

# THE FRONT-TO-BACK SFTR SOLUTION

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**EQUILEND**

OUR INNOVATION. YOUR ADVANTAGE.

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**TRAX<sup>®</sup>**

A MarketAxess Company

## THE COLLABORATION

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**EquiLend and TRAX, the post-trade services engine of MarketAxess, are collaborating on a full front-to-back Securities Financing Transactions Regulation (SFTR) solution to support the industry in meeting their reporting obligations.**

**EquiLend's expertise in the securities finance industry combined with TRAX's regulatory reporting and repo trade confirmation heritage result in a comprehensive service covering all SFTR eligible asset classes.**







As leading providers of trading, confirmation and reporting solutions, EquiLend and TRAX are ideally placed to offer solutions around Unique Transaction Identifier (UTI) generation, timestamps and lifecycle events to help firms meet their reporting obligation.

The EquiLend and TRAX SFTR Solution allows firms subject to SFTR to obtain a pre-repository match to help ensure accurate reporting and efficient exception management processing.

The fully interoperable solution enables the onward routing of trades to the Insight engine, which (i) enriches the reports submitted by a client with reference data and (ii) sends the enriched transaction reports to certain trade repositories. The engine captures and centralises reporting flows, enabling firms to manage exceptions through a single interface and to rely on TRAX's rules engine to filter and enrich trades. Clients will also be able to benefit from delegated reporting.

## WHAT DOES SFTR ENTAIL?

The European Commission adopted the RTS and ITS on December 13, 2018. The report details a total of 155 reportable fields covering securities lending, repo, buy/sell-back and margin lending.

ENTITIES	TRANSACTIONS	REPORTABLE SFTS	REPORTING REQUIREMENTS	DATA REQUIREMENTS	TR RECONCILIATION
					
<ul style="list-style-type: none"> <li>Financial and non-financial counterparties</li> <li>European entities and their branches</li> <li>European branches of non-European entities</li> </ul>	<ul style="list-style-type: none"> <li>Repurchase transactions</li> <li>Buy/sell-back</li> <li>Securities lending (security &amp; commodity)</li> <li>Prime brokerage margin lending</li> <li>Collateral reuse</li> </ul>	<ul style="list-style-type: none"> <li>Concluded on or after the relevant firms' go-live date</li> <li>Concluded prior to go-live if: <ul style="list-style-type: none"> <li>the remaining maturity of those SFTs on that date exceeds 180 days; or</li> <li>those SFTs have an open maturity and remain outstanding 180 days after that date;</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>T+1 for transactions (conclusion, modification &amp; termination)</li> <li>T+1 for collateral if known</li> <li>S+1 for collateral if not known at point of trade</li> <li>Record-keeping of five years following termination</li> </ul>	<ul style="list-style-type: none"> <li>Up to 155 fields (varies per product and report type)</li> <li>ISO 20022 format</li> <li>Unique Transaction Identifier (UTI)</li> <li>Legal Entity Identifier (LEI)</li> <li>Principal-level entity data</li> </ul>	<ul style="list-style-type: none"> <li>155 fields, 59 submittable and 96 reconcilable</li> <li>Reconcilable fields apply as follows <ul style="list-style-type: none"> <li>Phase 1 - 57</li> <li>Phase 4 - 5 extra</li> <li>Phase 1 + 24 mths - 4 extra</li> <li>Phase 4 + 24 mths - 30 extra</li> </ul> </li> <li>Inter- &amp; intra-TR reconciliation</li> <li>Closed positions continue to be reconciled for up to one month</li> </ul>

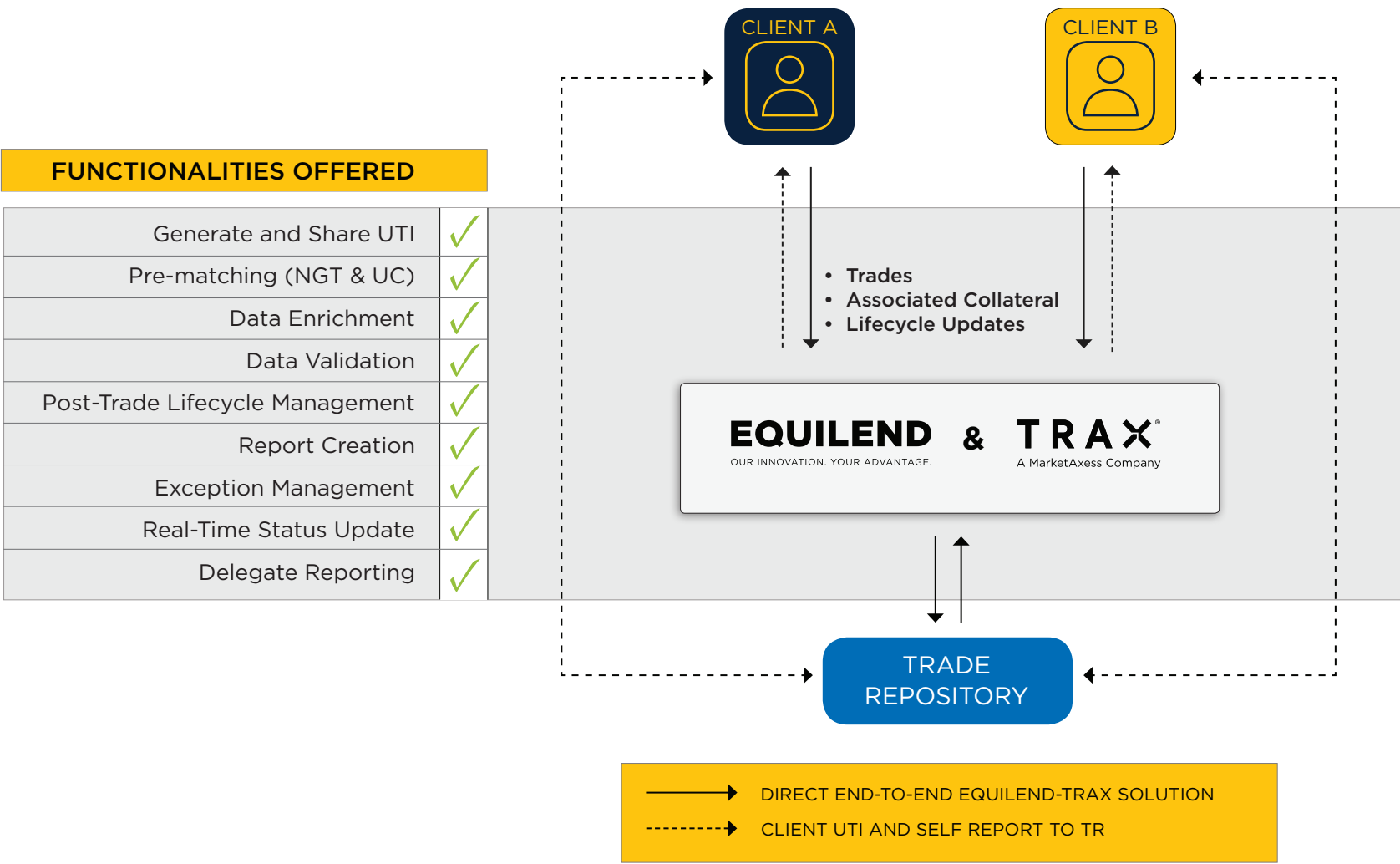
## CHALLENGES & CONSIDERATIONS FOR MARKET PARTICIPANTS

<b>UNDERLYING PRINCIPALS AND THEIR RESPECTIVE LEIs</b>	For the majority, counterparties are currently recognised by internal codes, and LEIs are not stored in front-end systems. Lenders are challenged with disclosure of their underlying principals (beneficial owners) and the associated timing of that disclosure. The Agency Lending Disclosure (ALD) process as it stands will not facilitate timely reporting. A subsequent challenge for the borrowers is housing the data received from lenders.
<b>UTI GENERATION AND MANAGEMENT THROUGHOUT ALL LIFECYCLE EVENTS</b>	Experiences under EMIR highlight the importance of a robust mechanism for generation and sharing of UTIs to support trade matching and reconciliation from initiation through to termination.
<b>AGREED EXECUTION TIMESTAMP FOR ALL TRANSACTIONS</b>	All new transactions will be required to have an execution timestamp. These can be generated at point of trade via NGT (EquiLend's multilateral trading facility). Any off-platform trades require additional attention to ensure agreement within the allotted one-hour tolerance window.
<b>COLLATERAL ALLOCATION</b>	Trades with known collateral are reportable on a T+1 basis. Where collateral is not known at point of trade, it is reportable on S+1. Agency structures with pooled clients collateralised with pooled collateral will need to be appropriately allocated and fully disclosed for onward reporting.
<b>MANAGEMENT OF ALL LIFECYCLE EVENTS</b>	Unlike MiFID, all lifecycle events that impact any of the reportable fields need to be reported through to termination.
<b>VOLUME AND COMPLEXITY OF DATA</b>	Market research, prepared by The Field Effect in its white paper "SFTR: Navigating the Challenge," has indicated firms may have difficulty sourcing up to 40% of the required reportable data. Governing agreements and versions is one of the many challenges. For some, these legal agreements are centrally stored, but for many this is not the case.
<b>FRAGMENTED SYSTEMS AND COMPLEXITY OF DATA</b>	For many, fragmented systems hold various elements of the required data set for reporting. Clients may be faced with the need to upgrade their current infrastructures to support reporting obligations.
<b>ELIGIBILITY CRITERIA (SFTR OR MiFID ELIGIBLE)</b>	Clients will need the ability to identify and capture all in-scope reportable transactions, recognising if they are reportable under SFTR (or MiFID).
<b>PHASED IMPLEMENTATION</b>	Reporting requirements are phased in according to the type of firm. Investment firms and credit institutions go live on day one. Non-financial counterparts (NFCs) go live nine months later. Although NFCs are not required to report for the first nine months, they will still be required to provide beneficiary information and LEIs to their counterparts. UTIs will still need to be generated but are still reportable by just the in-scope party.



# CLIENT REQUIREMENTS

Clients need to report to a chosen trade repository by T+1 both sides of a trade, any associated collateral, plus modifications throughout the lifecycle using our common UTI. They must also manage any exceptions in the reporting flow. Additionally, clients must deal with any reconciliation discrepancies flagged by the trade repository. **The EquiLend and Trax SFTR Solution enables firms to meet regulatory requirements by using regulated trading, post-trade and reporting platforms to do the following:**



# EQUILEND & TRAX SFTR SOLUTION SUBSCRIPTION: WHAT ARE THE OPTIONS?

## OPTION 1

- UTI Generation
- Instrument and Counterparty Enrichment
- Trax and Trade Repository SFTR Validations
- Reporting Firm Control and Oversight Dashboard
- Trade Repository Connectivity
- SFTR Field Matching Equity and Fixed Income & Collateral Allocations
- Lifecycle Management

## OPTION 2

- Inclusive of all Option 1 Services
- SFTR & MiFID Eligibility
- Delegated Report Generation
- Delegated Reporting Dashboards (25 Included)
- UTI Portal

# EQUILEND & TRAX SFTR SOLUTION – KEY BENEFITS

## SINGLE REGULATORY REPORTING HUB

- TRAX offers a single hub across SFTR, MiFID II and EMIR
- TRAX will capture reporting from multiple points: EquiLend's platform, TRAX Repo or Direct Insight connectivity
- Comprehensive control and oversight dashboards available to reporting firms and their underlying clients
- Centralised eligibility, validation and reporting
- Enrichment of counterparty and security reference data

## LIFECYCLE EVENT MATCHING

- Bilateral SBL and repo matching across sell-side and buy-side through TRAX Repo and EquiLend's Unified Comparison
- Fully automated, real-time lifecycle event processing via TRAX Repo and EquiLend's Post-Trade Suite (PTS). Facilitates capture of mandated intra-day activities
- Ability to process and match
  - MTM
  - Returns
  - Rerates
  - Reallocations/substitutions

## MINIMISE THE OPERATIONAL COST OF DELEGATED REPORTING

- Delegated reporting clients have full view of their reporting through the TRAX Insight GUI
- Delegated reports generated automatically by TRAX

## INTEROPERABILITY

- All NGT trades will feed directly into EquiLend PTS for enrichment and comparison
- Ability to absorb and reconcile additional data from any third-party provider
- Real-time connectivity between EquiLend and TRAX covering all product types

## POINT-OF-TRADE MATCHING

- Principal allocation trade details for SBL and repos matched and shared at point of trade from NGT
- Shared fields include UTI, LEI and execution timestamp (as opposed to confirmation), generated across the market-leading securities finance trading platform

## SAMPLE SECURITIES LENDING REPORTING SCENARIO

Simple transaction agreed



LENDER

250k NOVN VX  
(x5 Allocations)  
Rerate  
Settlement Date T+2  
Term Date T+10  
Rate Correction  
Daily MTM  
Relocation (2:2)



BORROWER

Generates significant reporting burden (in this example, 101 reports)

REQUIRED TR REPORTS

LIFECYCLE EVENTS

		NEW	CORRECTION	COLLATERAL UPDATE	VALUATION UPDATE	MODIFICATION	TERMINATION
TRADE EXECUTION	x5 UTI generations	5					
RATE CORRECTION	x5 UTI rate amends		5				
COLLATERALIZATION T+3 TO T+11	x5 UTI associated collateral reports across 9 business days			47			
DAILY MTM (T+3 TO T+9)	5x UTI MTM across 7 business days				35		
REALLOCATION (2:2)	x2 UTI closure and x2 reopens	2					2
RERATE	x5 UTI trade rerates					5	
							101

### EQUILEND

NGT Trades and Bilateral Trades

- Trade executed over NGT and bilaterally
- Matched data-UTI, LEI, timestamp

### EQUILEND & TRAX

EquiLend Unified Comparison & TRAX Repo

- EquiLend inferred fields
- Life cycle processing and matching
- Repo trades confirmed in near real-time
- Ability to match both trade economics and SSIs

### TRAX

Trax Insight

- Eligibility
- Enrichment
- ISO 20022 format
- Delivery to TR

Trade Repository

- Response generation
- Reconciliation reporting

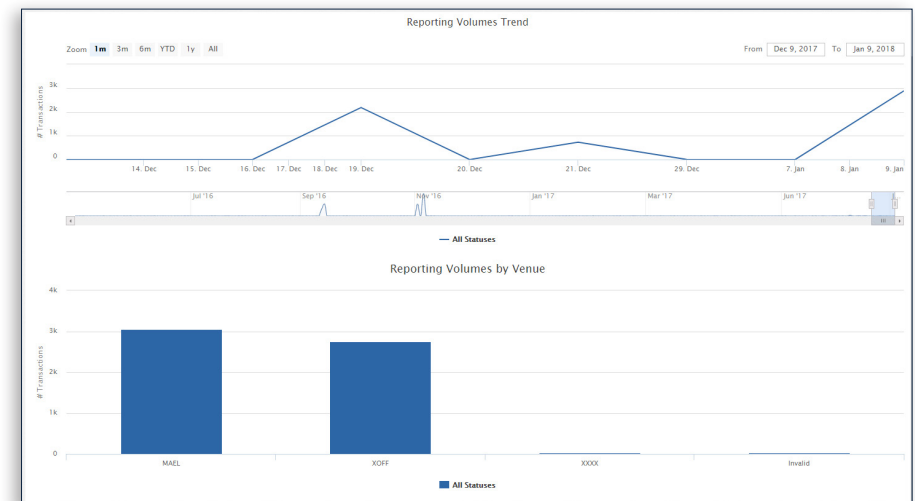
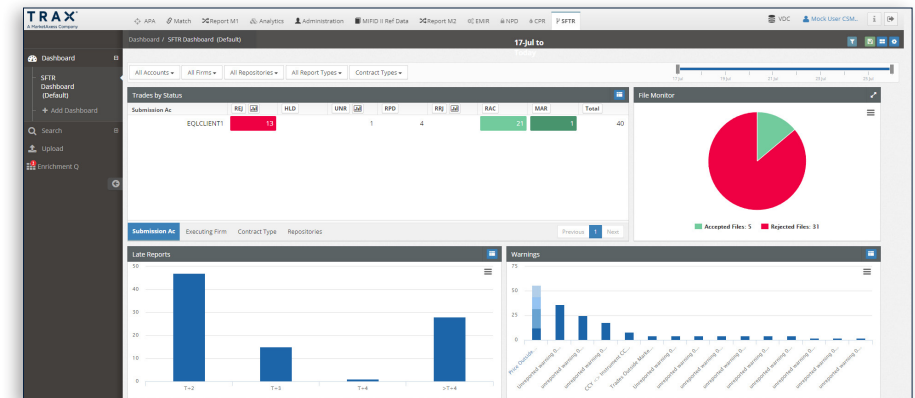
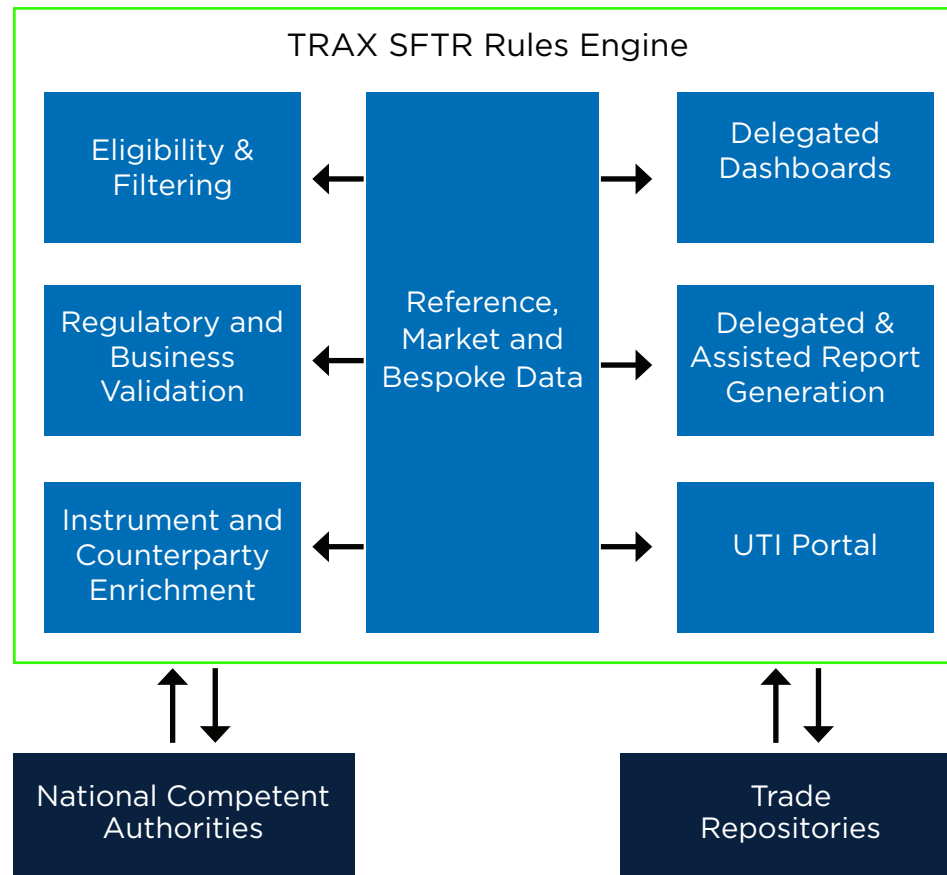


# FULL TRANSACTION REPORTING TRANSPARENCY

The EquiLend & Trax SFTR Solution offers one of the most advanced and comprehensive suites of matching, transparency and regulatory reporting solutions. Developed in conjunction with our community of clients, Trax's industry-leading and flexible technology adapts to each firm's needs to ensure trades are matched, enriched with relevant data, validated for reporting eligibility and reported in near real-time.

Within the EquiLend & Trax SFTR Solution, the TRAX Insight screen features a customizable, Web-based operational tool to actively manage and monitor the status of reporting and matching activity through a single interface. Clients can quickly identify exceptions and data quality issues as well as view industry-leading analytics and peer benchmarking.

## Reporting Firm/EquiLend/Trax Matching Services



# EQUILEND TRADING & POST-TRADE SERVICES

**NGT BORROWS** DASHBOARD TRADING FUNDING PRE-BOOKED

Upload

Order Book Book Optimizer All Action Required (9) Expiring Soon (0)

Security ID Search...

My Desk

Trader ID

Counterparty

Regions/Countries

Product Type

Trade Type

Rates

BatchId	Last Activity	Post Time	Initiated By	My Desk	Cpty	Subject	Total	Filled	Reject	In Prog...	Cancel	Expire	Error	OCC ...	Unfil...	Total Est Notion...	Accepted Est...
5392653	4 hrs 39 mi...	09:03:05	stevel	Steve's Desk1	Steve's Desk 2   ...		2									1.593m	
5392652	4 hrs 42 mi...	09:00:21	stevel	Steve's Desk1	Steve's Desk 2   ...		1									1.308m	
5391666	9 hrs 13 mi...	04:29:21		Steve's Desk1   5...	stevelender (61...	MQ Availability Post	2									15.557m	
5391664	9 hrs 14 mi...	04:28:27		steveborrower (6...	stevelender (61...	MQ Availability Post	3									932,831	
5391661	9 hrs 13 mi...	04:27:41		steveborrower (6...	stevelender (61...	MQ Availability Post	2						1			903,171	
5391641	9 hrs 32 min ...	04:10:18		steveborrower (6182...	Steve's Desk 2   59...	MQ IOI	1									2.324m	
5391640	9 hrs 33 min ...	04:09:43		steveborrower (6182...	Steve's Desk 2   59...	MQ IOI	9									14.235m	
5391639	9 hrs 33 min ...	04:09:10		steveborrower (6182...	Steve's Desk 2   59...	MQ IOI	9									14.235m	
5391638	9 hrs 34 min ...	04:08:48		steveborrower (6182...	Steve's Desk 2   59...	MQ IOI	9									18.548m	
5391637	9 hrs 34 min ...	04:08:25		steveborrower (6182...	Steve's Desk 2   59...	MQ IOI	3									6.933m	
5391636	9 hrs 35 min ...	04:07:42		steveborrower (6182...	Steve's Desk 2   59...	MQ IOI	10									14.235m	

Last Activity	Expires	Sec Desc	Sec ID	DataEnd Rate	Bid	Est Notiona...	Offer	R/F	A	R	Coll Type	Coll CCY	Sett Type	Rate Intent	Billing CCY	Value Date
By Cpty 9 ...	79468 hr...	ALPHABET INC CAP STK US...	GOOG	13.27	1,000	0.24	768,688	R			CA	USD	FOP			09/21/2017
By Cpty 4 ...	3 hrs 20 ...	COCA-COLA CO COM USD0...	KO	4.98			383,423	R			CA	USD	DBV			
By Cpty 9 ...	79468 hr...	PFIZER INC COM USD0.05	PFE	3.63	1,000	2	29,561	R			CA	USD	DVP			09/21/2017
By me 9 hr...		HOME DEPOT INC COM US...	HD	20.80	10,000	2	1,315m	R			CA	USD				
By me 9 hr...		BIOGEN INC COM STK US...	BIIB	9.22	20,000	2	5,302m	R			CA	USD				
By me 9 hr...		FORD MOTOR CO COM STK...	F	7.12	30,000	2	293,196	R			CA	USD				
By me 9 hr...		HOME DEPOT INC COM US...	HD	20.80	10,000	2	1,315m	R			CA	USD				
By me 9 hr...		BIOGEN INC COM STK US...	BIIB	9.22	11,000	2	2,916m	R			CA	USD				
By me 9 hr...		FORD MOTOR CO COM STK...	F	7.12	13,000	2	117,278	R			CA	USD				
By me 9 hr...		APPLE INC COM NPV	APPL	8.06	13,000	1	1,731m	F			NC	USD				
By me 9 hr...		DEERE & CO COM USD1	DE	12.83	14,000	1	1,437m	F			NC	USD				
By me 9 hr...		FACEBOOK INC COM USD0...	FB	12.21	15,000	1	2,158m	F			NC	USD				
By me 9 hr...		JOHNSON & JOHNSON CO...	JNJ	41.30	16,000	2	1,804m	R			CA	USD				
By me 9 hr...		MCDONALD'S CORPORATIO...	MCD	14.52	17,000	2	2,232m	R			CA	USD				
By me 9 hr...		CISCO SYSTEMS INC COM ...	CSCO	58.31	18,000	2	487,676	R			CA	USD				
By me 9 hr...		BIOGEN INC COM STK US...	BIIB	9.22	11,000	2	2,916m	R			CA	USD				

Next Generation Trading (NGT) is a consolidated, multi-asset class trading platform for the securities finance marketplace. NGT increases trade-level transparency, improves workflow automation and generates greater efficiencies for the market.

**PTS** DASHBOARD UNIFIED COMPARISON EXPOSURE MANAGEMENT ASSET SERVICING MARK TO MARKET BILLING SETTING

Manage filters

My LE Name

Qty LE Name

SFTR

Contract

Collateral

Return

Recall

Cash

Non-cash

Cash Pool

Mixed

Security

Search...

View in currency: USD

All 23 Non-Breaking 0 Reconciled 0 Unreconciled 23 To-Do 0

Actions

Currency	DBV Indicator	Direction	Execution Timestamp	General Collateral Indicator	Price	Qty	Fee	Rebate	Return Settlement Date	Return Trade Date	Settlement Type	My Custodian BIC	Term Date	Trade Date	UTI	Value	Callable Date	Callable Indicator	Collateral
6736	LEND51	10008562...	ABC789	DELHAIZE GROUP ...	4262118	L	10,000		100,000.00	CAD	10	OP							
6736	LEND50	10008562...	ABC456	VIVENDI SA USDS...	4834777	L	10,000		100,000.00	USD		PS							
6736	LEND52	10008562...	ABC123	NSL LTD NPV	6623616	L	10,000		100,000.00	GBP	9	OP							
6736	LEND43	10008566...	ABC456	B60KYN2	B60KY...	L	40,000		20,000.00	USD	0	OP							
6736	LEND57	10008562...	ABC789	DEUTSCHE BOERS...	BDCS...	L	8,500		10,000.00	USD	10	OP							
6736	LEND53	10008562...	ABC456	SUN LIFE FINANCI...	CAB66...	L	1,000		100,000.00	EUR		OP							

Break Date	Age	Break Type	Me	Them
01/03/2018	14	Callable Indicator	N	USD
01/03/2018	14	Currency	CAD	USD
01/03/2018	14	DBV Indicator	N	Y
01/03/2018	14	Execution Timestamp	21/03/2017 15:06:07	GENE
01/03/2018	14	General Collateral Indicator	Rate	15
01/03/2018	14	UTI	10	
01/03/2018	14	See All		
01/03/2018	14	Callable Indicator	N	USD
01/03/2018	14	Currency	GBP	USD
01/03/2018	14	DBV Indicator	N	Y
01/03/2018	14	Execution Timestamp	21/03/2017 15:06:07	GENE
01/03/2018	14	General Collateral Indicator	Rate	15
01/03/2018	14	UTI	10	
01/03/2018	14	See All		
01/03/2018	14	Callable Indicator	N	USD
01/03/2018	14	Currency	GBP	USD
01/03/2018	14	DBV Indicator	N	Y
01/03/2018	14	Execution Timestamp	21/03/2017 15:06:07	GENE
01/03/2018	14	General Collateral Indicator	Rate	15
01/03/2018	14	UTI	10	
01/03/2018	14	See All		
01/03/2018	14	Callable Indicator	N	USD
01/03/2018	14	Currency	GBP	USD
01/03/2018	14	DBV Indicator	N	Y
01/03/2018	14	Execution Timestamp	21/03/2017 15:06:07	GENE
01/03/2018	14	General Collateral Indicator	Rate	15
01/03/2018	14	UTI	10	
01/03/2018	14	See All		
01/03/2018	14	Callable Indicator	N	USD
01/03/2018	14	Currency	GBP	USD
01/03/2018	14	DBV Indicator	N	Y
01/03/2018	14	Execution Timestamp	21/03/2017 15:06:07	GENE
01/03/2018	14	General Collateral Indicator	Rate	15
01/03/2018	14	UTI	10	
01/03/2018	14	See All		

Unified Comparison is the gateway into all post-trade lifecycle management services within EquiLend. Clients can perform pre-settlement affirmation, match and reconcile open contracts and amalgamate disparate data from third-party providers in Unified Comparison.

By connecting to Unified Comparison, clients reduce downstream lifecycle noise and are well positioned to adhere to regulatory initiatives.

Note: SFTR-required fields (e.g., UTI, execution timestamp) are now available in Unified Comparison.

## ABOUT US

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# EQUILEND

## OUR INNOVATION. YOUR ADVANTAGE.

EquiLend is a leading provider of trading and post-trade services for the securities finance industry with offices in New York, Boston, Toronto, London, Dublin, Hong Kong and Tokyo. EquiLend is owned by Bank of America Merrill Lynch, BlackRock, Credit Suisse, Goldman Sachs, JP Morgan, National Bank of Canada, Morgan Stanley, Northern Trust, State Street and UBS.

Used by securities borrowers and lenders globally, the EquiLend platform (for equities) and BondLend platform (for fixed income) automate formerly manual trading and post-trade processes in the securities finance industry. DataLend provides performance reporting and aggregated, anonymized, cleansed and standardized securities finance data covering all asset classes, regions and markets globally. EquiLend Clearing Services operates the ECS Middle Office and the ECS Gateway, which offer CCP services and connectivity. [www.equilend.com](http://www.equilend.com)

# TRAX<sup>®</sup>

## A MarketAxess Company

Trax, the post-trade services engine of MarketAxess, is a leading provider of trade matching and regulatory reporting services and is a trusted source of comprehensive and unbiased pricing and liquidity information to the global securities market. Trax processes on average over 1 billion cross-asset class transactions annually on behalf of its community of over 600 entities including approximately 12 million fixed income transactions. Trax operates an Approved Publication Arrangement (APA) and Approved Reporting Mechanism (ARM) for MiFID II trade and transaction reporting in addition to providing support for other regulatory regimes.

Trax is based in London and was originally established in 1985. Acquired by MarketAxess in 2013, Trax is a trading name of Xtrakter Ltd. and is a wholly owned subsidiary of MarketAxess Holdings, Inc. For more information, please visit [www.traxmarkets.com](http://www.traxmarkets.com).

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