SFTR'S IMPACTS ON THE INDUSTRY

1 Liquidity and Collateral

SFTR's compliance costs and increased regulatory disclosures may affect firms' liquidity and sources of securities for repo and lending in the market. In addition, collateral will have to be reported in more detail.

2 Reporting Requirements

The regulation is expected to produce reporting volumes that are 400-500% more than the size of current levels of trade bookings in the market, which will in turn compel firms to revise existing and/or develop new processes and controls. Automation and workflow management tools can help firms' front and back offices address these challenges.

3 Breaks

Based on the industry's experience with EMIR, SFTR is expected to generate a significant number of reconciliation breaks on day one. Reporting entities and their trade repositories will need to develop coherent and effective plans to resolve these breaks.

4 Disclosures

The additional information firms will provide to regulators under SFTR may affect the disclosures firms make, particularly around agent lending and prime brokerage, regarding their securities financing businesses.

5 Automation and Multilateral Trading Facilities

SFTR could provide an opportunity for firms to refocus on automating the order management and trade processes, freeing up resources for value-add activity like business generation. Emerging new technologies like distributed ledgers and artificial intelligence may also enhance regulatory reporting for the industry.

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