



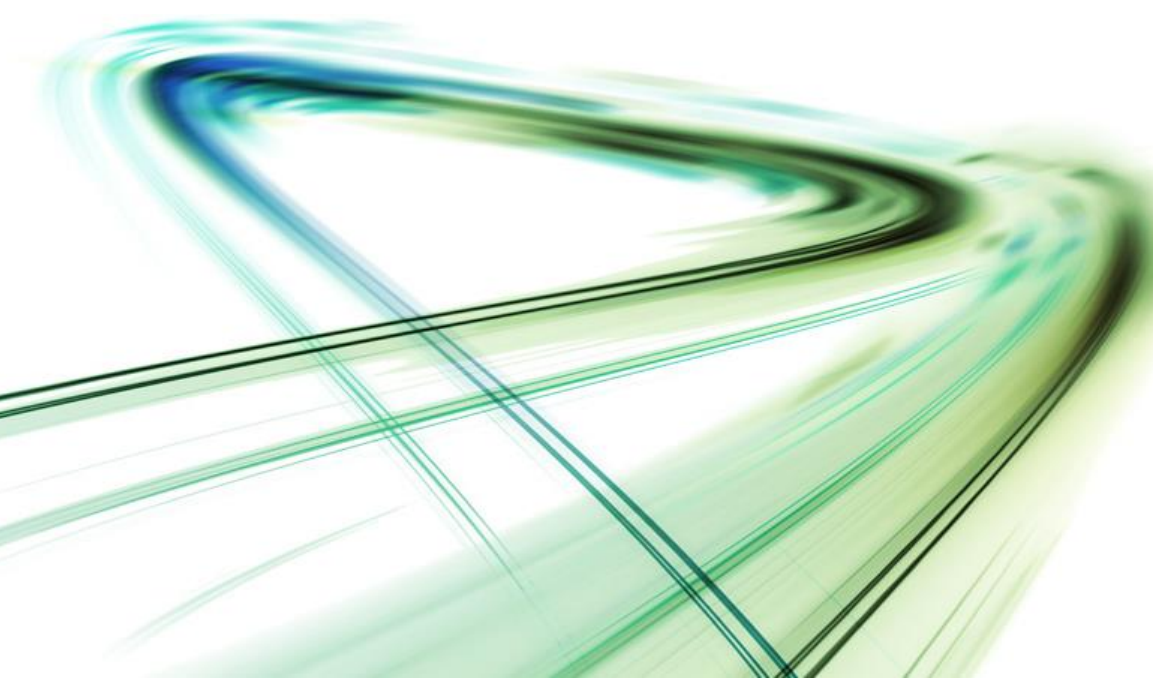
THE FIELD EFFECT

SFTR

At TFE we can help navigate the requirements and efficiently deliver the implementation of SFTR

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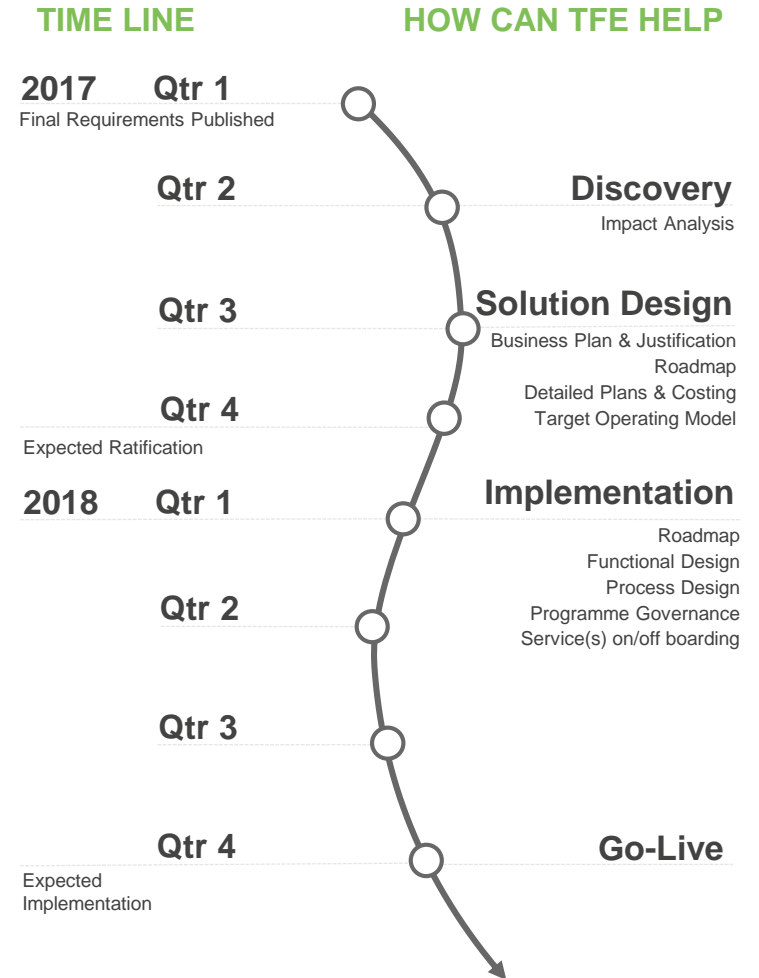


SFTR Impact and Delivery

The Securities Financing Transaction Regulation (SFTR) impact goes beyond the reporting of Securities Lending and Repo transactions, touching both the life-cycle events of the open position and collateral management, and ultimately the business operating model.

Implementation can be used to leverage change within your operating model in order to increase efficiency and drive down costs.

At TFE we can help navigate the requirements to build the business case and efficiently drive through the implementation.



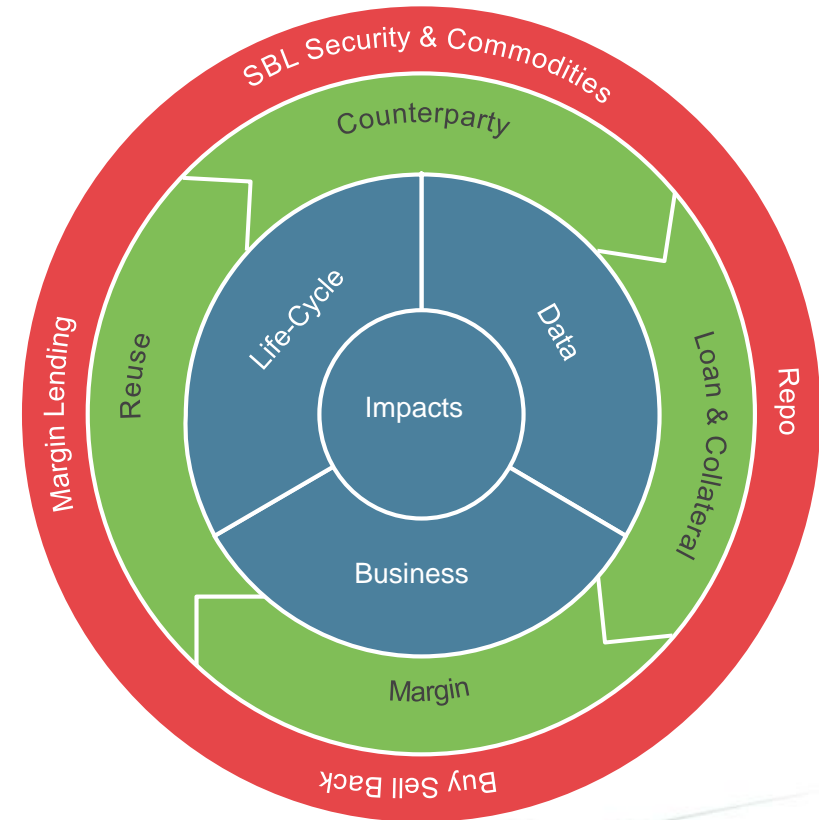
SFTR Overview

SFTR covers four product areas; SBL (securities & commodities), Buy / Sell Back, Repo and Margin Lending.

Reporting requires data (to ISO standards) on the counterparty, loan & collateral, margin and collateral re-use for up to 153 fields (product dependent), around 40% of which are new or enhanced.

The impact of SFTR is seen across both the initial reporting requirement and life-cycle event processes, along with the business operating model.

Is your business ready to report *and* deal with the impact?





Impact Analysis

Following detailed process analysis, we've identified three broad areas of impact

Data

- New & Existing Data Reporting
- Reporting Standards and Transformation
- Client Reporting
- UTI Generation
- Matching / Contract Compare
- Timing and Trade Enrichment

Life-Cycle

- Life-Cycle Event Reporting
- Position & Collateral Management
- Collateral Re-use & Optimization
- Controls

Business

- Business strategy
- Revenue & Costs
- People, Processes and Technology
- Leveraging Data Consolidation

Data & Reporting Impact

Trade reporting for firms is not new, however the challenge for Securities Financing is bringing together what have traditionally been siloed businesses, and enhancing existing or sourcing new data fields.

In addition, the responsibility for generating UTIs falls on different participants depending on the product and their role in a trade, whilst managing and linking collateral portfolios and collateral re-use will have a further impact.

There is also an opportunity - if SFTR implementation can bring together this data in a usable form, it can help break down these silos, and transform both the business and operating model leading to increase revenues whilst reducing costs.

Data requirements



Business Impact

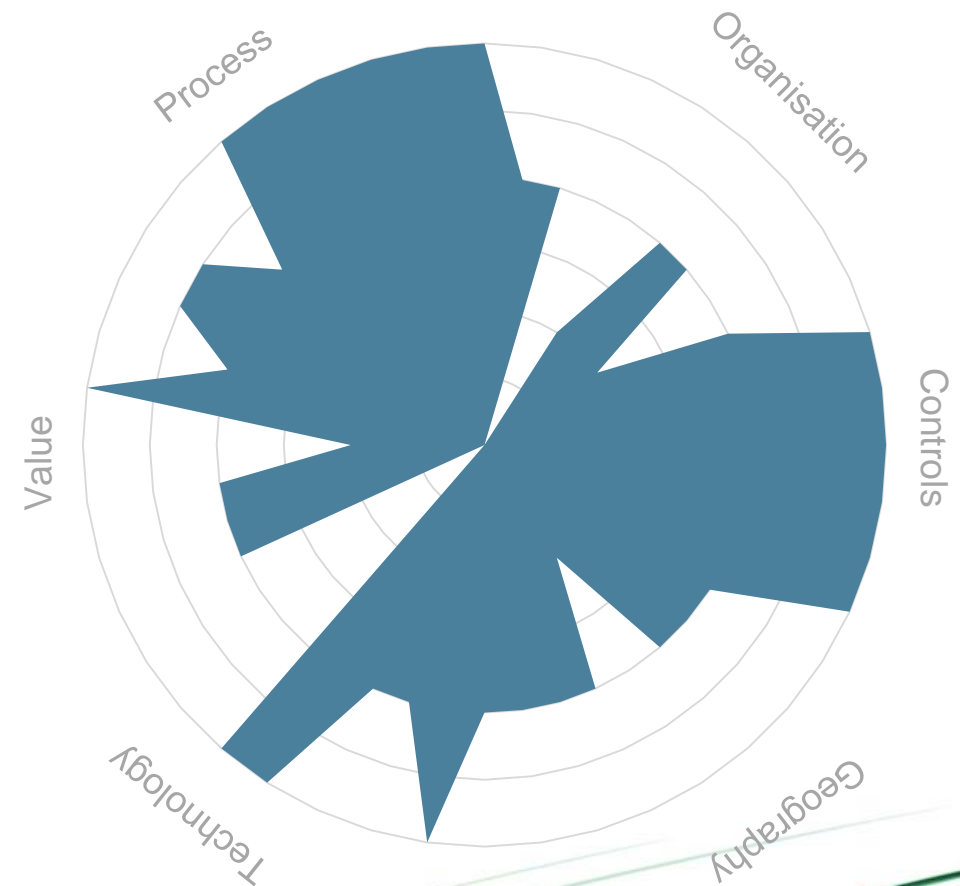
Whilst the drive is towards SFTR compliance, businesses will need to know the impact on their trading activity and operating model. Additionally, what are the costs of implementing SFTR and on-going reporting.

Like many regulations, its envisioned that there will be further enhancements in the future, once the dust has settled, what will be next?

These questions may not be answered straight away, but with greater transparency and increasing costs, firms are going to need to look at the relevance and efficiency of their businesses.

There is also an opportunity to build efficiency in to processes and, with a view on data usage, improve profitability.

TFE impact analysis





Life-Cycle Event Impact

With 16 of the 18 functional areas of Securities Financing impacted by the SFTR reporting requirements, life-cycle event management and reporting will need to be carefully managed.

Both the reporting type of an event and the timing needs to be carefully considered. For example, processes around client on-boarding, trading, ALD, pre-settlement netting, corporate actions, mark-to-market, collateral management, even contract compare and break fixing need to be reviewed to ensure SFTR compliance.

The opportunity here is around improving these processes to drive efficiencies in the target operating model and enhance controls to ensure SFTR compliance.

TFE Functional Analysis

Trading, Funding and Inventory management	Ctpty Exposure Mgt.
Client Relationship Management	Collateral management
Trade Capture, Enrichment, Booking & Allocation	Ops. Reconciliation and Control
Valuation & Risk	Sub-ledger Books Records Proc.
Settlement	Position Servicing
Clearing	Exclusives
Confirmation	Client Account Servicing
Reporting	Reference Data & Permissions
P&L, Balance Sheet and management reporting	Connectivity

Impact None Medium High

Securities Financing Functions – Impact Summary

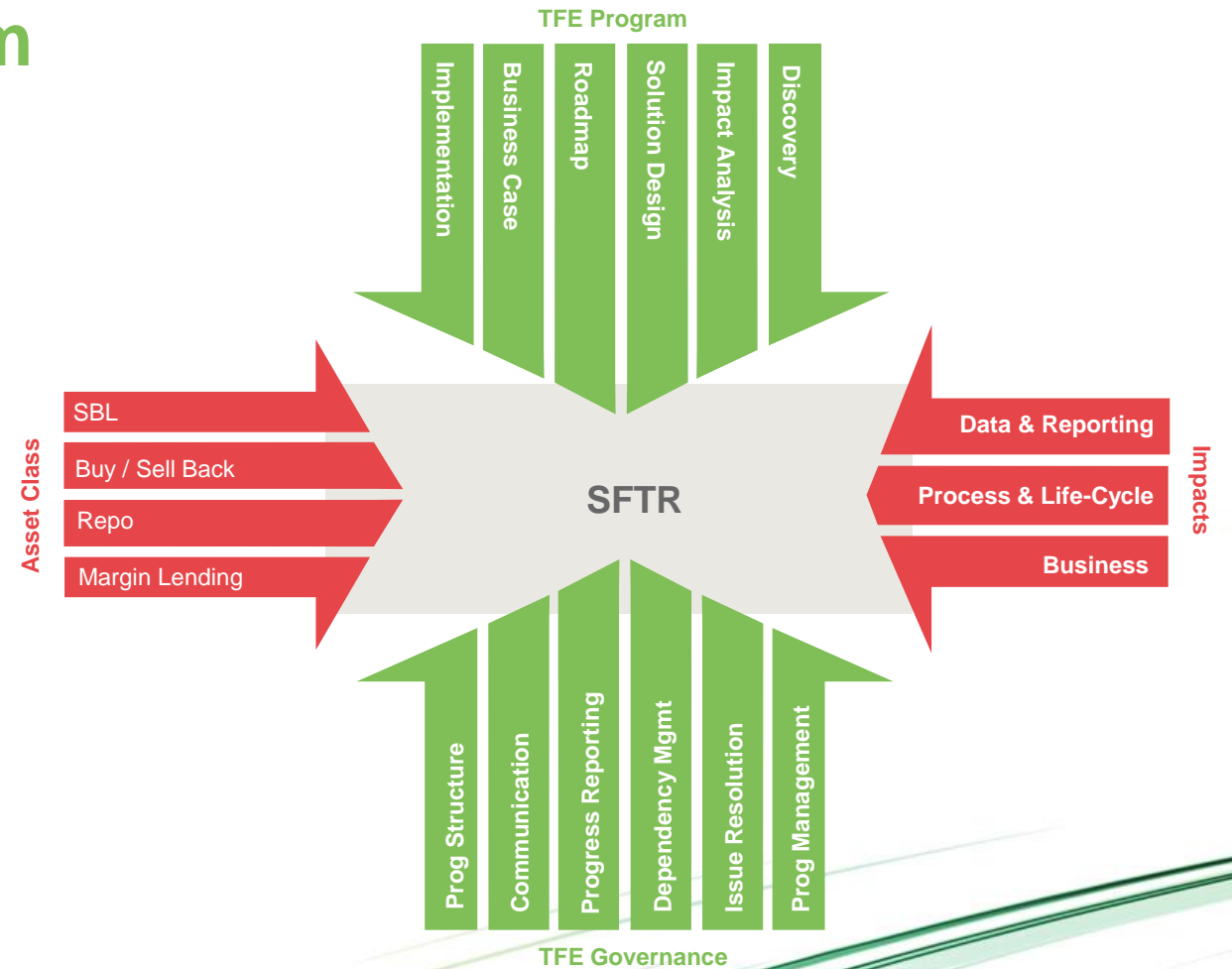
FUNCTIONAL AREA	DESCRIPTION	RATIONALE	IMPACT LEVEL
Trading, Funding & Inventory Management	Strategy, Pretrade Analytics & Availability Management	Additional reporting requirements impacting trade eligibility and pricing, potential reduction in rehypothecation and exclusive availability. ALD management, post trade enrichment.	High
Client Relationship Management	Sales and Relationship Management	Rehypothecation / Re-Use Consent Management & Documentation, Agent Lending Reporting, Exclusive Management . Onboarding data capture and management. Additional reporting feeds	High
Trade Capture & Enrichment	New Trades, Returns & Closeouts, Novation and Post Trade Enrichment	Initial transaction reporting, position management reporting (returns & closeout) – Including new reporting fields. Post trade enrichment, particularly timing of reporting requirements impacting the booking and enrichment process. Post trade netting and Agent Lender substitutions impacting the existing transaction and UTI reporting	High
Clearing & Settlement	Clearing and Settlement of Trades	Initial transaction reporting and UTI generation through, pre/post settlement management (netting), error reporting. Increase in contract compare	Medium
Valuation & Risk	Market valuation and Pricing	Requirement to report repricing from mark to markets on collateral positions and collateral portfolios	High
Confirmation	Trade Confirmations	Addition of UTI reporting on trades and timing of contract compare. Addition of UTI on other reporting such as client ALD, Triparty notifications and billing reports and the timing of these	High
Exposure Management	Exposure Calculation & Notification	Exposure valuation and collateral portfolio reporting requirements including notification of excess collateral pledges.	High
Collateral Management	Inventory Management and Collateral Movement	Reporting on collateral movements and portfolio positions as above, Triparty feeds and potential impact of re-use consent on inventory and linking portfolios to trades	High
Books & Records	Managing Accounting Records		None
Reconciliation & Control	Account and Nostro Reconciliation and Client Contract Compare	Timing of and additional Contract Compare for UTI generation, Error reporting following post settlement amendments (fixing breaks)	High
Position Services	Corporate Action Management	Corporate action management leading to additional reporting and UTI generation & post settlement management	High
Exclusives Management	Exclusive Account Management	Reporting of exclusive arrangements on Transaction reporting. Potential impact on availability through additional transparency requirements	Medium
Client Account Servicing	Daily Operational Client Management	Overall service level management and reporting. Additional focus on Contract Compare and reporting requiring UTIs	Medium
Reporting	Internal & Client Position Reporting, Regulatory Reporting	Agent lending reporting, Regulation / SFTR reporting, Reporting Standards and XML requirements	High
P&L & Balance Sheet Management	Managing Business P&L		None
Reference Data & Permissions	Pricing, Static Data, Client Mapping	Potential enhancement to Data requirements, such as LEI, Stock and Client Static and reporting drivers	Medium
Connectivity	External Connectivity to Vendors, Agents & CCPs	Additional reporting fields, reuse of existing feeds, ISO standards, Additional TR / Vendor links	High



The Field Effect SFTR Program

The Field Effect helps to design and deliver change through advice and expertise supported by powerful methods, tools and unique business insight.

We can create a tailored SFTR programme covering: Discovery, Impact Analysis, Solution Design, Roadmap, Business Case and Implementation. Coupled with TFE programme governance we can help meet the regulatory deadline whilst generating the business opportunities that are available.





About The Field Effect

About TFE

The Field Effect is an independent consultancy specialising in accelerating change in securities financing & collateral management, providing advisory services to every participant in the industry value chain.

Our services include helping clients to enhance trading and customer service strategies; improve operating efficiency; and simplify technology infrastructure to reduce run costs.










Finance, Capital & Collateral Specialists.

Our clients

- Buy-side
- Sell-side
- Custodians
- CCPs
- Vendors & Service Providers

Case Studies

The Field Effect brings unparalleled expertise in securities finance and collateral change initiatives, examples include:

	Tier 1 Bank	Collateral strategy gaining \$50 million annual revenue
	Global Custodian	Collateral services strategy, operating model, roadmap and business case for retention of £75million annual revenue under EMIR regulation
	Tier 1 Bank	Synthetic equity (Delta One) target operating model and roadmap to enable substantial revenue growth
	Top 4 Accountancy	Design and build of legal document & data management utility
	Tier 1 Bank	Operating model solution and implementation for Margin Requirement on Uncleared Derivatives Regulation
	Global Clearing House	Target operating model and roadmap to save 40% annual costs through radical simplification
	Tier 2 Bank	Designed and implemented firm-wide, front to back, multi-asset class securities financing platform, saving €7million annually
	Asset Manager	Dodd-Frank / EMIR driven collateral strategy, vendor selection and OTC trade reporting solution
	Hedge Fund	Firm-wide target operating model to support 10x revenue growth

TFE Services



Vision

- **Vision, Objectives & Goals (VOG)** – structured exposition of what the business objective and goals are, backed by quantifiable metrics
- **Pain Points, Opportunities & Gaps** - structured approach for diagnosing and analysis of the problem domain & validating the solution



Target Operating Model

- **Target Process model** – structured workflow mapping with integrated data and control requirements
- **Target functional model** – integrated with the process model to inform architecture
- **Architecture models** – conceptual, logical, physical
- **Information model** – data model glossary, taxonomy, entity relationship, governance
- **Organizational model:** roles & responsibilities definition



Roadmap & Business Case

- **Program Building Blocks (PBB)**– units-of-change required to deliver the proposed solution (TOM)
- **Roadmap** – simple or sophisticated tools for implementation planning
- **Scenario analysis** – different roadmap scenarios aligned to change & business initiatives
- **Business case** – a comprehensive business case per building block aggregated to the entire roadmap



Implementation

- **Strategy** – integration, environments, testing, development, resourcing & governance
- **Detailed planning** – design program, workstream planning (detailed project planning) & resourcing plan
- **Delivery** – establish program office, establish governance, mobilise program, procure environments, execute plans, manage internal & vendor relationships, test, BAU support & handover

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