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London
Stock Exchange Group

Secretariat to the Financial Stability Board
Bank for International Settlements
Centralbahnplatz 2
CH-4002 Basel
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Dear Sirs/Madams,

UnaVista welcomes the FSB's consultation on standards and processes for the collection and aggregation of securities financing data. An EMIR-authorised Trade Repository, UnaVista is the London Stock Exchange Group's global hosted platform for trade matching, validation and reconciliation. As the operator of a trade repository, UnaVista Ltd is well positioned to comment on the proposed standards and processes for global securities financing data collection and aggregation.

We welcome the opportunity to contribute to the consultation and have focused on those questions that are most relevant to our business. We would be happy to discuss this further if helpful.

<u>Our Responses</u>

Q2-1. Does the proposed definition of repos provide a practical basis for the collection of comparable data across jurisdictions as well as the production of comprehensive and meaningful global aggregates?

> Yes, we believe the definition of repo provided (as well as reverse-repo, sell/buy back, sell/buy back) is the standard definition for this instrument type globally and will facilitate the production of meaningful global aggregations.

Q2-3. Are the proposed definitions and level of granularity of the data elements described in Tables 2 to 4 appropriate for a consistent collection of data on repo markets at the national/regional level and for aggregation at the global level? In particular, are the detailed breakdown of major currencies (in Table 2), sector of the reporting entity and counterparty as well as bucketing for repo rate (in Table 3), collateral residual maturity, haircut and collateral type (in Table 4) appropriate? If not, please specify which definitions or classifications of data element(s) require modification, why the modification is necessary, and the alternative definitions/classifications.

> We are unsure what advantage can be gained in limiting the currency field to only include the (current) major currencies. We would support the alternative of including a full list of currencies as this will enable the global aggregator to convert to USD more easily. We would recommend use of the ISO 4217 currency codes.

Q2-4. Do you see any practical difficulties in reporting the total market value of collateral that has been re-used? Do you have any suggestion for addressing such difficulties?

We believe there could be significant practical difficulties. For example, as cash and securities are fungible, in the event that a firm holds significant quantities of both it may be difficult to determine which cash and which securities were re-hypothecated, unless the firm has segregated accounts and / or maintains clear records for audit and accounting purposes. For smaller firms, this may not always be practicable.

In addition, the concept of "general collateral" specified in many repo contracts further complicates this matter, as the use and re-use of specific securities may not be as well documented as in securities lending contracts. Overall, reporting the total market value of collateral re-used will depend on how well re-hypothecation is documented, and as such the data collected may not be definitive.

Q2-6. Are there additional repo data elements that should be included in the FSB global securities financing data collection and aggregation for financial stability purposes? Please describe such additional data elements, providing definitions and the rationale for their inclusion.

As proposed in section 3.3 and 4, prescribing the inclusion and population of both a reporting firm identifier field and a counterparty identifier field (we believe mandating the use of LEIs for both of these to be the best approach) would improve regulators' visibility into SFT market activity and enable regulators to eliminate double-counting.

Additionally, we would suggest that the repo collateral stock data should include a field stating the collateral value of the collateral being re-hypothecated. This field would essentially give an indicator of how much the collateral being re-hypothecated can be used against cash borrowed; in other words, this field would state the net value of the collateral after haircuts / fees are taken. This would be useful for national regulators to compare with the field on total market value of collateral re-used, as if the collateral value of collateral is significantly less than the total market value of collateral, this could indicate a stressed, collateral-poor market for that security, and subsequent risk of delivery failure. This is true for both repos and securities lending operations.

Q3-1. Is the data architecture described in Section 3 adequate to support the global securities financing data collection and aggregation? Are there other relevant issues to be considered?

We do not believe that these measures will be sufficient, due to the potential for asymmetries in reporting requirements between different jurisdictions. If some transactions are required to be reported in certain countries but not in others, any transactions between those countries could be incorrectly removed when eliminating instances of double-counting using the first method detailed in section 3.3. If the second method is used, then trades could be incorrectly paired if simply paired on counterparty details, as counterparties will often trade with one another more than once in a given month. We recommend pairing on other fields as well, or simply using a Unique Trade Identifier.

Q3-2. Do you have any other practical suggestions to reduce any additional reporting burden and improve the consistency of the global data collection?

We strongly believe that regulators should move towards globally consistent reporting standards. There are two main reasons for this. The first is that deriving global aggregates whilst removing instances of double-counting through the aggregate approach outlined in the consultation paper can only be achieved if each country has the same reporting standards. For example, if one country only requires transactions with a market value of over $1,000,000 to be reported by firms with SFT market activity of over $10,000,000 a year, but another country requires transactions of over $500,000 to be reported by all firms, then eliminating for double counting by using either of these values will not correct for double counting, due to differences in what each jurisdiction requires to be reported.

The second reason is that, in the absence of globally consistent reporting standards, international comparisons may well be meaningless, as they will not compare like with like, or fully reflect similarities and differences between countries. In our view, international, regional and global trends cannot be relied on as good indicators of trends in market activity unless reporting standards are universally set, as some countries will disproportionately affect the aggregates if reporting standards vary between countries.

Q3-3. Do the proposed measures for minimising double-counting at the global level constitute a practical solution to the problem?

We believe that the proposed two-stage process for eliminating for double-counting, with the second stage occurring after aggregation, is unlikely to be effective. In our view, eliminating for double-counting is best done in a single step, and for this to take place before aggregation. To eliminate for double counting after aggregation poses the risk that key information may be lost that could otherwise be used to identify correctly instances of double-counting.

Similarly, a multi-stage approach increases the likelihood of information being lost that could be used to identify instances of double-counting, especially if there are international differences in how double-counting is dealt with at a national/regional level. The effectiveness and practicality of the proposed measures for minimising double-counting at a global level will also depend on the extent to which reporting requirements are standardised, as detailed in our answer to question 3-2.

Yours Sincerely,

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