

January 4th, 2021

**By electronic mail to rule-comments@sec.gov.**

Vanessa Countryman, Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-0609

**Re:** 17 CFR PART 240 [Release No. 34-93613; File No. S7-18-21]; Reporting of Securities Loans

Dear Ms Countryman,

The FIX Trading Community (FIX) appreciates the opportunity to comment on SEC Exchange Act Rule 10c-1. These responses have been prepared by the FIX Trading Community's securities lending working group with representatives from market operators, sell-side firms, buy-side firms and vendors.

The FIX Trading Community, as well as maintaining a number of standards (including the FIX Protocol, used for the majority of trading-related electronic communications in the financial services industry) has a long history of working with regulators and industry participants to assist with the process of implementing regulatory change. Our role is never to take a position on the appropriateness of regulatory rules, instead focusing on potential challenges arising from the implementation of such rules and making recommendations to assist with such implementation.

We have elected to respond to a sub-set of the questions asked and our responses are focused on the use of free and open standards to maximize simplification and minimize cost to the industry of implementing the proposed reporting requirements. Our own experience is that the use of appropriate standards can significantly reduce the cost of regulatory and structural change while improving the level of compliance with the underlying rules.

We note that there are areas where continuing analysis and more detailed specification will be required and, where those areas cross with our expertise, we would be glad to assist in this process.

Sincerely,

Jim Kaye

*Americas Regional Director*

*FIX Trading Community*

*jim.kaye@fix.trading.org*

***FIX Trading Community Responses to Selected Questions Regarding Proposed Rule 10c-1 (17 CFR PART 240 [Release No. 34-93613; File No. S7-18-21]; Reporting of Securities Loans)***

***Q24: What other data elements, if any, should be included to increase the transparency of securities lending?***

We do not wish to express any views as regards the business content of data being provided. However, we advise further clarification on and the use of common standards for details of the data to be published (similar to the ‘technical standards’ used by ESMA for SFTR). Given this, we would like to note the following in relation to data elements already listed:

- We suggest a ‘unit’ field to accompany ‘amount’ (field 6), this allowing the ‘amount’ to be defined unambiguously as a quantity, a notional value or similar as appropriate. Where notional values are used, we also recommend a ‘currency’ field.
- We suggest a ‘security id type’ field to accompany ‘security identifier’ (field 2). We would also like to point out that certain cryptocurrencies do not have ISINs so the list of eligible securities identifier types needs to allow for this, i.e. support ISO standard 24165 for digital token identifiers.
- We suggest that guidance be provided as to the ‘time’ field (field 4), specifically which format or time zone to use (we recommend using UTC) and the level of precision required (e.g. to nearest second or similar).
- We suggest that the ‘platform/venue’ (field 5) use an enumerated list (rather than free text). An ISO standard (market identifier code, ISO 10383) already exists for venues, though ‘platforms’ do not generally use such codes. We also request clarification of whether communications via email, telephone, chat systems or similar count as ‘platforms’.
- We suggest that the ‘type of collateral’ (field 8) use an enumerated list (rather than free text).
- We recommend that ISO standards be used for fields wherever possible, e.g. ISO 4217 for currency codes.
- We recommend the addition of a ‘status’ field to distinguish between new reports, modifications and cancellations.
- We recommend the addition of a ‘related UTI’ for the management of modifications and cancellations. We cover this in more detail in our response to Q27.

***Q27: Are there sufficient data elements to allow for the identification of loans of securities and permit the creation of a unique transaction identifier by the RNSA or should additional or different data elements be required for this purpose?***

We do not wish to express any views as regards the completeness of the list of data fields beyond those provided in our response to Q24. We would, however, like to express some thoughts regarding the Unique Transaction Identifier (UTI), having noted the following from the proposed rule:

- The UTI is generated by the RNSA.
- The UTI is generated using data elements provided on the report.
- The UTI is intended to be unique (and, though stated, we assume this uniqueness applies across all RNSAs, all reporting firms and all time).
- The same UTI is expected to be provided on any modifications to previously reported loans.

Our experience of UTIs in other similar reporting regimes, combined with an understanding of how they are intended to be used here, leads us to the following:

- We support the generation of UTIs being the responsibility of RNSAs but suggest that, rather than using details of the loan to construct the UTI (which will likely result in very long UTIs and may not necessarily guarantee uniqueness), simply require that each RNSA guarantee uniqueness, leaving it up to them how to achieve this. To guarantee uniqueness across RNSAs, an identifier for the RNSA itself would need to be included. This could result in a structure rather like that for ISINs, comprising an RNSA-specific (as opposed to country-specific) prefix followed by a unique number.
- Though not explicitly stated in the Rule, we believe that RNSAs will need to provide UTIs back to reporting firms for use on modifications (and, though not explicitly stated in the proposed rule, cancellations).
- For modifications and cancellations, the report must include the UTI of the report being modified or cancelled. This raises the following points:
  - If the intention of the rule is to provide an overall picture of the securities lending market rather than a fully-linked transaction history, then it becomes unimportant whether firms represent changes to loans via a notification of modification as opposed to cancellation followed by a new loan.
  - Some modifications of loans may result in a change in the number of loans (e.g. under certain types of corporate actions such as mergers, spin-offs and reorganization events). For example a corporate action may result in a reported loan (one UTI) being closed with two or more new loans being created (resulting in multiple UTIs) or vice versa. The rule does not make clear how these types of scenarios are to be handled and greater clarity in this regard would be very helpful to facilitate a common approach across the industry.
  - Further to the above, it is common practice for firms to create multiple loans with the same counterparty and for the same security, and then consolidate them into a single contract to simplify ongoing management. The opposite (splitting a single loan into multiple loans, e.g. where the lender requires the return of some of the securities) is also common.
  - It is not clear how the rule handles loans created prior to the rule coming into effect but modified after the rule comes into effect. The original loan will not have been reported under this rule and hence no UTI will exist. We recommend some wording be added to the rule to clarify a) whether loans already in existence prior to the rule coming into effect need to be reported, b) how modifications should be handled for such loans.

The above highlights the various types of scenarios that we feel should be explained in more detail (e.g. through worked examples) and, given our members' knowledge of these scenarios and experience of financial transaction messaging, we would be happy to provide assistance.

**Q46:** *Are the data elements required by paragraphs (e)(1)(i)/(e)(2)(i) (the legal name of the security issuer, and the LEI of the issuer, if the issuer has an active LEI) and (e)(1)(ii)/(e)(2)(ii) (the ticker symbol, ISIN, CUSIP, or FIGI of the security, if assigned, or other identifier) both necessary? Would only requiring one of these be sufficient to allow identification of the security about which the information is being provided?*

We refer to our response to Q24, specifically regarding the provision of security identifier type.

*Q54: Should proposed Rule 10c-1 specify the format and manner that information should be provided to the RNSA rather than require the RNSA to adopt rules regarding such format and manner? Please discuss. Are there disadvantages to having an RNSA adopt a rule regarding the format and manner that information should be provided to the RNSA pursuant to proposed Rule 10c-1? What advantages would there be if Rule 10c-1 specified the format and manner that information should be submitted to the RNSA?*

We strongly support the usage of free and open standards in the context of reporting regimes such as this. We also believe it is appropriate for Rule 10c-1 to define the format in which data is provided to RNSAs. More specifically:

- We recommend the use of existing open standards such as ISO (ISIN, MIC, currency codes) where they exist.
- We recommend that the list of data fields be fully complete (noting our response to Q24) and that the format in which data are represented to end users (including regulators) be fully defined.
- We recommend that industry participants (including RNSAs) be permitted to transmit data between each other for the purpose of fulfilling Rule 10c-1 in any format or manner of their choosing, as long as the data can be represented to end users in the required format as per the point above and makes use of free and open standards.
- All of the above becomes even more important when considering the various chains of firms involved in the information flows required to support Rule 10c-1 (e.g. reporting agents, lending agents).

Given our significant experience and expertise in this area, would be happy to assist in this regard.

Use of proprietary standards, especially if defined differently by each RNSA, will be expected to increase implementation costs both for reporting firms and anybody wishing to consolidate data. A common standard will reduce costs and make it easier and cheaper for reporting firms to switch between reporting agents/RNSAs, or use multiple reporting agents/RNSAs (e.g. for purposes of resilience). Furthermore, given there are many lending agents and reporting agents (more than the likely number of RNSAs), and in order to ensure that switching between lending agents/reporting agents carries minimal implementation cost, we suggest that the data standards proposed under Rule 10c-1 be applied to all parties in the reporting chain, not just the last step when reporting to an RNSA.

By way of example, we would like to refer to work we have recently undertaken with the European Commission and ESMA regarding their proposals for a European Consolidated Tape. Though the subject matter is different, there are some similarities which are worth noting:

- Reporting is undertaken on a near-real time basis.
- Reporting of transactions executed outside trading venues is undertaken to reporting firms known as APAs (note the similarity to the role of RNSAs). APAs generate UTIs and provide them to the reporting firm for use on modifications and cancellations (note the similarity to the treatment of UTIs proposed under Rule 10c-1 and commented on in our response to Q27).
- ESMA have defined the list of fields by which data are represented to end users, including their format. They permit firms to transmit data in any format they choose as long as it can be translated into the ESMA-defined format for consumption by end users.

*Q59: Are there other methods of distributing 10c-1 information that Rule 10c-1 should require besides the RNSA's website or similar means of electronic distribution?*

We do not have an opinion as to the choice of mechanisms of electronic data distribution. However, regardless of how the data is distributed, we strongly advise the use of open standards (as opposed to, for example, proprietary data and/or messaging formats) for electronic publication of 10c-1 information. Assuming the existence of multiple RNSAs at some point in the future, we would expect consumers to wish to consolidate data across said RNSAs and use of a common format would make such consolidation significantly easier than having to adapt and convert a number of different formats.