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SECURITIES FINANCING TRANSACTIONS REGULATION (SFTR) and AIQA

The rationale behind SFTR:

Transaction Reporting for SFTs commenced in July 2020 with a phased go-live depending on the counterparty type.The rationale behind SFTR is, that due to lack of data, regulators failed to anticipate the risk arising from the securitiesFinancing transactions during and after financial crises. To increase transparency and mitigate such risks, companies now need to report their SFTs to the European Markets and Securities Authority (ESMA)

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Who is affected by SFTR ?

- SFTs conducted by any counterparty which is established in the European Union (EU), irrespective of location of their individual branch

- SFTs conducted by EU branches of non-EU entities.

- SFTs where the securities used are issued by an EU counterparties or by an EU branch of an entity

- SFTs reused by EU counterparties including their branches, irrespective of their location.

- SFTs reused by non-EU counterparties operated from EU location.

Types of firms affected include Banks, Investment Firms, Central Counterparties (CCPs), Central Securities Depository (CSDs), Insurance, Reinsurance Undertakings, Pension Funds, Undertakings for the collective investment of transferable securities (UCITs) which issues mutual fund in EU region, Alternative Investment Funds

Data model and challenges

The regulation requires total 153 fields to be reported in total out of which 96 need to be matched. 62 fields need to be matched initially, whereas the remaining 34 need to be matched 33 months later.

All data needs to be reported to a repository in standard ISO 20022 format. Deviations from the allowed format or deviations from the values allowed in the data model will be flagged immediately.

Reported identifiers and attributes such as the LEI should be in line with the public records. (SFM-005 "…The field shall contain a valid LEI contained in the GLEIF database maintained by the Central Operating Unit´…")

Additionally, all trade data need to be reported on T+1 whereas the collateral is required on S+1 (S being the designated system date)
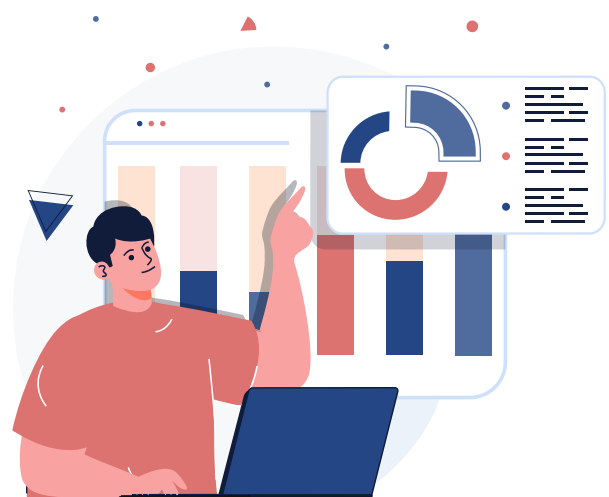
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Meet AIQA the self learning Robo–Reg–Reporting–Expert

AIQA was created in 2019 by regulatory experts in response to the increasing complexity around Regulatory reporting such as AnaCredit , EMIR or SFTR.

The solution was unveiled during the Bird Steering Group Meeting at the ECB in May 2023 featuring a case study for the BIRD data model.

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Benefits of AIQA for SFTR reporting

Data Quality:
Using AIQA ensures that every fields complies with formatting requirements and complies with values according to the data model.

Data Compliance:
Keep data actualized and compliant through updates twice a day. Any mismatches from public records will be flagged prior to being reported.

Data sourcing:
Firms can leverage existing EMIR and MiFID knowledge and capabilities through AIQA by retaining and applying existing information after the ETL process.

Automated Consulting:
AIQA is able to actively learn from prior input and will pro-actively give advice how fields are supposed to be filled.

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