
TO: **Regulated Entities:**
i. UCITS Management Companies
ii. UCITS Investment Companies
iii. Alternative Investment Fund Managers ('AIFMs')

FROM: **Cyprus Securities and Exchange Commission**

DATE: **16 June 2016**

CIRCULAR NO.: **C137**

SUBJECT: **Regulation (EU) 2015/2365 of the European Parliament and of the Council on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012**

The Cyprus Securities and Exchange Commission ('the Commission') informs the Regulated Entities of the following:

[Regulation \(EU\) 2015/2365 of the European Parliament and of the Council on transparency of securities financing transactions and of reuse, and amending Regulation \(EU\) 648/2012](#) ('the Regulation'), which is also available on the Commission's website, was published in the Official Journal of the European Union on 23.12.2015. This Regulation responds to the need to enhance the transparency of securities financing markets and thus of the financial system.

The new rules on the transparency provide for the reporting of details regarding Securities Financing Transactions (SFTs) concluded by all market participants (except for transactions with members of the European System of Central Banks), whether they are financial or non-financial entities, including the composition of the collateral, whether the collateral is available for reuse or has been reused, the substitution of collateral at the end of the day and the haircuts applied.

The main changes brought by the Regulation (concerning the aforementioned Supervised Entities) are:

- (a) counterparties shall keep a record of any SFT that they have concluded, modified or terminated for at least five years following the termination of the transaction,
- (b) the existing periodical reports that UCITS management companies or UCITS Investment Companies and AIFMs (and by extension AIFs managed by AIFMs) have to produce, should be supplemented by the additional information on the SFTs and total return swaps, provided for at **Section A of the Annex to the Regulation**,

(c) the UCITS prospectus and the information disclosed by AIFMs to investors shall specify the SFT and total return swaps which UCITS management companies or UCITS investment companies and AIFMs (and by extension AIFs managed by AIFMs), respectively, are authorised to use and include a clear statement that those transactions and instruments are used, as provided at **Section B of the Annex to the Regulation**, and

(d) the ability of counterparties to engage in the reuse of financial instruments, that are provided as collateral, under certain conditions.

'Securities Financing Transaction' or 'SFT' means (Article 3(11)):

- a repurchase transaction
- securities or commodities lending and securities or commodities borrowing
- a buy-sell back transaction or sell-buy back transaction
- a margin lending transaction.

The reporting obligation shall apply to SFTs which:

1. were concluded before the relevant date of application referred to in point (a) of Article 33(2) and remain outstanding on that date, if:
 - (i) the remaining maturity of those SFTs on that date exceeds 180 days; or
 - (ii) those SFTs have an open maturity and remain outstanding 180 days after that date;
2. are concluded on or after the relevant date of application referred to in point (a) of Article 33(2).

Annex A to this Circular provides a list of the obligations arising from the Regulation, as well as the dates on which UCITS management companies or UCITS investment companies and AIFMs shall comply with them.

Given the direct effect of the Regulation, without needing transposition into national law, we note that the Commission expects Regulated Entities to strictly adhere to the provisions of the Regulation.

Sincerely

Demetra Kalogerou
Chairwoman, Cyprus Securities and Exchange Commission

ANNEX A

UCITS MANAGEMENT COMPANIES OR UCITS INVESTMENT COMPANIES OF DIRECTIVE 2009/65

AND

AIFMs OF DIRECTIVE 2011/61

Obligations under Regulation (EU) 2015/2365 on transparency of securities financing transactions (STF) and of reuse	Specific obligation	Entry into force
Record keeping obligation [article 4(4)]	Counterparties shall keep a record of any SFT that they have concluded, modified or terminated for at least five years following the termination of the transaction.	12 January 2016 [article 33(1)]
Reporting obligation [article 4(1)]	Counterparties to SFTs shall report the details of any SFT they have concluded, as well as any modification or termination thereof, to a trade repository registered in accordance with Article 5 or recognised in accordance with Article 19. Those details shall be reported no later than the working day following the conclusion, modification or termination of the transaction.	July 2018 [articles 33(2)(a)(iii) and 3(3)(d) and (e)]
Transparency obligation [article 13 and 14]	UCITS Management Companies or UCITS Investment Companies of Directive 2009/65 and AIFMs of Directive 2011/61, established after 12 January 2016, shall include in their UCITS prospectus and AIFM disclosure of information to	12 January 2016 [article 33(1)]

	investors, the data provided for in <u>Section B of the Annex to the Regulation</u> .	
Transparency obligation [article 13 and 14]	UCITS Management Companies or UCITS Investment Companies of Directive 2009/65 and AIFMs of Directive 2011/61, shall include in their periodical reports, the data provided for in <u>Section A of the Annex to the Regulation</u> .	13 January 2017 [article 33(2)(b)]
Transparency obligation [article 13 and 14]	UCITS Management Companies or UCITS Investment Companies of Directive 2009/65 and AIFMs of Directive 2011/61, established before 12 January 2016, shall include in their UCITS prospectus and AIFM disclosure of information to investors, the data provided for in <u>Section B of the Annex to the Regulation</u> .	13 July 2017 [article 33(2)(γ)]
Transparency of reuse [article 15]	Application of conditions in relation to the right of counterparties to reuse financial instruments received as collateral	13 July 2016 [article 33(2)(d)]

The dates given above are indicative and will depend on the timeline of adoption of the draft regulatory technical standards by the European Commission, the development of which has been entrusted to ESMA, as per the Regulation.