Response Form to the Consultation Paper
Guidelines for reporting under Articles 4 and 12 SFTR
Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex III. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by 29 July 2019.

All contributions should be submitted online at www.esma.europa.eu under the heading ‘Your input - Consultations’.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.

2. Please do not remove tags of the type <ESMA_QUESTION_RSFRTR_1>. Your response to each question has to be framed by the two tags corresponding to the question.

3. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.

4. When you have drafted your response, name your response form according to the following convention: ESMA_RSFRTR_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA_RSFRTR_ABCD_RESPONSEFORM.

5. Upload the form containing your responses, in Word format, to ESMA’s website (www.esma.europa.eu under the heading “Your input – Open consultations” → “Consultation on Position limits and position management in commodities derivatives”).
Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading Legal Notice.

Who should read this paper

All interested stakeholders are invited to respond to this consultation. In particular, responses are sought from financial and non-financial counterparties to securities financing transactions, tri-party agents, agent lenders, central counterparties (CCPs) and trade repositories (TRs), as well as from all the authorities having access to the TR data.
General information about respondent

<table>
<thead>
<tr>
<th>Name of the company / organisation</th>
<th>European Federation of Energy Traders (EFET)</th>
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<tr>
<td>Activity</td>
<td>Non-financial counterparty</td>
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<td>Are you representing an association?</td>
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Introduction

*Please make your introductory comments below, if any*

<ESMA_COMMENT_RSFTR_1>

The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent, sustainable and liquid wholesale markets, unhindered by national borders or other undue obstacles. We currently represent more than 100 energy trading companies, active in over 28 European countries. For more information, visit our website at [www.efet.org](http://www.efet.org).

<ESMA_COMMENT_RSFTR_1>
Questions

Q1: Do you agree with the above assessment? Are there any other transactions for which clarification is needed? Please detail the reasons for your response.

We do agree with the clarification made by ESMA in relation to emission allowances. With respect to commodities, however, we would welcome some further clarifications, as discussed below.

Most of the available interpretive aid refers to SFTs in relation to securities and not to commodities. Neither the definitions of SFTs, nor the preamble or other documents, support an interpretation of the scope of SFTs based on financing purposes only, which would have allowed for an exclusion of transactions and contracts that serve another purpose. Therefore, if a transaction or a contract with commodities has the same characteristics and elements as a repo, a buy-sell back transaction or a sell-buy back transaction, or a securities lending or borrowing transaction, it is our understanding that such a transaction or product must be evaluated in terms of SFTR, although it is often entered into for reasons other than financing. To avoid a situation in which transactions of limited interest to ESMA in relation to the objectives of SFTR (i.e. improving the transparency of shadow banking) end up being reported under this regime, we would appreciate a confirmation of the understanding that transactions serving a purpose different from financing, but bearing the characteristics of an SFT, would have to be evaluated in light of the Regulation and may potentially be subject to reporting.

As we understand, a general and decisive element for classifying a transaction as an SFT should be the transfer of title of the commodities (or related cash) that serve as collateral/a guarantee in connection with the transaction. As also highlighted in section 5.1.6 of the ESMA Consultation Paper, another such element is the seller’s obligation (as opposed to merely the option) to repurchase or buy back the commodities in case of a repo or a sell-buy back transaction, respectively, or the borrower’s obligation to return the commodities in case of lending.

Accordingly, a deviation in quantity, generally, should not change the assessment whether a transaction is in scope. However, if a deviation is of such a size that the transaction cannot be seen as a secured funding or a lending transaction implying a temporary exchange of assets, such a transaction should not be considered an SFT. Without any specific guidance, if the quantity to be repurchased, bought back or returned, as the case may be, is substantially different compared to the quantity sold or lent, in our view, such a transaction should not be considered an SFT, unless other special circumstances exists.

Furthermore, it is our understanding that a transaction or a contract entered into neither for financing, nor for lending purposes, but only to fulfil the parties’ transportation or capacity needs, may not constitute an SFT, unless an assessment of the specific circumstances suggests otherwise. For instance, such transactions may include gas swaps where the buyer buys gas from the seller needed for delivery at point A, and
where the buyer sells gas to the seller needed for delivery at point B, at two geographically different locations of delivery.

Also, transactions for operational service purposes may not, depending on the circumstances, constitute an SFT. Such transactions may include transshipments where the buyer or the borrower cannot (and will not) make use of the commodity and where the time between sell and repurchase or sell and buy-back is limited and cannot be considered on “a future date” (the time depends merely on the time of the operational service).

Another group of transactions to be considered is gas storage contracts. Depending on the specifics of such contracts, some may be in scope of SFTR, others may potentially be in scope and a third group may be out of scope. Many gas storage contracts are entered into based on market practice/industry standards and include a sell/buy-back or buy/sell-back obligation, but mostly, such contracts are entered into for operational service purposes.

Considering the above, we seek additional guidance from ESMA confirming that the following types of transactions do not fall within the scope of SFTR:

- Commodity transactions entered into for reasons other than financing, such as for transportation and capacity needs and for operational purposes;
- Transactions entered into for gas storage purposes based on market practice/industry standards and including a sell/buy-back or buy/sell-back obligation; and
- Transactions whereby the quantity/characteristics of the commodity to be repurchased or returned, as the case may be, is/are materially different compared to the quantity/characteristics of the commodity sold or lent.

Q2: Do you agree with the approach set out for reporting of SFTs under Article 4 of SFTR as detailed above? Please detail the reasons for your response.

Q3: Do you agree with the approach for reporting repos and reverse repos as detailed in this section? Please detail the reasons for your response.

Q4: Are there any other types of repos and reverse repos transactions for which reporting needs to be clarified? Please detail the reasons for your response.
Q5: Are there any other aspects on reporting of master agreements or other elements of BSB/SBB that need to be clarified? Please detail the reasons for your response.

As already mentioned in our response to Q1 above, we seek additional guidance from ESMA confirming that the following types of transactions do not fall within the scope of SFTR:

- Commodity transactions entered into for reasons other than financing, such as for transportation and capacity needs and for operational purposes;
- Transactions entered into for gas storage purposes based on market practice/industry standards and including a sell/buy-back or buy/sell-back obligation; and
- Transactions whereby the quantity/ characteristics of the commodity to be repurchased is materially different compared to the quantity/ characteristics of the commodity sold.

Q6: Do you foresee any issues relating to the non-availability of information on the counterparties and the securities by T+1? Please detail the reasons for your response.

Q7: To what extent the SFTs that are cancelled and replaced bear price-forming information, i.e. does the cancellation imply an additional fee or price charged? If so, how can this information be better included in the reports? Please detail the reasons for your response.

Q8: Which approach would you favour in terms of reporting cash-driven SLB? Please detail the reasons for your response.

Q9: Do you agree with the proposal with regards to reporting of SFTs involving commodities? What other aspects should be clarified with regards to these SFTs? Please detail the reasons for your response.
We agree with the proposal of ESMA with regard to the reporting of SFTs involving commodities.

As for further comments, please also see our responses to Q1, Q5 and Q38.

<ESMA_QUESTION_RSFRTR_9>

Q10: Are there any aspects that need to be clarified with regards to this type of SFTs? Please detail the reasons for your response.

<ESMA_QUESTION_RSFRTR_10>

We remain concerned that some transactions within the scope of and already reportable under REMIT may also have to be reported under SFTR. We see that ESMA has recognised the issue and we would recommend cooperation with ACER to avoid burdensome double-reporting.

SFTR already contains a carve-out for derivative transactions subject to EMIR and in our view, transactions subject to REMIT should also be excluded from the reporting requirements under SFTR. REMIT offers a comprehensive framework for the integrity and transparency of wholesale power and gas markets and we consider this double-reporting requirement to constitute an undue burden on market participants. Moreover, the reporting frameworks differ, which means that the burden is related not only to having to report the same data twice, but also to having to report details about the same contract in different formats and according to different reporting timeframes (an aspect also highlighted by ESMA in the consultation paper).

Furthermore, certain commodity specific timing aspects of the transaction legs might not be conclusively specified when the transaction is signed. Therefore, the reporting of executions under REMIT allows to report the details once all is clear, whereas under SFTR several amendments to the first report might be required, since there are still flexible terms included. This means that one counterparty within a transaction can still define when the commodity can be sold and bought back, resp. bought and sold back.

We understand that such a carve-out may not be feasible at the level of this guidance, but hope that an alternative mechanism to address this could be found in the context of the wider review of the reporting regimes under the EU financial regulation framework. Alternatively, simplified SFTR reporting in the event that a transaction is reportable under REMIT could be a solution, provided that this would not create additional back office challenges. Further assessment would be needed.

<ESMA_QUESTION_RSFRTR_10>

Q11: Do you agree with the proposal with regards to reporting of margin lending? What other aspects should be clarified with regards to these SFTs? Please detail the reasons for your response.

<ESMA_QUESTION_RSFRTR_11>

TYPE YOUR TEXT HERE
Q12: Having in mind that position reporting of CCP-cleared SFTs is optional only when transaction-level reporting was made in accordance with paragraph 84, do you believe that additional clarifications need to be provided by ESMA? Please detail the reasons for your response.

Q13: Do you agree with the approach regarding allocation of responsibility with regards to SFTs concluded between TC-FC and EU SME-NFC? Please detail the reasons for your response.

Q14: Do you agree with the approach regarding allocation of responsibility with regards to UCITS management company and AIFM, established in third country? Please detail the reasons for your response.

Q15: Do you agree with the approach for determining conclusion of SFTs by EU branches of non-EU entities? Are there any other instances in addition to the ones in paragraph 102 that would need to be clarified? Please detail the reasons for your response.

Q16: Is the proposed guidance for determining whether an SFT conducted by a branch needs to be reported clear and comprehensive? Which areas require further clarification? Please detail the reasons for your response.

Q17: Is the proposed guidance for reporting of intragroup SFTs clear and comprehensive? Which areas require further clarification? Please detail the reasons for your response.
Under other regulatory reporting frameworks, i.e. EMIR and REMIT, the limited value added of reporting intragroup trades has been previously recognised. Whilst having little value to regulators and the market, such intragroup reporting represents a material workload for operational reporting teams. Considering a proportionate approach, we are in favour of an exemption of intragroup SFTs (at least where it concerns commodity SFTs) from the reporting obligation (as under the EMIR REFIT), or at least of making such an obligation subject to an explicit NRA request (as it is the case under REMIT).

Q18 : Do you agree with the approach for reporting by NFCs? Is there any additional aspect relating to reporting by NFCs that needs to be clarified? Please detail the reasons for your response.

We generally agree with section 5.7 on reporting by an NFC.

Q19 : Do you agree with the proposal for reporting conclusion of SFTs? Please detail the reasons for your response.

Q20 : Do you agree with the proposal for reporting modifications to SFTs? Please detail the reasons for your response.

Q21 : Do you agree with the proposal for reporting collateral updates to SFTs? Please detail the reasons for your response.

Q22 : Do you have any issues with reporting in a timely manner valuation, margin and reuse updates pertaining to SFTs? Please detail the reasons for your response.
Q23: Do TRs require additional guidance in relation to how reports submitted by the entities mentioned in Article 2(2) and (3) of SFTR should be treated and the relevant procedures to follow? If so please confirm where further guidance is required.

Q24: Do you agree with the proposed rules for reporting of field 1.17? Are there any other instances that would need to be clarified? Please detail the reasons for your answer.

Q25: Do you consider proposal A or proposal B to be the most efficient way to ensure that details of SFTs are reported accurately, and why? What would be the costs and benefits of each approach? Please detail the reasons for your response.

Any reporting of lifecycle events should be aligned with EMIR reporting processes.

Q26: Do you agree with the sequences proposed? Please detail the reasons for your response.

Q27: Do you agree with the proposed mapping between business events and action types? Are there any additional business events that should be included? Please detail the reasons for your answer.

Q28: Are there any other relationships that would need to be defined? If so, please detail which ones.

Q29: Is there any aspect not covered by the ITS on reporting that would require further clarification? Please detail the reasons for your response.
Q30: Do you agree with the proposed approach for reporting of counterparty side in the case of CCP-cleared SFTs? Please detail the reasons for your response.

Q31: Do you agree with the proposed approach to determine which side of a transaction is the collateral provider and which is the collateral taker for unsecured lending/borrowing of securities? Please detail the reasons for your response.

Q32: Please indicate how frequently is a haircut, margin or any other type of discount/add-on, applied to the loan side of SLB?

Q33: Do you agree with the proposed approach? Please detail the reasons for your response.

Q34: Do you agree with the proposed approach? Please detail the reasons for your response.

Q35: Do you agree with the proposed approach on timing and use of FX rates? Please detail the reasons for your response.

Q36: Does ESMA need to provide additional guidance on the reporting of the valuation fields? Please detail the reasons for your response.
Q37: Do you have any remarks concerning the reporting of CFI? What other aspects need to be clarified to ensure that reporting is consistently performed? Please detail the reasons for your response.

Q38: Do you agree with the approach for back-loading? What other aspects have to be considered to make the reporting of backloaded SFTs more efficient for counterparties and TRs, i.e. the costs of this approach are minimised and also the usefulness of the reports submitted going forward is maximised? Please detail the reasons for your response.

The general reporting obligation comes into application on 11 April 2020 for FCs (including authorised commodity dealers belonging to an industrial group) and 11 January 2021 for NFCs. Backloading all data from 2016, regardless of remaining maturity, would be of very limited use in terms of contributing to market transparency. This has recently been recognised by ESMA and EU stakeholders in the context of EMIR REFIT, whereby the 5Y backloading has been removed.

Further, due to the unclear scope for commodity-based SFTs, it has been difficult for the relevant counterparties to such commodity trades to conduct the necessary record-keeping for all reportable data fields. Consequently, the ‘pool of data’ from back in time is likely to be of poor quality, which would limit even further its usefulness from a supervisory perspective.

Therefore, the energy industry would recommend that backloading, at least for commodity-related transactions, should be revoked, i.e. data reporting should begin as of the respective ‘go live’ date, 11 April 2020 or 11 January 2021. We agree that contracts which are still outstanding on the go-live date and which meet the SFTR backloading requirements (i.e. with remaining maturity exceeding 180 days or where the SFT remains outstanding 180 days after the reporting start date) should remain subject to the backloading obligation.

Q39: What other aspects with regards to the UTI have to be clarified? Please detail the reasons for your response.

Rules for the generation of UTIs should be aligned with EMIR reporting processes.
Q40: Are there any other instances that need to be clarified? Please elaborate on the reasons for your response.

Q41: Please provide the relative volume of transactions for which issuer’s LEI (of securities used as collateral) or ISIN is not available in principle.

Q42: Do you agree with this approach? What other aspects need to be considered? Please elaborate on the reasons for your response.

We do not agree with section 5.20 of the consultation document on reporting in the phase-in period. In our view, the reporting of SFTs between an FC and an NFC shall start only when both parties are subject to the reporting obligations, i.e. at go-live of reporting for NFCs, as it is the case with the EMIR clearing and margining obligations, for instance. Voluntary reporting by NFCs or a requirement for NFCs to provide FCs with all the relevant information under the technical standards on reporting in advance of the reporting start date for NFCs, would impose an undue burden (in terms of costs and time to calibrate the respective mechanisms and processes) on NFCs.

Q43: Do you believe there are other use cases that need to be further defined in this subsection? Do you agree with the applicability of those use cases to the different types of SFTs as outlined above? Please detail the reasons for your answers.

Q44: Do you agree with the population of the counterparty data fields? Please detail the reasons for your response and indicate the table to which your comments refer.

Q45: Do you agree with the approach to reporting action types? Please detail the reasons for your response and include a reference to the specific table.
Q46: Do you agree with the approach to reporting event date? Please detail the reasons for your response and include a reference to the specific table.

Q47: Do you agree with the approach to reporting clearing? Please detail the reasons for your response and include a reference to the specific table.

Q48: Do you agree with the approach to reporting trading venue field? Please detail the reasons for your response and include a reference to the specific table.

Q49: Do you have any remarks or questions concerning the reporting of master agreements? Please detail the reasons for your response and include a reference to the specific table.

Q50: Do you agree with the approach to reporting conclusion and beginning of an SFT? Please detail the reasons for your response and include a reference to the specific table.

Q51: Do you agree with the approach to reporting term of the SFT? Please detail the reasons for your response and include a reference to the specific table.
Q52: Do you see any issues with the approach to reporting termination optionality? Please detail the reasons for your response and include a reference to the specific table.

Q53: Which of these approaches do you favour for reporting general and specific collateral? Please detail the reasons for your response.

Q54: Do you agree with the approach to reporting collateral arrangements? Please detail the reasons for your response and include a reference to the specific table.

Q55: Do you agree with the approach to reporting fixed and floating rates of SFTs? Please detail the reasons for your response and include a reference to the specific table.

Q56: Do you see any issues with the approach to reporting repo and BSB/SBB principal amounts? Please detail the reasons for your response and include a reference to the specific table.

Q57: Do you agree with the approach regarding reporting fields 2.51 and 2.90? Please elaborate on the reasons for your response.

Q58: Do you agree with the approach to reporting securities on loan? Please detail the reasons for your response and include a reference to the specific table.
Q59: Do you agree with the approach to reporting SFTs involving commodities? Please detail the reasons for your response and include a reference to the specific table.

Due to the uncertainty around the scope of SFTR in relation to commodities, so far, our focus has been primarily on identifying SFTs in the commodities context. Therefore, we have not had the chance to analyse in detail the reportable data fields. However, it is essential that the SFT reporting regime should be aligned as much as possible with existing regulatory reporting regimes applicable to commodities (i.e. REMIT/EMIR/MIFIR) in respect of data fields, processes, templates, etc. The regime should also consider relevant issues previously raised in the context of other reporting regimes, for instance, the complexity of unique product identifiers for commodities, such as ISIN codes.

Q60: Do you agree with the approach to reporting cash rebate SLBs? Please detail the reasons for your response and include a reference to the specific table.

Q61: Do you agree with the approach to reporting non-cash collateral SLBs? Please detail the reasons for your response and include a reference to the specific table.

Q62: Do you agree with the approach to reporting margin loan data? Please detail the reasons for your response and include a reference to the specific table.

Q63: Do you agree with the approach to reporting collateralisation? Please detail the reasons for your response and include a reference to the specific table.
Q64 : Do you agree with the approach to reporting cash collateral? Please detail the reasons for your response and include a reference to the specific table.

Q65 : Do you agree with the proposed approach? Please detail the reasons for your response.

Q66 : Do you agree with the proposed approach for calculating collateral haircuts or margin? Please provide justification for your response.

Q67 : Do you agree with the proposed approach for reporting collateral type field? Please detail the reasons for your response.

Q68 : Do you agree with the proposed approach for reporting Availability for collateral reuse? Please detail the reasons for your response.

Q69 : Do you agree with the proposed approach for reporting fields Identification of security and LEI of issuer? Are you aware of instances where securities provided as collateral do not have an ISIN? Please detail the reasons for your response.

Q70 : Do you agree with the proposed approach for reporting plain vanilla bonds as collateral? Please detail the reasons for your response.
Q71 : Do you agree with the proposed approach for reporting perpetual bonds as collateral? Please detail the reasons for your response.

Q72 : Do you agree with the proposed approach for reporting main index equities as collateral? Please detail the reasons for your response.

Q73 : Do you agree with the proposed approach for reporting variation margining with additional provision of securities by the collateral provider? Please detail the reasons for your response.

Q74 : Do you agree with the proposed approach for reporting variation margining with return of the same securities to collateral provider? Please detail the reasons for your response.

Q75 : Do you agree with the proposed approach for reporting variation margining with return of different securities to the collateral provider? Please detail the reasons for your response.

Q76 : Do you agree with the proposed approach for reporting prepaid collateral? Please detail the reasons for your response.

Q77 : Do you agree with the proposed approach for reporting portfolio code? Please detail the reasons for your response.
Q78 : Do you agree with the approach to reporting margin data? Please detail the reasons for your response and include a reference to the specific table.

Q79 : Do you have any comments on the scope of the non-cash collateral re-use measure, and are there practical obstacles to the reporting? In the case of margin lending, do you agree with the exclusion of securities that cannot be transferred to the prime broker’s account due to rehypothecation limits agreed contractually?

Q80 : Do you have any comments on cash collateral reinvestment, and do you agree with the scope?

Q81 : Do you agree with the proposed approach for reporting reuse, reinvestment and funding sources? Please detail the reasons for your response and include a reference to the specific table.

Q82 : What other aspects need to be considered with regards to the aforementioned approach with regards to treatment of rejection feedback? Please detail the reasons for your response.

Q83 : What other aspects need to be considered with regards to the aforementioned approach with regards to treatment of reconciliation feedback? Please detail the reasons for your response.
Q84: What other aspects need to be considered to make the process more efficient? Please elaborate on the reasons for your response?

Q85: Do you have any comments on the aforementioned practicalities relating to the provision of access to SFT data to authorities? What other aspects need to be considered to make the process more efficient? Please elaborate on the reasons for your response?