

From November 2015 FSB report [Regulatory framework for haircuts on non-centrally cleared securities financing transactions](#)

## **Annex 1: Implementation dates for the policy recommendations for shadow banking risks in securities lending and repos<sup>1</sup>**

Recommendation 1: Authorities should collect more granular data on securities lending and repo exposures amongst large international financial institutions with high urgency. Such efforts should to the maximum possible extent leverage existing international initiatives such as the FSB Data Gaps Initiative, taking into account the enhancements suggested in this document.

***Implementation date: Ongoing***

Recommendation 2: Trade-level (flow) data and regular snapshots of outstanding balances (position/stock data) for repo markets should be collected. Regular snapshots of outstanding balances should also be collected for securities lending markets and further work should be carried out on the practicality and meaningfulness of collecting trade-level data. Such data should be collected frequently and with a high level of granularity, and should also capitalise on opportunities to leverage existing data collection infrastructure that resides in clearing agents, central securities depositories (CSDs) and/or central counterparties (CCPs). National/regional authorities should decide the most appropriate way to collect such data, depending on their market structure, and building on existing data collection processes and market infrastructure where appropriate. Trade repositories are likely to be an effective way to collect comprehensive repo and securities lending market data. Regulatory reporting may also be a viable alternative approach.

Recommendation 3: The total national/regional data for both repos and securities lending on a monthly basis should be aggregated by the FSB which will provide global trends of securities financing markets (e.g. market size, collateral composition, haircuts, tenors). The FSB should set standards and processes for data collection and aggregation at the global level to ensure consistent data collection by national/regional authorities and to minimise double-counting at the global level.

***Implementation date: End of 2018***

Recommendation 4: The Enhanced Disclosure Task Force (EDTF) should work to improve public disclosure for financial institutions' securities lending, repo and wider collateral management activities, taking into consideration the items noted above.

***Implementation date: EDTF to consider by January 2015 and implementation by firms thereafter.***

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<sup>1</sup> Recommendations 1-11 have already been finalised and published in the August 2013 Report ([http://www.fsb.org/publications/r\\_130829b.pdf](http://www.fsb.org/publications/r_130829b.pdf)). Recommendations 12-18 are those finalised in the November 2015 Report ([https://www.fsb.org/wp-content/uploads/SFT\\_haircuts\\_framework.pdf](https://www.fsb.org/wp-content/uploads/SFT_haircuts_framework.pdf)). The implementation dates for Recommendations 14-18 have been updated as of July 2019. See (<https://www.fsb.org/2015/11/regulatory-framework-for-haircuts-on-non-centrally-cleared-securities-financing-transactions-2>).

Recommendation 5: Authorities should review reporting requirements for fund managers to end-investors against the FSB's proposal, and consider whether any gaps need to be addressed.

***Implementation date: January 2017***

Recommendation 6: Regulatory authorities for non-bank entities that engage in securities lending (including securities lenders and their agents) should implement regulatory regimes meeting the minimum standards for cash collateral reinvestment in their jurisdictions to limit liquidity risks arising from such activities.

***Implementation date: January 2017***

Recommendation 7: Authorities should ensure that regulations governing re-hypothecation of client assets address the following principles:

- Financial intermediaries should provide sufficient disclosure to clients in relation to re-hypothecation of assets so that clients can understand their exposures in the event of a failure of the intermediary;
- In jurisdictions where client assets may be re-hypothecated for the purpose of financing client long positions and covering short positions, they should not be re-hypothecated for the purpose of financing the own-account activities of the intermediary; and
- Only entities subject to adequate regulation of liquidity risk should be allowed to engage in the re-hypothecation of client assets.

***Implementation date: January 2017***

Recommendation 8: An appropriate expert group on client asset protection should examine possible harmonisation of client asset rules with respect to re-hypothecation, taking account of the systemic risk implications of the legal, operational, and economic character of re-hypothecation.

***Implementation date: Ongoing (the expert group has been established in August 2014)***

Recommendation 9: Authorities should adopt minimum regulatory standards for collateral valuation and management for all securities lending and repo market participants.

***Implementation date: January 2017***

Recommendation 10: Authorities should evaluate, with a view to mitigating systemic risks, the costs and benefits of proposals to introduce CCPs in their inter-dealer repo markets where CCPs do not exist. Where CCPs exist, authorities should consider the pros and cons of broadening participation, in particular of important funding providers in the repo market.

***Implementation date: January 2016***

Recommendation 11: Changes to bankruptcy law treatment and development of Repo Resolution Authorities (RRAs) may be viable theoretical options but should not be prioritised for further work at this stage due to significant difficulties in implementation.

***Implementation date: Not applicable***

Recommendation 12: Regulatory authorities should set qualitative standards for the methodologies that firms use to calculate collateral margins/hairecuts, whether on an individual transaction or portfolio basis, and should review those standards against the guidance set out

above by the end of 2017. In particular, regulatory authorities should seek to minimise the extent to which these haircut methodologies are procyclical. Standard setters (e.g. Basel Committee on Banking Supervision (BCBS)) should review existing regulatory requirements for the calculation of collateral haircuts in line with this recommendation by the end of 2015.

***Implementation dates: End of 2017 (for the relevant regulatory authorities) and end of 2015 (for the relevant standard setters including the BCBS)***

Recommendation 13: For non-centrally cleared securities financing transactions in which banks and broker-dealers provide financing to non-banks against collateral other than government securities (i.e. bank-to-non-bank transactions), the Basel Committee on Banking Supervision (BCBS) should review its capital treatment of securities financing transactions and incorporate the framework of numerical haircut floors into the Basel regulatory capital framework (i.e. Basel III framework) by the end of 2015.

***Implementation date: End of 2015***

Recommendation 14: Following the BCBS's incorporation of the framework of numerical haircut floors into the Basel III framework, authorities should then implement the framework of numerical haircut floors by ~~the end of 2018~~ January 2022. That may be either through the Basel III framework or requiring banks and broker-dealers in bank-to-non-bank transactions to conduct transactions above the numerical haircut floor or collect minimum excess margin amounts consistent with the numerical haircut floors. Such a requirement could be directed solely at banks and broker-dealers (i.e. entity-based regulation) or could be encompassed within a requirement that applies on a market-wide basis (i.e. market regulation).

***Implementation date: ~~End of 2018~~ January 2022***

Recommendation 15: Authorities should introduce the framework of numerical haircut floors on non-bank-to-non-bank transactions based on their assessment of the scale of securities financing activities and the materiality of non-bank-to-non-bank transactions in their jurisdictions by ~~the end of 2018~~ January 2024. Jurisdictions with large securities financing activities should apply numerical haircut floors to all non-bank-to-non-bank transactions using market regulation or an entity-based approach, and the jurisdictions with the very largest securities financing activities should do so using market regulation. In other jurisdictions (i.e. jurisdictions that do not have large securities financing activities), if the volume of non-bank-to-non-bank transactions in the jurisdiction is material, authorities should ensure that such transactions are covered using either market regulation or an entity-based approach. Otherwise, it may be sufficient to limit the application of numerical haircut floors to bank-to-non-bank transactions.

***Implementation date: ~~End of 2018~~ January 2024***

Recommendation 16: An initial assessment of the need and the implementation approach for introducing the framework of numerical haircut floors on non-bank-to-non-bank transactions should be conducted ~~within a year of this document's publication by January 2021~~. If authorities do not implement the framework of numerical haircut floors through market regulation in their jurisdictions by ~~the end of 2018~~ January 2024, they should annually assess the need to extend the coverage of the framework, and implement any required changes within three years of their assessment.

***Implementation date: ~~End of 2017 onwards~~ January 2021***

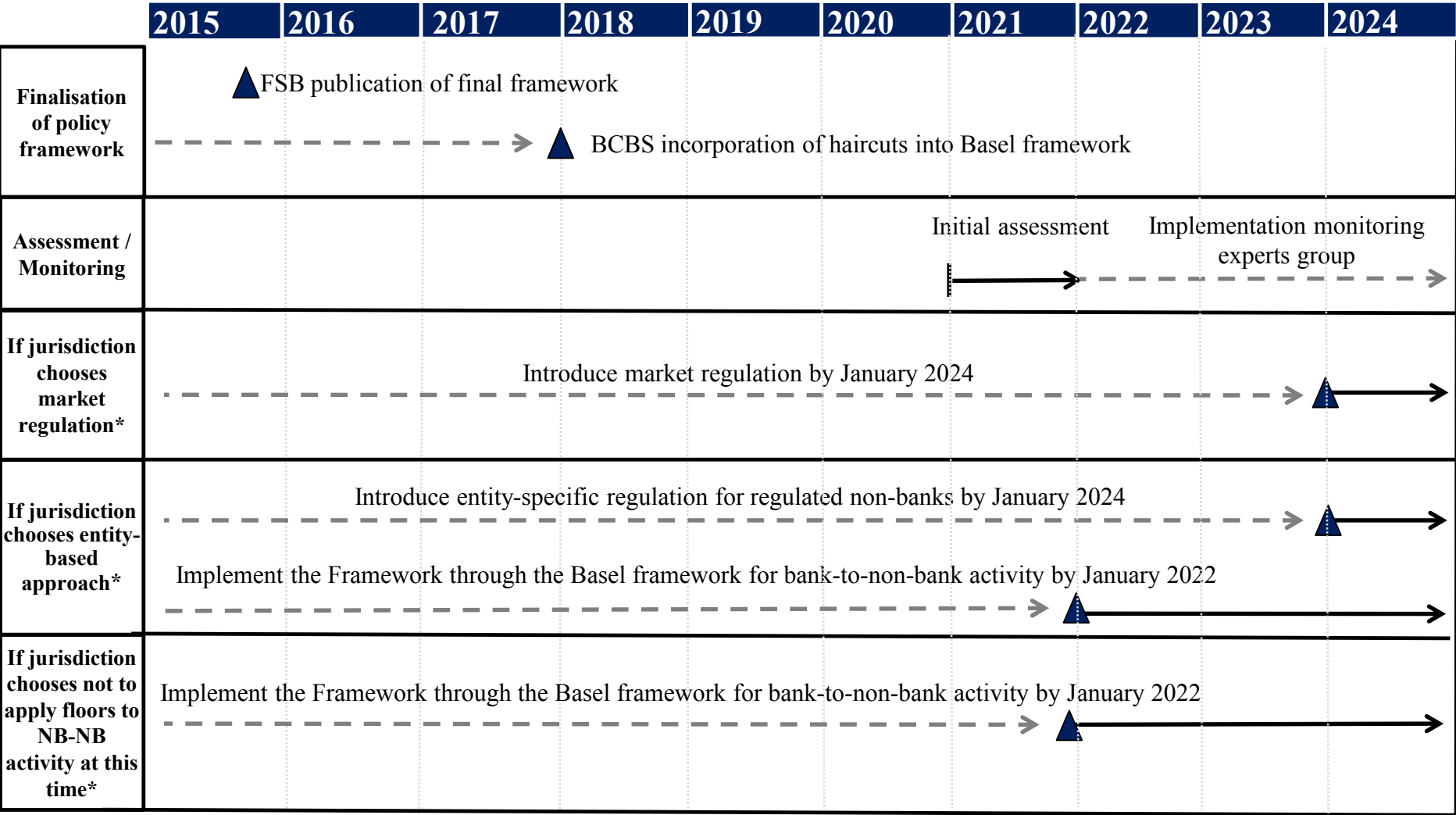
Recommendation 17: The FSB, in coordination with the relevant international standard setting bodies, will monitor the implementation of the framework of numerical haircut floors and will consider reviewing the framework including its scope and levels as necessary.

***Implementation date: ~~End of 2018 onwards~~ By January 2023 and onwards***

Recommendation 18: The FSB will establish a monitoring process ~~in 2017~~by January 2022 to review the national implementation of the framework of numerical haircut floors, in particular their approaches for covering non-bank-to-non-bank transactions and the rationales for these approaches. The initial monitoring exercise will take place in ~~2018~~2022.

***Implementation date: ~~2017~~ By January 2022 with initial assessment in 2022***

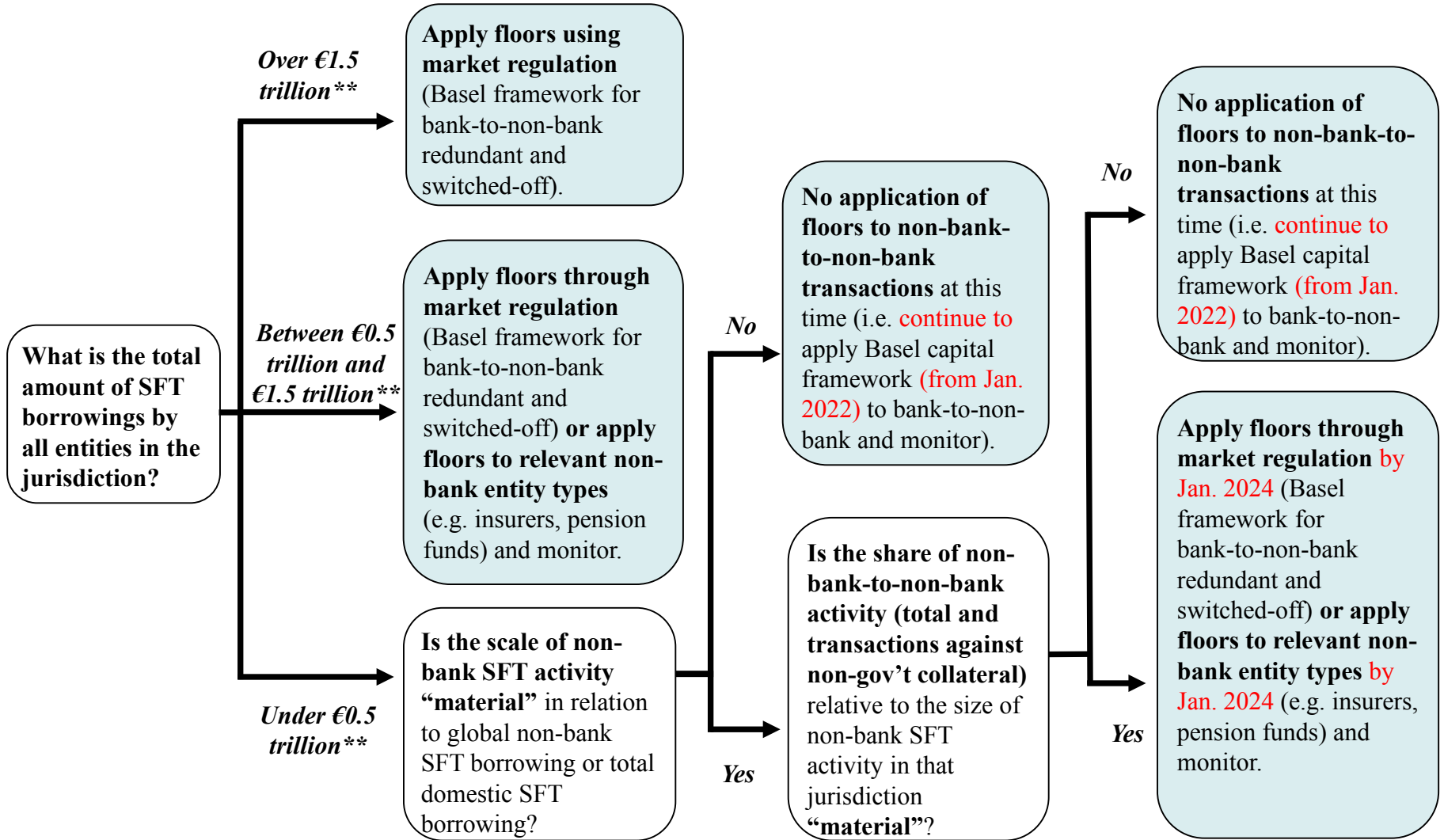
# Annex 3: Timeline of Initial Implementation of the FSB Framework for Numerical Haircut Floors\*



\* : This document replaces Annexes 3 and 4 of the FSB (2015) [Regulatory framework for haircuts on non-centrally cleared securities financing transactions](#).

\*\* : For details, the replaced Annex 4 of the FSB (2015), shown in the next page.

# Annex 4: Steps for assessing the need to cover non-bank-to-non-bank transactions\*



\* : This document replaces Annexes 3 and 4 of the FSB (2015) [Regulatory framework for haircuts on non-centrally cleared securities financing transactions](#).  
 \*\*: These thresholds are meant to approximately represent 15% of global SFT activity, 5-15% of global SFT activity, and 5% of global SFT activity, respectively.