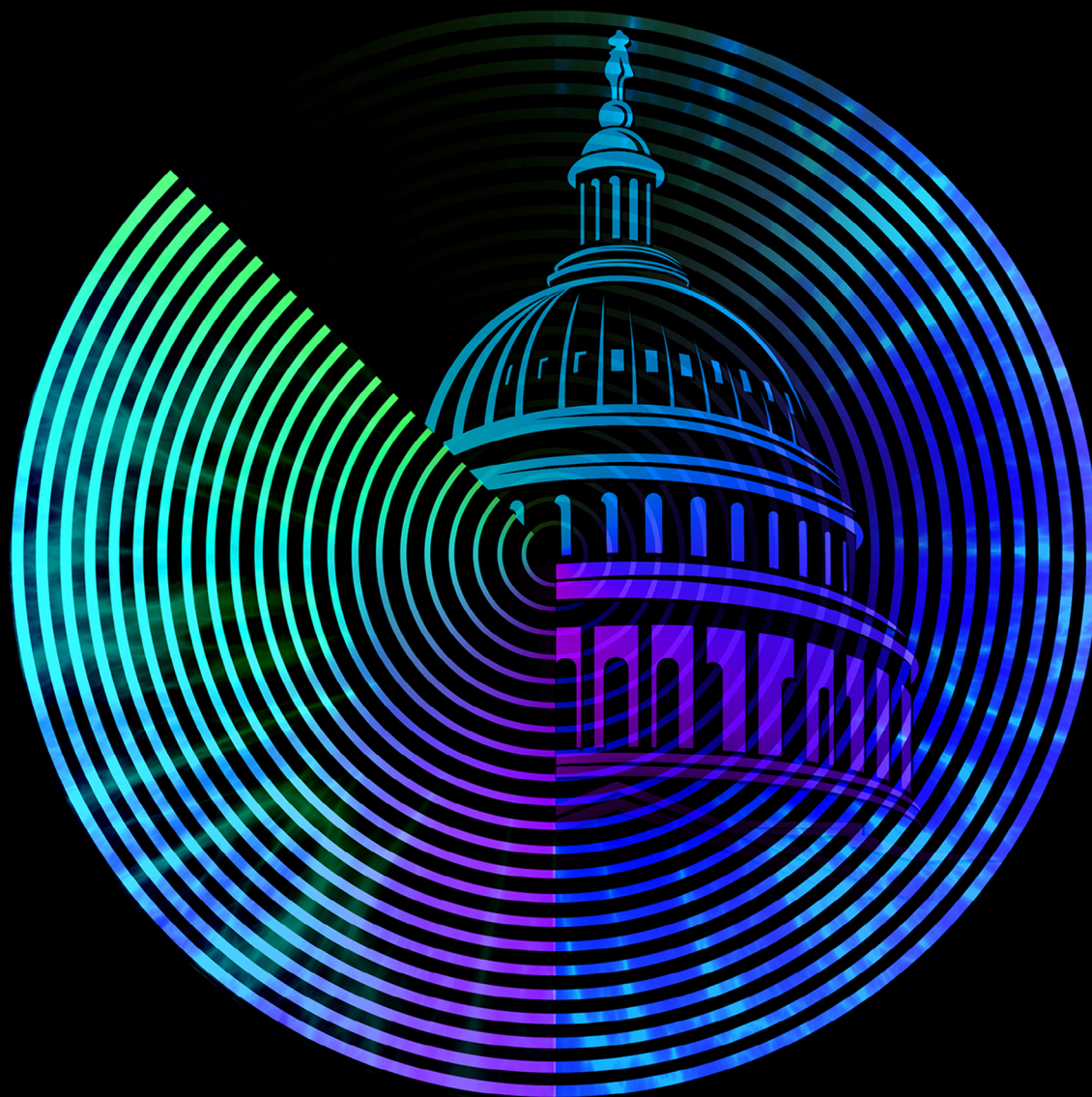


Deloitte.



Enhanced data collection
for repurchase transactions

Center for
**Regulatory
Strategy**
US

Scope of applicability

The proposed data collection would require the submission of bilateral repo transaction information by any financial institution whose average daily total outstanding commitments to borrow cash and extend guarantees through non-centrally cleared bilateral repo contracts over all business days during the prior calendar quarter is at least \$10 billion.⁵

According to the proposal, the covered reporters that meet this materiality threshold fall into two categories:⁶

- Category 1:
Securities brokers, securities dealers, government securities brokers and government securities dealers, all as defined by and registered pursuant to the Securities Exchange Act of 1934 (Exchange Act).
- Category 2:
Any financial company not in Category 1 whose average of daily total outstanding commitments to borrow cash from or extend guarantees to lenders is at least \$10 billion—through non-centrally cleared bilateral repo with any other entity that is not in Category 1—over all business days during the prior calendar quarter. Additionally, the financial company in Category 2 has assets or assets under management exceeding \$1 billion if it meets any one of the following criteria:
 - If an investment adviser registered pursuant to the Investment Advisers Act of 1940 provides continuous and regular supervisory or management services to securities portfolios valued at \$1 billion or more in assets under that law; or
 - If the firm is not an “investment adviser,” but it files a required disclosure of its balance sheet with a primary financial regulatory agency and has more than \$1 billion in assets under that disclosure; or
 - If the firm does not file a required disclosure of its balance sheet with a primary financial regulatory agency but it does file a required disclosure with any other federal financial regulator and has more than \$1 billion in assets under that disclosure; or
 - If the firm does not file a required disclosure of its balance sheet with any primary financial regulatory agency but it does file a required disclosure with any state regulator and has more than \$1 billion in assets under that disclosure; or



- If the firm does not file a required disclosure of its balance sheet with any state regulator or primary financial regulatory agency but its stated assets to outside investors or creditors in audited financial statements, and has more than \$1 billion in assets under that disclosure; or
- If the firm has not done any of the above but has disclosed assets in filings with the Internal Revenue Service and has more than \$1 billion in assets under that disclosure.

In addition to the categories listed above, the OFR is contemplating including any financial company not noted above with more than \$1 billion in assets or assets under management whose total commitments to borrow cash through non-centrally cleared bilateral repos from entities that are not brokers, dealers, or government brokers or dealers. This inclusion was likely intended to provide insight into the repo share that bypasses the traditional intermediaries, a market that could expand in the future.⁷

Required data elements and reporting process

The OFR's need for transparency increased during the pandemic, when Treasury market disruption highlighted how the reliance of hedge funds, particularly those that are highly leveraged, on short-term funding markets could create risks to financial stability. In 2014, the OFR conducted a pilot to collect data on centrally cleared and non-centrally cleared bilateral repos from US brokers and dealers affiliated with nine bank holding companies.⁸ Although the pilot provided a better view into the landscape of the repo market, it lacked the full scope of the non-centrally cleared bilateral repo market given gaps in the collected data attributes. The repo market played an important role during a breakdown of the Treasury market during the height of March 2020's market stress, which led to sales of mutual funds from foreign investors.

The OFR conducted another pilot in 2022 that provided a window into the terms of the transactions within the non-centrally cleared bilateral repo market, which included rates, tenors, collateral, timing, and haircuts.⁹ This pilot uncovered the drastic difference in haircuts in non-centrally cleared bilateral repos compared to the other repo segments, where 74% of the pilot volume for Treasury repos in the non-centrally cleared bilateral market were transacted with zero haircut. This differed from the non-centrally cleared tri-party repo market where the median haircut on Treasury collateral was 2%. The results from the 2022 pilot highlighted the need for more work to evaluate the potential risks and implications of these zero-haircut transactions.¹⁰ Ultimately, the gaps and lessons learned from both pilot studies and repo market volatility have been incorporated into the data collection design of the current proposed rule.

To better capture the breadth and depth of the non-centrally cleared bilateral repo market, 33 data elements are required to be submitted with the new rule. Some of the elements included in the proposal are the cash lender and borrower legal entity identifier (LEI), guarantee issuance, netting set, and unique transaction identifiers. The below tables represent the complete list of data elements firms will be required to submit:¹¹

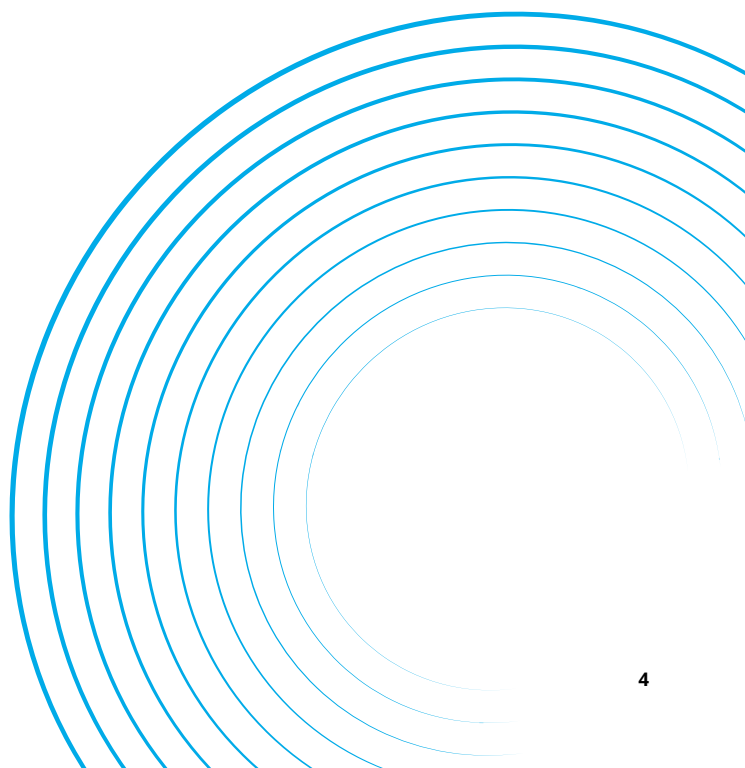
Quantity	
Data elements	Description
Securities quantity	For fixed-income instruments, the par amount of the transferred securities as of the report date.
Start leg amount	The amount of cash transferred to the cash borrower on the open leg of the transaction at inception of the repurchase.
Close leg amount	The amount of cash to be transferred by the cash borrower on the end date of the transaction.
Current cash amount	The amount of cash to be transferred by the cash borrower, inclusive of accrued interest and principal as of the file observation date.
Start leg currency	The currency which is used in the "start leg" field.

Collateral	
Data elements	Description
Securities identifier type	The identifier type for the securities transferred between cash borrower and cash lender.
Security identifier	The identifier of securities transferred between the cash borrower and the cash lender in the repo.
Securities value	The market value of the transferred securities as of the close of business on the file observation date, inclusive of accrued interest.
Securities value at inception	The market value of the transferred securities at the inception of the transaction, inclusive of accrued interest.
Securities value currency	The currency which is used in the "securities value" and "securities value at inception" fields.
Guarantee	Indicator for whether the covered reporter issued a guarantee with respect to the transaction.
Netting set	A descriptor to indicate for the transaction whether the covered reporter nets counterparty exposures across asset classes and instruments outside of repurchase agreements. When the covered reporter does not net counterparty exposures across asset classes and instruments outside of repurchase agreements, the descriptor indicates the repurchase agreement terms on which netting occurs.

Identifiers	
Data elements	Description
File observation date	The observation date of the file.
Covered reporter LEI	The LEI of the covered reporter.
Cash lender LEI	The LEI of the cash lender.
Cash lender name	The legal name of the cash lender.
Cash borrower name	The legal name of the cash borrower.
Cash borrower LEI	The LEI of the cash borrower.
Transaction id	The respondent-generated unique transaction identifier in an alphanumeric string format.
Unique transaction ID	If available, the Unique Transaction ID (UTI).
Trading platform	For transactions arranged using an outside vendor's platform, the provider of the platform.
Trade timestamp	The timestamp that the trade became an obligation of the covered reporter or the covered reporter's subsidiary.
Start date	The start date of the repo.
End date	The date the repo matures.
Minimum maturity date	The earliest possible date on which the transaction could end in accordance with its contractual terms (taking into account optionality).
Cash lender internal identifier	The internal identifier assigned to the cash lender by the covered reporter, if the covered reporter is not the cash lender.
Cash borrower internal identifier	The internal identifier assigned to the cash borrower by the covered reporter, if the covered reporter is not the cash borrower.
Special instructions, notes, or comments	The covered reporter may characterize any collateral with special instructions, notes, or comments.

Rates	
Data elements	Description
Rate	The rate of interest paid by the cash borrower on the transaction, expressed as an annual percentage rate on an actual/360-day basis.
Floating rate	The benchmark interest rate upon which the transaction is based.
Floating rate reset frequency	The time period, in calendar days, describing the frequency of the floating rate resets.
Spread	The contractual spread over the benchmark rate referenced in the repurchase agreement.
Haircut	The difference between the market value of the transferred securities and the purchase price paid at the inception of the transaction.

Data collection will need to be submitted daily, 11 a.m. ET every business day on a T+1 basis, and each transaction will be reported through the trade life cycle.



Compliance timeline

Firms have until early March 2023 to submit comments regarding the proposed rule. The proposal requires firms in scope to report 90 days from the effective date to comply with requirements.

The firms that become subject to the reporting requirements after the effective date will have until the first business day of the third full calendar quarter following the calendar quarter that they met the reporting threshold.

Industry challenges and preparedness

Complying with the proposed rule will likely be a significant effort for firms in scope. The new reporting mandate would require financial companies to establish new processes, controls, and responsibilities and to leverage technology solutions. While firms that submit the "Complex Institution Liquidity Monitoring" report (FR 2052a) may have data attribute overlap with the proposed requirements, this data is reported in aggregate and not on a transaction level.¹² For other firms that would meet the reporting thresholds, such as insurance companies, pension funds, and hedge funds, the level of effort to comply will be greater.

The 90-day compliance window post-effective date may pose a challenge given firms will need to conduct a detailed analysis of their current repo book and available data fields to ensure they conform with the reporting requirements. In addition to the need to establish technology, processes, and controls, some of the data elements required will be a challenge to firms. For example:

- LEI: Firms must have mapping of transactions to LEI. Data fed from systems utilized for booking repurchase agreements must be combined with appropriate LEI names.
- Netting set: Repo systems do not typically warehouse netting information; rather, it comes from finance in the reporting process. Firms must find a way to align netting agreements with trade-level repo activity.



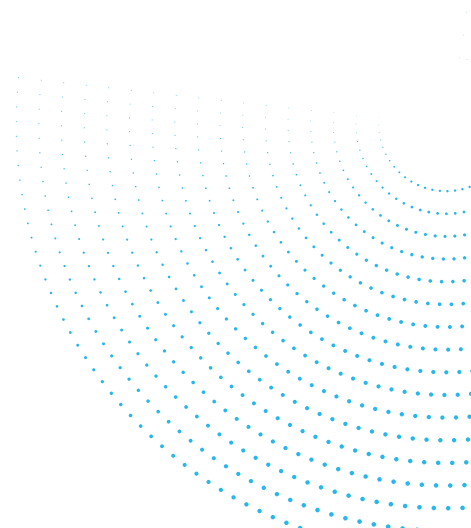
- UTI: Prior to the proposal, firms were not required to establish unique transaction identifiers across counterparties. Developing a consistent repeatable process for UTIs will take time and coordination in the industry.

What can firms do to prepare?

- Determine applicability
- Evaluate current-state repo book and gaps to requirements
 - Quantify where cash is being received in exchange for securities and valuating prior to netting
 - Review agreement-level detail for guarantees, maturity optionality, and netting sets
 - Review data quality for repo activity, security identifiers, and LEIs
 - Establish how transaction-level detail will be sourced and reported while incorporating UTIs
 - Identify in-scope repos that are executed through third-party systems

Endnotes

1. Department of the Treasury Office of Financial Research (OFR), "[Office of Financial Research releases proposal to collect data on certain repo transactions](#)," press release, January 5, 2023.
2. The FSOC member agencies include the Board of Governors of the Federal Reserve System (FRB), Commodity Futures Trading Commission (CFTC), Federal Deposit Insurance Corporation (FDIC), Federal Housing Finance Agency (FHFA), National Credit Union Administration (NCUA), Office of the Comptroller of the Currency (OCC), Securities and Exchange Commission (SEC), US Department of the Treasury, and Consumer Financial Protection Bureau (CFPB).
3. Viktoria Baklanova et al., "[The U.S. bilateral repo market: Lessons from a new survey](#)," OFR, January 13, 2016.
4. OFR, "[Collection of Non-Centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement Market](#)," 12 CFR Part 1610, January 9, 2023.
5. Ibid.
6. Ibid.
7. Ibid.
8. Baklanova et al., "[The U.S. bilateral repo market: Lessons from a new survey](#)."
9. Samuel J. Hempel et al., "[OFR's pilot provides unique window into the non-centrally cleared bilateral repo market](#)," OFR, December 5, 2022.
10. Ibid.
11. OFR, "[Collection of Non-Centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement Market](#)."
12. Deloitte, "[FR 2052a—Final reporting requirements: Significant expansion of liquidity reporting](#)," January 18, 2022.



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