BMECLEARING *Circular*	**Number:**	C-VRF-15/2020
	Segment:	Fixed Income
	Date:	24 September 2020
	Effective date:	29 September 2020
	Replaces:	C-VRF-10/2020
Subject	Reporting Trades to a Trade Repository according to SFTR.	
Summary	Information on how BME CLEARING will handle reporting of trades to Trade Repository according to SFTR. It is modified by the change in the MIC Code of the Brokertec Platform.	

This Circular provides information, to Clearing Members and other Counterparties in the reporting chain, on how BME Clearing will handle reporting of trades to a Trade Repository (hereinafter, TR), pursuant to the requirements of article 4 of the SFTR (EU) Nº 2365/2015 of the European Parliament and of the Council, and so to help as guidance on how reporting should be done.

As a result of the publication of the notice 80-191-995 by ESMA on 19 March 2020, the reporting obligation started on 13 July 2020 for financial counterparties and Central Counterparty Clearing House.

Applicable regulations oblige counterparties of repo, buy sell backs, securities lending and margin lending trades to report these to a Trade Repository. As both counterparties are obliged to report the trade and as the common data they report must be aligned, it is essential that the CCP and its Clearing Members use the same methodology for obtaining consistent fields in reported Trades.

In this circular we are going to cover only the casuistries that apply to BME CLEARING.

If the Competent Authorities issue new regulations establishing different, complementary or additional criteria to the approach taken by BME Clearing, a further Circular or Instruction with the relevant changes will be issued.

This document is for information purposes only and does not purport to set any standards in advance.

If you have any questions or require further information, please contact ReportingBMEC@grupobme.es.

1.- REPORTING METHODOLOGY

BME CLEARING compensates buy sell back and repo trades. BME CLEARING acting as CCP and the Clearing Member must report all buy sell backs or repo trades cleared.

For these trades cleared at BME CLEARING we have the following scenario:

Buy sell backs or repo trades between Clearing Members that it cleared in the ECC

This is the only scenario where two Clearing Members register a trade in BME CLEARING, which can be from bilateral way through IBERCLEAR or from trading venue:
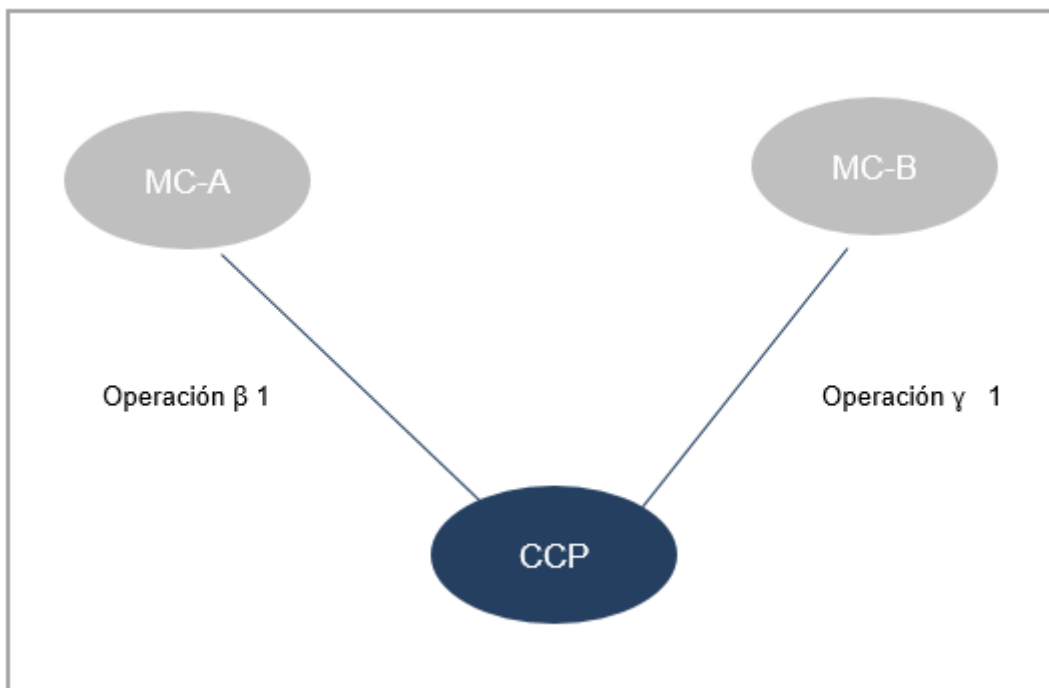
In this Trade, Client A, cleared by Clearing Member A, and client B, cleared by Clearing Member B, have both registered the Trade. For the purposes of the reporting obligation, all the transactions shown in the image have to be reported to a Trade Repository (TR).

- The CCP reports the Beta 1 trade against Clearing Member A and Gamma 1 trade against Clearing Member B.

- Clearing Member A reports the Beta 1 trade against the CCP.

- Clearing Member B reports the Gamma 1 trade against the CCP[1].

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1 In the scenario that the cleared trade in BME CLEARING comes from a bilateral operation reported through IBERCLEAR, the regulation require that the Clearing Members must report the initial operation (called Alfa in the industry) and subsequently cancel it once the CCP accept the trade. The report of this Alpha operation is not dealt with in this Circular.

2.- THE REPORT TO BE MADE BY BME CLEARING AS THE CENTRAL COUNTERPARTY. DELEGATED REPORTING SERVICE FOR MEMBERS

BME Clearing will report the Beta 1 and Gamma 1 trades in which it is a counterparty against its Clearing Members, as we explained in the previous section. The Trade Repository where these trades will be reported is REGIS-TR.

3.- UNIQUE TRADE IDENTIFIER (UTI)

Every trade reported to a Trade Repository will be identified by a unique identifier (UTI). Both counterparties must use the same UTI.

Although BME Clearing will report the UTI for each trade[2] on its EOD files, more precisely in CTRADES, CALLTRADES and CHISTTRADES files, the design of the UTI enables members to construct the UTI generated by BME Clearing with the information or messages they already currently use.

The UTI for Trades in the **Fixed Income Segment** will be created as follows:

Number of characters	Component	Comment	Example
20	BME CLEARING´s LEI	LEI BME CLEARING	5299009QA8BBE2OOB349
4	MIC Code Trading Venue	Field "PtySrc" = D > ID of CTRADES/CALLTRADES files	**BTAM** = BROKERTEC XOFF = BILATERAL
12	ISIN	Field "Id" of CTRADES/CALLTRADES/CHISTRADES files	ES0000012E85[3]
16	Trade ID first leg	Field "TrdId" of CTRADES/CALLTRADES/CHISTRADES files	0504201900000202BO

4.- LEGAL ENTITY IDENTIFIER (LEI)

Every counterparty that has to report a derivatives trade must be identified by a legal entity identifier (LEI).

The Regulatory Oversight Committee (ROC) of the Global Legal Entity Identifier System is leading the LEI initiative globally http://www.leiroc.org/index.htm . Entities must request their LEI to any of the recognised Local Operating Units (LOUs). LEIs have 20 characters.

A list of authorised operating units is available on the ROC´s webpage, at http://www.leiroc.org/publications/gls/lou_20130318.pdf

BME CLEARING informs that the LEI of BME CLEARING, S.A.U. is:

5299009QA8BBE2OOB349

As requested on Instruction I-GEN-01/2013 dated December 13, BME Clearing Members must communicate their LEI to the Clearing House. Said that the information should be submitted to the following email address: ReportingBMEC@grupobme.es .

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[2] The UTI mentioned refers to the UTI of Beta 1 and Gamma 1 trades, as per terminology used in section 1.
[3] ISIN of Spanish Sovereign Debt bond.

5.- UNIQUE PRODUCT IDENTIFIER FOR TRADES OF FIXED INCOME SEGMENT

In accordance with the RTS, BME Clearing will use the taxonomy "CFI" (CFI Code). The table below explains how products are identified in the Loan&Collateral to be sent to the TR:

Common data field	Value	Example
2.78 Identification of a security used as collateral	I (=ISIN)	ES0000012E85[4]
2.79 Classification of a security used as collateral	Classification of Financial Instruments Code in accordance with the ISO standard 10692 (CFI Code)	DBFTFB[5]

6.- REPORTING OF TRADES BY TRADE LEVEL

According to the regulation SFTR, the trades cleared in a CCP may be reported at trade level or at position level. From BME CLEARING, we have been decided to make the reporting at trade level because ESMA itself recognizes in the document "Consultation Paper Guidelines" of May 2019 the great obstacles that reporting at the position level has.

To report at trade level the trades that arrive to BME CLEARING from a trading platform or bilateral way, the following approach must be done:

Day 1

- In the table "Loan and Collateral Data" all the new transactions of the session will be reported as "new trades" (NEWT in field 2.98 type of action). In this table "Loan and Collateral Data" all the trades of the day will be reported at "transaction level" (TCTN in field 2.99 level).

- In the "Margin Data" table, the detail of the margins will be reported at the portfolio level as "Margin Update" (MARU in field 3.20 type of action).

From day 2 to day n

- The table "Loan and Collateral Data" will continue reporting all trades from previous days that are still open with an update of the collateral value of the repo or buy sell backs as "Collateral Update (COLU in field 2.98 type of performance).

- In the "Margin Data" table, the detail of the margins will continue to be notified at the portfolio level as "Margin Update" (MARU in field 3.20 type of action).

7.- DIFFERENTIATION BETWEEN REPOS AND BUY SELL BACKS

According to the SFTR, a differentiation must be made between repo trades (classic repos) and buy sell backs. It is important to know how to discern between these two types of trades.

From BME CLEARING, for the trades that are carried out in IBERCLEAR in a bilateral way, we will do a classic repo or buy sell backs report according to the SFTTYPE field of the CTRADES or CALLTRADES file. This field has two possible values, with "R" for classic repo trades and "B" for buy sell backs.

This field must be completed by the entities at the time of the communication of the trade to IBERCLEAR. If an entity does not fill up this field, BME CLEARING will follow the market standards (buy sell back for Spanish Sovereign Debt and classic repo for the rest of European Sovereign Debts).

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[4] ISIN of Spanish Sovereign Debt bond.
[5] CFI Code for Spanish Sovereign Debt bond.

8.- BACKLOADING

As a result of the publication of the notice 80-191-995 by ESMA on 19 March 2020, The obligation to make any notification of historical operations (backloading) is eliminated, that is, only those operations that have been contracted on 13 July 2020 or later will be reported to the repository.

9.- REPORTING OF SETTLEMENT FAIL TRADES ON ITS INTENDED SETTLEMENT DATE

The Guidelines document of ESMA published on January 2020 (page 25, paragraph 115) states about the change of the maturity date approach in the case of settlement fail of back leg. if on the day following the maturity date the counterparties become aware that the back leg of the SFT has not been settled, Clearing Members must do the following actions:

- Sending a message with action type modification ("MODI"), changing the maturity day to a next day or other future day on which it is expected to settle.

- Sending a message with action type collateral update ("COLU") until the back leg is settle.

In the situation that BME CLEARING generates a settlement instruction through the netting process in which two or more trades are included and it is failed on its intended settlement date in a partial way, BME CLEARING will first settle those with the lowest trade id number of the operation.

Example:

- Trade 1 buy side with ISIN ES00000XXXXX and trade id 20031700001BO of 100,000,000 nominal and cash.

- Trade 2 buy side with ISIN ES00000XXXXX and trade id 20031700020BO of 100,000,000 nominal and cash.

- Those trades result into a single settlement instruction of 200,000,000 nominal and cash by the BME CLEARING aggregation system.

- 60,000,000 are settled at the end of the day.

- Those 60,000,000 liquidated will decrease the amount pending delivery of trade 1.

Therefore, BME CLEARING the next business day will send an action type MODI message changing the maturity date of the trades and the corresponding action type COLU message with 40,000,000 for trade 1 and 100,000,000 for trade 2.

10.- MARK TO MARKET

The Guidelines document of ESMA states that mark to market contract valuations should be reported daily at trade or position level. The Clearing House can supply data to counterparties to enable them to make the reporting.

BME Clearing will report mark to market valuations as follows:

CMARGINCALC file at Clearing Member level (field 3 of the file) and contract code (Instrmt Src= 4 e ID = ISIN) and the amount that is showed in the 1003 field (if the side its buyer) or 1004 field (if the side its seller). Clearing Members must make the sum of the scenarios ("Amt Typ" = PIT and TRF in the case that the trade is in failed settlement status). The currency used is showed in the field PosRpt Ccy" (Currency) in the same file.

11.-COLLATERAL (MARGINS POSTED)

According to SFTR, only the trades that is cleared in a CCP must report the margins posted on Margin Data table. Consequently, BME Clearing will report that it does not post any collateral to its Clearing Members in field 3.8 (Initial Margin posted) of the Margin Data table. In the same way takes place with field 3.16 (Collateral Excess posted). However, in field 3.10 (Variation Margin posted) it can happen that due to special situation of the market, the member has a positive Variation Margin. In this case the ECC will report the negative quantity of Variation Margin in field 3.14 Variation Margin Received.

The margins are constituted at portfolio level, indicating in field 3.7 the portfolio code of real margins held against the Clearing Member. A deeply detail of how to report the margins established in BME Clearing according SFTR is shown in the Instruction I-VRF-2020 01 Reporting Trades to a Trade Repository according to SFTR.

12.-INFORMATION ON SOME FIELDS TO BE FILLED IN

BME CLEARING will publish an Instruction with the detail of each of the fields to report for both, Buy Sell Backs and Repos.

The following is information on how to fill in certain fields in files, where our Clearing Members asked more frequently, and where their value can be found in BME Clearing files.

- Unique Transaction Identifier ('UTI') (field 2.1 of the Loan&Collateral Data). Field UTI of the CTRADES/CALLTRADES and CHISTRADES files to be used.

- Execution timestamp (field 2.6 of the Loan&Collateral Data). Field "TxnTm" of the CTRADES /CALLTRADES and CHISTRADES files to be used, which is the execution time in the system.

- Nominal Amount (field 2.83 of the Loan&Collateral Data). Field "QTYM", then "Val" of the CTRADES /CALLTRADES and CHISTRADES file will be used.

- Portfolio Code (field 3.7 of Margin Data). In order to make the Portfolio Code. Clearing Members have to use the Clearing Member Code of the segment (RXXX) and the collateral account code (00P), being as Portfolio Code example RXXX00P.