non-financial institutions” depending on the sectoral classification of the issuer.

On the other hand, in Japan, “ETN that is traded as beneficiary certificate” (e.g. ADR, GDR, JDR) is a security issued based on the Trust Act and it should not be classified as a debt security. Again, its characteristic suggest that “ETN traded as beneficiary certificate” should be classified as “Other assets (including shares in mutual funds), excluding cash”.

Some SFTDEG members felt that some flexibility in the future would be useful as the growth of, for example, ETFs may eventually be reflected in their greater use as collateral/securities lent.

Q6. For Data Element 7.3 (Counterparty sector for cash collateral reinvestments) of the *SFT Data Standards*, reporting should be based on the sector of counterparty of the original transaction or the sector of counterparty to which the cash collateral is reinvested?

If available, the sector of counterparty to which the cash collateral is reinvested (C in the diagram below) should be reported for the counterparty sector for cash collateral reinvestments (i.e. Data Element 7.3 of the *SFT Data Standards*).



Background

In the August 2013 FSB *Policy Framework for Addressing Shadow Banking Risks in Securities Lending and Repos*, it was stated that “minimum standards for cash collateral reinvestment by securities lenders or their agents should focus on limiting risks arising from cash collateral reinvestment where securities are lent at call or at short maturities, giving rise to liquidity risk”.

Referring Data Element 7.3 in the *SFT Data Standards* (Counterparty sector for cash collateral reinvestments) to the **counterparty of the original transaction (B in the diagram above)** would allow monitoring the possibility that cash collateral could be recalled by the counterparty that borrowed securities, if for example a shock hits the sector of counterpart B, and how easy that recall would be, depending on how cash raised by that sector has been reinvested (as monitored by Data Element 7.7).¹⁷

Referring Data Element 7.3 to the **sector of the counterparty of the reinvestment (C in the diagram above)** would instead be useful if sector C is hit by a shock and the re-investment did not envisage the full transfer of the asset. The *SFT Data Standards* did not provide any clear indications on this point.¹⁸ On conceptual terms, the choice of what should be captured in Table 7 may depend on members’ preference on the information that should be captured with this data element.¹⁹

¹⁷ Data Element 7.7 only allows the following options: (i) registered money market fund; (ii) any other commingled pool; (iii) the repo market; (iv) direct purchase of securities; and (v) a residual category.

¹⁸ The *SFT Data Standards* only noted that “the implementation guidelines would provide more details on the reporting requirements” and mentioned as “possible that the data elements included [in Table 7] could only be reported by agent lenders”.

¹⁹ Note that the transfer of cash collateral from B to A is covered by Data Element 6.9 in Table 6 so there is no need for information in Table 7 to capture such information.

In practical terms, SFTDEG members highlighted potential issues in reporting sector information, both for the A-C relationship and for the A-B relationship. In the former case (A-C), this relationship will not be collected in national/regional reporting schemes in at least one jurisdiction. Meanwhile, some members also highlighted that information on the A-B relationship may be difficult to collect and report because cash collateral is not segregated.

Based on the discussion among SFTDEG members, it is proposed to monitor cash reinvestment with reference to counterparty to which the cash collateral is reinvested (i.e. referring to the sectoral information to the counterparty C) for those jurisdictions where this information is available.

Q7. What should be reported in “Market segment-clearing” (Data Elements 3.5, 4.4, 5.6, and 6.4) and “Haircut” (Data Elements 4.14 and 6.14) for transactions that are cleared at legally defined CCPs and for which haircuts have been agreed?

If haircuts are agreed for a transaction cleared at legally defined CCPs, “centrally cleared” should be reported for “Market segment-clearing” and the actual haircut bracket (not necessarily zero) should be reported for “Haircut”. Note that these data elements refer only to haircuts applied to the collateral exchanged in SFTs, and not to the haircuts applied by CCPs to collateral posted for margining purposes.²⁰

Background

Data Elements 4.14 and 6.14 refer to non-centrally cleared SFTs as the data element is intended for monitoring of the application of the FSB *Regulatory framework for haircuts on non-centrally cleared securities financing transactions*.²¹ However, based on the approach proposed by Bank of Japan, SFTDEG members agreed with the above approach.

As in centrally cleared transactions, haircuts may either refer to CCP haircuts on the collateral posted for margining purposes across multiple transactions, or to haircuts on the collateral exchanged between SFT counterparties. The FSB is seeking to collect data on haircuts applied to the collateral exchanged in SFTs and not to the haircuts applied by CCPs to collateral posted for margining purposes.

²⁰ As noted in the ESMA *Report on securities financing transactions and leverage in the EU* (October 2016), there are important differences between haircuts in a centrally cleared and in a non-centrally cleared context. In non-centrally cleared SFTs, the haircut is a discount applied to the value of the collateral exchanged as part of the transaction. SFTs are fully or over-collateralised transactions, which means that the discounted value of the collateral received (after haircut) should at least cover for the value of the nominal exposure. In centrally cleared transactions, CCPs require their Clearing Members (CM) to post margins to collateralise net exposures. These net exposures are calculated on the basis of multiple transactions that may include derivatives, SFTs, and other types of trades. Margins can be posted by CMs either in cash or securities. When securities (or cash in non-base currency) are posted, a haircut applies. For example, a long SFT position of 200 netted with a short derivative position of 100 results in net exposure and CCP margin requirement of 100. The CM may post e.g. 100 in cash, or 110 in securities which would correspond to a 10% haircut.

²¹ FSB, *Regulatory framework for haircuts on non-centrally cleared securities financing transactions* (November 2015, subsequently updated).

Q8. Should transactions in which cash received as collateral in securities lending transactions is exchanged for other currencies (currency swap) be reported as a type of cash collateral reinvestment in Data Element 7.7 of the *SFT Data Standards*? If so, should the value “other” be selected?

Transactions in which cash received as collateral is exchanged for other currencies should be reported as “other” cash collateral reinvestment in Data Element 7.7.

Q9. How should haircuts be defined?

Haircuts, defined as discount deducted from the collateral to get to the purchase price (as in haircut = $1 - \text{cash/collateral}$), should be reported as contractual haircuts, i.e. those agreed at the inception of the deal.

Background

The *SFT Data Standards* set out the meaning of “collateral” (object of purchase) and “haircut” (discount deducted to get to the purchase price). The following illustrates this:

- Loan side (cash) is 100, and collateral side (securities) is 105
- Haircut is equal to 4.76%, calculated as $1 - 100/105$

Haircuts can be interpreted as initially contracted haircut, or current (effective) haircut. In some jurisdictions, market participant define what is considered contractual haircut as margin. Margin increases the value of loan (principal) and is defined with reference to the loan and not to the collateral. The following illustrates this:

- Loan side (cash) is 100, and margin is 5%.
- Collateral side (securities) is calculated as $(1 + 0.05) * 100 = 105$

Double reporting in global reporting can be solved by matching both sides of the deal. This means that haircuts should be reported using the definition in the *SFT Data Standards*, as in the following:

- Haircut is defined as discount deducted from the object of purchase so that the purchase price can be calculated. It is calculated as $1 - 100/105 = 4.76\%$
- Haircut is reported in [4.7, 4.8) bucket

Effective haircuts may be calculated from the reported data on loans and collateral. The *SFT Data Standards* define that the collateral needs to be marked to market at the end of each reporting period. This means that effective haircuts can be calculated from the reported data in each reporting period in the following way:

- At the end of the month, collateral value decreased to 102. Additional collateral will be provided the following day, and at the end of the reporting month the following items are reported.
 - Loan = 100 and collateral = 102
- Effective haircut is calculated as $1 - 100/102 = 1.96\%$
- Contractual haircut is still reported in [4.7, 4.8) bucket

In cross-border deals, national/regional authorities will have to follow the same calculation principle so that the global aggregates do not include double-counting. This cannot be achieved: if one reporting national authority provides data on margins, while other provides data on haircuts; or if one reporting national authority provides data using current values for loans and collaterals, while the other uses the original haircut agreed between market participants.

Q10. How should cash collateral in repos be reported?

While it is recognised that posting cash collateral in a repo should happen just on a temporary, overnight basis, to cover a shortfall of eligible collateral securities, an additional element (“cash collateral”) has been added to the admissible code list for Data Element 4.9. The associated issuing jurisdiction for item “Cash” in Data Elements 6.9 Collateral type and expanded Data Element 4.9. Collateral type (i.e. Data Elements “4.13 Jurisdiction of the issuer of the underlying security” and “6.13 Jurisdiction of the issuer of the collateral”) refer to residence of the issuing central bank. In case of euro, reporting authority should use 5C.

Background

The Technical Standards under EU SFT Regulation (SFTR) and certain amendments to European Market Infrastructure Regulation (EMIR) released on 31 March 2017 by ESMA²² envisage the cash collateral element for the reporting of valuation margin in a bilateral, non-CCP cleared repo scenario. It made, however, clear that this happens on temporal, overnight basis to cover a shortfall of eligible collateral securities.

For this reason, the *SFT Data Standards* did not envisage cash as one of the collateral types in Table 4 (Data Element 4.9) related to reverse repos and repos – collateral stock data.

This may create practical difficulties in reporting of such repo transactions with cash collateral because national authorities may choose:

1. Cash collateral reporting:
 - (i) cash in any of the collateral types listed Data Elements 4.9 of the *SFT Data Standards*²³, or
 - (ii) cash as a reduction of the loan.
2. Currency of denomination:
 - (i) In both cases, additional problem will arise if cash provided as collateral and the loan are in different currencies, or if cash currency is not the same as currency of denomination of the securities used as collateral.

If all national authorities do not adopt the same approach in reporting repo transactions with cash collateral (e.g. by using the same collateral type or by reducing the loan value), double-counting cannot be removed on this level of disaggregation (collateral type and currency of the collateral).

The *SFT Data Standards* explicitly stated “additional details on the classification will be provided in the implementation guidelines as necessary”. All authorities agreed to add an additional element (“cash collateral”) in the code list for Data Element 4.9 in the *Reporting Guidelines*.²⁴

²² See Section 4.3.7.4.1 *Cash Collateral Element*.

²³ Note, however, that the category “other assets” explicitly excludes cash.

²⁴ Table D31 in the *Reporting Guidelines* already envisages cash collateral. Therefore, changes would be limited to the rules included in table D32 (stating that the value “c” for cash collateral is not expected in table 4).

Q11. How should original maturity (Table 2) and residual maturity (Table 3) be computed for “open” and “evergreen” repos?

For both “open” and “evergreen” repos, original maturity should be classified as “open” in Data Element 2.3 and residual maturity set equal to the notice period (or residual maturity if shorter) in Data Element 3.8.

Background

An *open repo* (also known as “on demand repo”) is a repurchase agreement that is agreed without fixing the maturity date. Instead, the repo can be terminated on any day in the future by either party, provided they give notice before an agreed (daily) deadline. Until an open repo is terminated, it automatically rolls-over each day. Each day, however, both counterparties have the option of not rolling-over the trade, implying that the effective tenor of open trades is overnight.

An *evergreen transaction* is a repo with a fixed maturity that, unless either counterparty elects otherwise within a certain timeframe, automatically roll (or extend) to a further future end date. Should either counterparty elect not to roll the trade at any point, then the trade will end on the last set end date. For example, a one-year repo with a 30-day evergreen option implies that at any point within the one-year term of the repo either counterparty can exercise the option to discontinue the trade with a 30-day notice. The implication is that such a repo effectively has a 30-day [residual] maturity structure. In slightly different structures, a 30-day evergreen will each day “renew” to a new 30-day period unless notice of termination is given. Then the existing 30-days period becomes fixed, and at the end of the 30 days, the repo contract closes and is settled. In this case, the evergreen contract maturity structure is more akin to that of an open contract.

The *SFT Data Standards* explicitly consider *open contracts* as a separate category for both Data Element 2.3 (original maturity) and 3.8 (residual maturity). *Evergreen contracts* are explicitly considered in the description of Data Element 3.8 where it states that for these contracts the residual maturity should be based on the minimum notice period.

Based on the substance of the operations, it is proposed that for both “open” and “evergreen” repos, original maturity should be classified as “open” in Data Element 2.3 and residual maturity set equal to the notice period (or residual maturity if shorter) in Data Element 3.8.

Finally, it is worth noting that such contracts would not give rise to a corresponding recording of new transactions (e.g. the day after for open repos with 1-day residual maturity) as they are renewed in an automatic way and, as such, they are not recorded as new transactions (which is in line with Q3 of this FAQs document).

Q12. How are “Main index equities (including convertible bonds)” defined in Table 4, Data Element 4.9 Collateral type? What is the issuing jurisdiction for item “Main index equities” in the same data element?

“Main index equities” should be defined in accordance with the national/regional implementation of FSB’s numerical haircut floors for non-centrally cleared SFTs [or its BCBS’ application].

Data Element “4.13 Jurisdiction of the issuer of the underlying security” refers to residence of the issuing entity for each security that contributes to index.

Q13. How should collateral pools be reported?

Collateral pools need to be distributed by collateral type. For the time being, average haircut applied to the pool should be reported as “N999”.

Background

The *SFT Data Standards* define collateral types in Table 4. As collateral pool are not explicitly mentioned, one may implicitly infer that collateral pools should be distributed by collateral types. Reporting agents capable of providing all instruments in the pool individually (e.g. each ISIN) will provide them without identification of the pool.

In securities lending, haircuts are sometimes applied at portfolio level, meaning that counterparties will agree on a haircut for the portfolio as a whole used to collateralise one or several loans. While the haircut is based on the composition of the collateral portfolio, there is no possibility to break this down into security-haircut pairs.

The FSB is concerned that portfolio level haircuts (e.g. average) would provide an incorrect view of developments in the market because asset class with highest weight in the portfolio will influence average value of the haircut. In the first phase of reporting average haircut should not be reported: instead, value “N999” should be used. All other data elements related to the portfolio should be provided as described in the *Reporting Guidelines*.

Further guidance in this topic will be provided once the data allow for estimation of the significance of collateral pools used in an SFT.

Q14. Who should be targeted as reporting population for data elements in Table 7?

Table 7 should be provided by agent lenders, as suggested by footnote 29 of the *SFT Data Standards*. In case that the reporting is organised in a way that agent lenders provide such information to cash providers, reporting national authority should ensure that the data collected exclusively relates to cash collateral reinvested, and that both sides do not report the same data point.

Background

Footnote 25 in the *SFT Data Standards* states the following: Some data elements, such as “5.2 - Type of contract” or “5.12.a Securities lending fee/premium” could be unavailable to borrowers. The national/regional guidelines should consider those cases and provide instructions on how and what to report. Similar, footnote 29 states the following: It is possible that the data elements included in this Table can only be reported by agent lenders. The *Reporting Guidelines* would provide more details on the reporting requirements.

Q15. Please provide additional guidelines for Data Element 5.12?

Data Element 5.12 in Table 5 should contain only one rate bucket that refers to the rate that is used in calculation of the amount the borrower of the security pays to the lender when the securities loan is backed by non-cash collateral. This rate should not be mixed with cash reinvestment rate from Table 7.

Background

Footnote 28 in the *SFT Data Standards* states: “In some jurisdictions, securities lending fee and cash rate are paid separately for a securities loan backed by cash collateral instead of using rebate rate. In such cases, securities lending fee and cash rate should be reported separately”.

Q16. How should forward repos be reported?

Forward repos should be reported in the month of the settlement date.

Background

Forward repos are repurchase and reverse repurchase agreements that settle in the future and are treated as off-balance sheet items since there is usually no exchange of funds or securities until the settlement date.

Q17. How should SFTs involving supranational and international organisations be reported?

Code “1C” should be used for indicating the **jurisdiction** of supranational and international organisations (IOs). When collateral issued by such IOs is used in a SFT, **type of collateral** reported should be “government securities” in the case of securities issued by IOs defined in Table 4 of the *SFT Data Standards*²⁵ and “supra-nationals and agencies securities” for securities issued by other IOs (as well by domestic public sector entities not part of sovereigns in the Basel framework).

For the **sector** classification, reporting entities should classify IOs with the code S1100 “Non-financial corporations (including public non-financial corporations, large corporate and small-medium enterprises) and other sectors”.

Background

Two different cases are relevant here:

1. **SFT with an international organisation (IO) as a counterparty**²⁶

In this case, the **jurisdiction** (e.g. Data Elements 3.7, 4.7, 5.8) and the **sector** (e.g. Data Elements 3.6, 4.6., 5.7) of the counterparty (i.e. the IO) need to be reported.

For **jurisdictions**, it is proposed to use a separate code for IOs (“1C”), in line with statistical standards that do not consider such IOs as residents of the jurisdiction where they are located.²⁷ Note that if an IO is classified as a resident of a specific jurisdiction it would be impossible to distinguish an SFT with the IO from an SFT with private sector entities resident in the same jurisdiction and classified in the same sector. The proposed classification would instead allow this distinction, although it would bundle together all IOs.

For **sectors**, reporting entities should classify IOs with the code S1100 “Non-financial corporations (including public non-financial corporations, large corporate and small-medium enterprises) and other sectors”.

SFTs with IOs would be distinguishable from SFTs with other entities in the same sector via the associated jurisdiction code reserved to international organisations (“1C”).

²⁵ An updated reference to the treatment of this organisation is in the document *Basel III: Finalising post-crisis reforms* released by the BCBS in December 2017, in particular page 5-7 and footnote 11. MDBs currently eligible for a 0% risk weight are: the World Bank Group comprising the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA) and the International Development Association (IDA), the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the European Investment Bank (EIB), the European Investment Fund (EIF), the Nordic Investment Bank (NIB), the Caribbean Development Bank (CDB), the Islamic Development Bank (IDB), the Council of Europe Development Bank (CEDB), the International Finance Facility for Immunization (IFFIm), and the Asian Infrastructure Investment Bank (AIIB).

²⁶ A similar reasoning applies to the case with IOs as reporters in the unlikely case they are subject to reporting requirements.

²⁷ They are typically classified as residents of the Rest of World. For currency and economic unions, statistical standards say that the IO covering the region are resident in the region as a whole although not in any single state.

2. SFT with a collateral issued by an International Organisation

In this case, the **type of collateral** (e.g. Data Elements 4.9, 5.9) and the **jurisdiction** of the issuer of the collateral (e.g. Data Elements 4.13, 6.13) need to be reported. For **type of collateral**, the *SFT Data Standards* include the categories “government securities” and “supra-nationals and agencies securities”. As mentioned in the *SFT Data Standards*, some data elements are needed to monitor the implementation of the *FSB Regulatory framework for haircuts on non-centrally cleared securities financing transactions* and its consistency across jurisdictions. As the haircut framework applies to financing against collateral other than government securities, as defined under Basel III, it is important to ensure a consistent definition of government securities. Footnote 4 in the *SFT Data Standards* clarifies that “*Government securities are defined as claims on sovereigns under the Basel III standardised approach. This includes claims on: central governments (and their central banks); certain non-central government public sector entities (PSEs) identified as sovereigns in the standardised approach; multilateral development banks (MDBs) that meet the criteria for a 0% risk-weight under the standardised approach; the Bank for International Settlements (BIS); the International Monetary Fund (IMF); the European Central Bank (ECB); and the European Union (EU)*”. Further details on sovereign-like entities (including a list of MDBs currently eligible for a 0% risk weight) are provided in the *Basel III: Finalising post-crisis reforms* document released by the Basel Committee on Banking Supervision in December 2017 (page 5-7 and footnote 11).²⁸ Collateral issued by supra-nationals and agencies that do not satisfy the criteria stated above should be included in the collateral type “supra-nationals and agencies securities”. Reporting entities should routinely check for changes in the entities that qualify for having their securities treated as “government securities” so to ensure a correct reporting.

For the **jurisdiction** it is proposed, as mentioned, to include a separate code for IOs (“1C”) in line with statistical standards that do not consider such IOs as residents of the jurisdiction where they are located. This approach would allow distinguishing between collateral issued by supra-nationals and securities issued by domestic agencies as the jurisdiction codes would differ in the two cases (while this would not be the case by adopting an approach based on the residency of the IO).

Some examples:

- (i) Repo with the ECB as **counterparty**: not included in the data collection.
- (ii) Repo with the Bank for International Settlements (BIS) as **counterparty**: not included in data collection as BIS is classified as central bank.
- (iii) Repo with European Investment Bank as **counterparty**: Sectoral classification (3.6) = S1100 (or in the alternative approach S1251, i.e. *Other financial corporations*); jurisdiction (3.7) = 1C.

²⁸ See [*Basel III: Finalising post-crisis reforms*](#).

- (iv) Repo with the World Bank Group (WBG) as **counterparty**: Sectoral classification (3.6) = S1100 (*or in the alternative approach S1251, i.e. Other financial corporations*); jurisdiction (3.7) = 1C.
- (v) Repo with the Central American Bank for Economic Integration (CABEI) as **counterparty**: Sectoral classification (3.6) = S1100 (*or in the alternative approach S1220, i.e. Banks*); jurisdiction (3.7) = 1C.
- (vi) Repo with WB bonds as **collateral**: type of collateral (Data Elements 4.9) = government securities, jurisdiction (4.13) = 1C.
- (vii) Repo with Asian Development Bank bonds as **collateral**: type of collateral (Data Elements 4.9) = government securities, jurisdiction (4.13) = 1C.
- (viii) Repo with CABEI bonds as **collateral**: type of collateral (Data Elements 4.9) = supra-nationals and agencies securities, jurisdiction (4.13) = 1C.
- (ix) Repo with government-sponsored agencies bonds as **collateral**: type of collateral (Data Elements 4.9) = supra-nationals and agencies securities if **not** identified as sovereigns in the standardised approach, jurisdiction (4.13) = ISO 3166 code for the jurisdiction of residence of the agency.

Q18. Which sector should be assigned to Sovereign Wealth Fund (SWF)?

The statistical sectoral classification of the SWF is assimilated to that of Special Purpose Entities, i.e. the decision depends on whether the SWF actively manages its portfolio and provides financial services on a market basis to government or simply acts as a passive holder of the government's assets.

Background

In the *Reporting Guidelines*, this means that SWF should be classified as “Other financial corporations” (code: S1251 in the *Reporting Guidelines*) in the former case or as “General Government” (S1300) in the latter case.

The classification of a “special purpose government fund” controlled by government in the general government or financial corporations sectors is determined according to the criteria whether they charge economically significant prices for their services. If the fund is an entity incorporated abroad or quasi-corporation located abroad, it is classified as separate institutional unit in the financial corporations sector resident in its economy of incorporation.

If reporting agents have no information on the effective classification of the SWF they are dealing with, they will classify it within “Other financial corporations” (code: S1251).

The interested data elements in the *SFT Data Standards* are the following ones: 3.3, 3.6, 4.3, 4.6, 5.4, 5.7, 6.3, 6.6, 7.2, 7.3, 8a.2, 8b.2, 8a.3, 8b.3, 9.2.

Q19. Which collateral type should be assigned to securities issued by government agencies?

For the purpose of reporting, jurisdiction should classify securities issued by government agencies under “supra-nationals and agencies securities”, as currently stated in the *SFT Data Standards* and Q17 of this FAQs document.

Background

The *SFT Data Standards* define one of collateral types (e.g. Data Element 4.9) to be reported as “supra-nationals and agencies securities”. Footnote 20 of the *SFT Data Standards* state such securities include agency-sponsored securitisation where they benefit from an explicit agency guarantee. Q17 of this FAQs document also asks securities issued by government agency to be reported as “Supra-nationals and agencies securities”, with the information on the relevant jurisdiction of residence where issuer resides.

For example, securities issued by Fannie Mae used as collateral in a repo should be reported as “supra-nationals and agencies securities” in collateral type (e.g. Data Element 4.9), and report “US” for jurisdiction of the issuer of the underlying security (e.g. Data Element 4.13). Similarly, securities issued by the US government should be reported as “Government securities” in collateral type (e.g. Data Element 4.9) and as “US” in jurisdiction of the issuer of the underlying security (e.g. Data Element 4.13).

Q20. Which remaining maturity should be reported for intra-group transactions covered by Global Master Repurchase Agreement (GMRA) with collateral in default?

Intra-group transactions covered by GMRA or any other master agreement with collateral in default should not be reported.

Background

A repurchase agreement (repo) is a contractual arrangement involving the provision of securities or other financial assets (“collateral”) in exchange for cash with a commitment to repurchase the same or similar collateral at a fixed price. They include transactions conducted under bespoke repo agreements and master agreements listed in the *SFT Data Standards*.

Intra-group transaction where one member of the group acquires securities in default (for the purpose of collection payments at a later stage) and repos them to another entity within the same group (where such securities are booked) are not regarded as “classic” repo transaction, and should be excluded from the scope of data collection and aggregation at the global level at this moment. Such transactions are currently conducted on an exceptional cases mainly for intra-group cash management purposes, although covered by GMRA or any other master agreement.

Q21. What is the coverage of “collateral re-use eligibility” in the context of prime broker re-hypothecation?

Only securities in the prime-broker’s account for a given client (transferred from client accounts within re-hypothecation limit) with re-use eligibility should be reported.

Background

The *SFT Data Standards* ask jurisdictions to report “collateral re-use eligibility” (Data Element 9.4) as part of data elements related to margin lending (collateral portfolio). For prime brokers, collateral securities can come from two main sources: the securities held in a client account, and the securities received as collateral in reverse repos or securities lending/borrowing arrangements.

For example, in the EU, the re-hypothecation of client assets is subject to a contractual limit, which is calculated as a fixed percentage of the daily margin lending amount outstanding. For re-hypothecation to take place, the securities have to be transferred first from a client account to the prime broker’s own account within the re-hypothecation limit. Thus, the amount of collateral which is eligible for re-use can vary greatly based on the scope, i.e. whether all securities in the client account or only those in the prime broker’s account are considered to be eligible.

This may imply potential over-estimation or under-estimation of data for collateral re-use eligibility across jurisdictions. To avoid this, only securities in the prime broker’s account for a given client, e.g. transferred from client accounts within re-hypothecation limit, should be covered by global reporting.

Q22. Should commodity-collateralised reverse transactions or commodity-lending be excluded from reporting or reported as Other Assets?

Repo transactions collateralised by commodities or securities lending transactions collateralised by commodities should be reported with collateral type as Other Assets. Commodity on loan (i.e. commodity lending or borrowing) should not be reported in securities lending segment even if national or regional standards require such reporting.²⁹

Background

The *SFT Data Standards* ask jurisdictions to report “collateral type” (Data Element 4.9) as part of data elements related to repo collateral (Table 4). Commodities are not specified as a separate category. Several jurisdictions include such transaction in their reports for global aggregation under the item “Other Assets” and other jurisdictions should also include such repos to keep national reports comparable

Related to commodity-lending transactions, these transactions are not recorded as a separate group of transactions, similar to repo collateral. However, securities lending segment in the *SFT Data Standards* is focused only on securities as assets type in loan part of this reporting segment (Table 5) and here only securities lending and borrowing should be included. Collateral part of the survey should follow the same recommendations as repo collateral, i.e. commodity collateral should be reported as Other Assets in Table 6. Table 7 is related only to cash collateral and should not include data about commodity collateral.

Both repo and securities lending transactions secured with commodity are currently not material in national reports provided so far to the BIS.

²⁹ For example, [ESMA SFTR Reporting](#) includes such transactions.

Q23. Central bank introduced securities lending facility using the securities that are managed by trustee. Should those transactions be covered in the reports to the BIS/FSB?

No, any deal where central bank appears as one of the counterparts in the transaction should not be reported for global aggregation.

Background

The *SFT Data Standards* define that “transactions executed with central banks are excluded from the data reporting scope at the global level”. This means any deal with the central bank as a counterparty should be excluded from the scope of reporting. In general, market operations undertaken by central banks related to their monetary policy are excluded from the reporting.

Normally, only certain resident entities have access to such deals. Even if national authority collects underlying data with identification of the trustee as counterparty to a transaction, while properly flagging these are transactions related to central bank’s activity, there is no need to include them in the reported aggregates for global aggregation. It is recommended that all resident reporting entities apply the same classification of these deals in the reported data so that national authority can exclude them when creating national aggregates that will be reported to the BIS/FSB for global aggregation.

Q24. What needs to be reported as Measure for repos: repo rates, haircuts or both?

Both need to be reported under dimension 19, and not as measures: repo rates for the loan side (Table 3) and haircut rates for the collateral side (Table 4).

Background

The *Reporting Guidelines* specify how data elements specified in the *SFT Data Standards* should be reported. Repo rates and haircut rates should be reported under dimension 19 – Rate/Haircut/Margin, rather than under dimension 20 – Measure.

Depending on the values reported under dimension 02 (reporting table), the reported rates will be interpreted as repo rates (when reporting table dimension refers to Table 3), and haircut rates (when reporting table dimension refers to Table 4).

Q25. How does the global aggregator (BIS) control for the quality of the SFT aggregates provided by the reporting jurisdictions?

The SFT data quality assurance process is implemented using a series of Data Quality Checks (DQCs) that are defined and maintained by the BIS. Each of these checks focuses on a specific data quality issue and – depending on its severity level – results in Errors, Warnings or Info flags.

Background

The BIS has agreed to apply its expertise in managing international banking and financial statistics by providing the operational support for the collection and potential dissemination of aggregated SFT data, and to serve as the global data aggregator. The SFTDEG prepared the *Reporting Guidelines* that are the basis for data checks performed by the BIS.

The three types of data quality related messages mentioned are designed to provide different information to the reporting jurisdictions. While information and warnings flags are mostly for informational purposes and do not require any further action, errors usually point to more severe data quality issues and result in the rejection of the affected records and, ultimately, in the resubmission of the data.

The SFT DQCs are grouped along three broad categories, i.e. 1) Data Consistency; 2) Data Plausibility; and 3) Data Completeness, and their outcome is summarized in an interactive feedback report called Summary DQC Report.

Q26. What is a Summary Data Quality Check (DQC) report? What can I find in a Summary DQC report? Where can I find my Summary DQC reports?

The SFT Summary DQC reports are formatted feedback documents that the BIS produces based on the outcome of the data quality control checks (see Q25) that it performs on the SFT data provided by the reporting authorities. These reports take the form of an interactive MS Excel files and they flag data consistency, data plausibility and data completeness issues. The BIS shares the Summary DQC reports with the SFT reporting authorities for their reference and action, e.g. correction of errors and resubmission of the data, confirmation of suspicious trends and values.

In terms of structure and content, each Summary DQC report consists of the following sections or views:

1. **SFT DQC Main:** Front page of the report. It provides information about the data submission and the reporting authority, and links to navigate to the different sections of the report.
2. **SFT DQC Summary:** Summary of the data quality checks performed on the data submission. This view is intended to provide a quick summary of the checks results and the overall status of the submission, i.e. Accepted (for analysis and dissemination); or Rejected (the reporting authority is expected to correct and resubmit the national aggregates).
3. **SFT DQC Pivot:** Detailed results of the data quality checks organized in a pivot table in order to facilitate their exploration.
4. **SFT DQC Detail:** Detail results of the data quality checks organized in a formatted table. This table include a Feedback section that reporting authorities can use to provide feedback and comments.

During the first phase of the SFT pilot reporting, the BIS provided the Summary DQC reports via email. From mid-2020 the Summary DQC reports will be posted in e-BIS, the BIS secured platform for exchanging documents and sensitive information. Each reporting authority will have its own designated e-BIS room where the BIS will post the original SFT data submissions and their associated Summary DQC reports. In addition, each e-BIS room will have a secured discussion forum where the reporting authority and the BIS will be able – if needed – to discuss and exchange views about data quality and other reporting issues.

Q27. We are having issues allocating entities and transactions into code lists defined in the *Reporting Guidelines*. Can you advise what we should communicate in cases where items that cover residual items also cover other members of the code lists to which we currently cannot properly allocate?

The *Reporting Guidelines* are based on the *SFT Data Standards* and members of the code lists reflect what was originally defined as the data requirement in the *SFT Data Standards*. Any temporary deviations from allocations defined in each of the code lists should be communicated to the BIS/FSB in advance of the reporting and should be temporary.

Background

The *Reporting Guidelines* specify how data elements specified in the *SFT Data Standards* should be reported. For the code lists, this means that input data should be grouped in a way that meets the definition of members in each of the code lists used.

For example, counterparty code list defines that insurance companies should be divided into Type 1 and Type 2 insurance companies (codes S1281 and S1282). If the reporting authority at the moment is not in a position to allocate insurance companies by type and will allocate them into other sectors (code S1100), this needs to be communicated in advance because any allocation of entities that differs across jurisdictions results in aggregates with limited comparability (i.e. counterparty breakdown is not comparable to those countries that allocated properly the insurance companies). Moreover, this will affect the quality of global double counting removal because it is not possible to properly match cross-border deals between reporting entities in the affected sectors.