

Lessons learned from day 1 of non-centrally cleared bilateral repo reporting

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The non-centrally cleared bilateral repurchase (NCCBR) market is currently one of the largest of the repo market segments, at an estimated \$2 trillion-plus in outstanding commitments each day. On May 6, 2024, the Office of Financial Research (OFR) adopted as final a rule to establish an ongoing data collection for certain non-centrally cleared bilateral transactions in the US repo market. The Final Rule¹ requires daily reporting of NCCBR transactions by Covered Reporters (those that have a reporting obligation based upon the rule). In parallel, the Securities and Exchange Commission (SEC) has adopted a final rule on central clearing in the US Treasury market.² While the OFR has acknowledged the SEC's final rule, both regulatory bodies see a need for transparency in non-centrally cleared bilateral transactions within the repo market and continued monitoring of a substantial portion of what the OFR feels are the "riskiest trades in the repo market."³

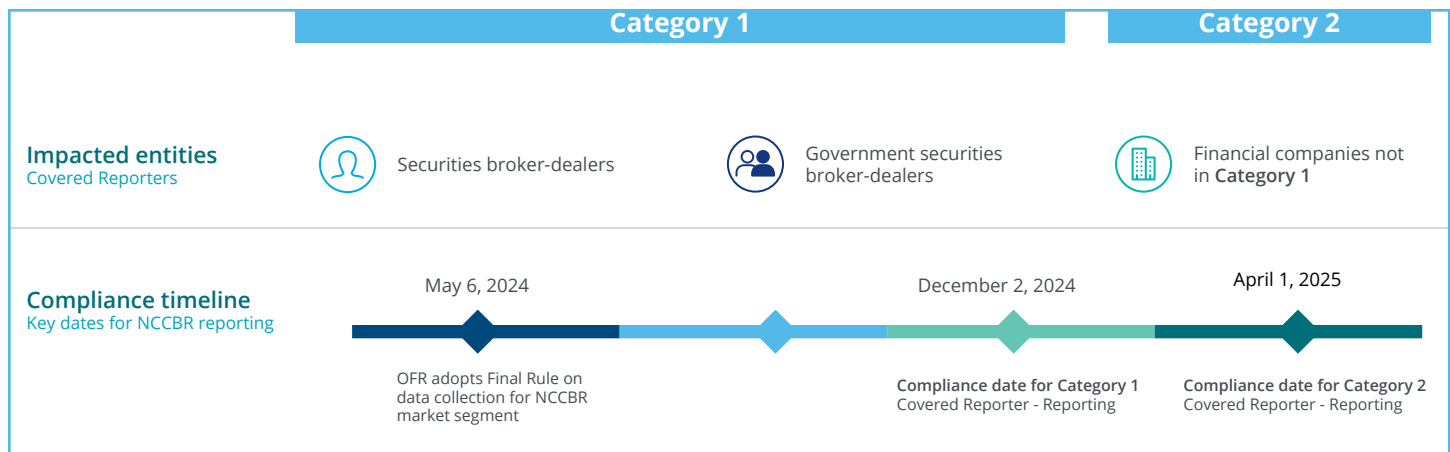
Who needs to report and when?

The data collection established two categories of reporters with separate compliance dates for each:

- **Category 1:** Securities and government securities brokers and dealers with average daily outstanding commitments of \$10 billion or more (for previous calendar quarter). The first reporting date for these firms was December 2, 2024.
- **Category 2:** Any other financial company not in Category 1 with more than \$1 billion in assets under management (AUM) and average daily outstanding commitments of \$10 billion or more (for previous calendar quarter Q2 2024). The first reporting date for these firms is April 1, 2025.

Firms that are close to meeting the thresholds will need to monitor whether they have a reporting obligation on an ongoing basis.

Category 1 firms will continue to have 150 days from the last day of the calendar quarter when they become a Covered Reporter (cross the reporting threshold). Similarly, Category 2 firms will continue to have 270 days from the last day of the calendar quarter when they become a Covered Reporter.



Preparing for Day 1 reporting

The preparation process for Day 1 reporting requires mobilizing a team composed of compliance, legal, IT, and operations functions to get this report out. Several elements come into play and will require prioritization, including the following:

- **Scope determination** – Identifying legal entities in scope may not be a one-time effort depending on where repos are traded or what legal entities have been approved to trade repos bilaterally. Consideration should therefore be given to monitoring repo activity across legal entities that are below the \$10 billion threshold as well as processes for classifying a repo as exempt⁴ from reporting. This will help to timely identify when a reporting obligation is close to being triggered or when reporting entities that drop below the threshold can cease reporting. Further and specific to asset managers, understanding the registered investment adviser structure will be key in scope determination.
- **Data sourcing** – Firms likely will experience challenges with sourcing reportable data and should be prepared to do three things: (1) Identify what data you have and what data is missing. (2) For data that is missing, determine if it can be derived from existing sources or requires a build. (3) If a build is required, assess the effort and timing relative to the report filing due date. In addition, firms will need to design supporting controls to help ensure the completeness, accuracy, and timeliness of data sourced from their systems. Firms should also consider if they need to have the ability to capture required data from April 1, 2024, or earliest trade execution date, for active repos (as of the reporting due date).
- **Business controls** – The kind of information required to be reported by the data collection (e.g., trade events, modifications, error corrections, as-of trade booking) will require controls at the business level. For example, trade modifications and life cycle events will need to be differentiated for reporting purposes. Further, these trade events will need to be identifiable in systems for reporting of life cycle events. Traders will therefore need to ensure timely booking of trade events in systems that are used to source reportable data.
- **Upcoming business changes** – Both Covered Reporters and firms that could become Covered Reporters should consider upcoming business changes and their impact to the firm's reporting obligation. For instance, if a new product that is in scope for reporting will be traded in the near term, both business and compliance teams will want to understand the implications of this for their reporting obligations.
- **Rule ambiguities** – Firms may need to seek external advice or rule interpretations to make certain reporting decisions due to some vagueness in the rule and additional guidance pending from the regulators. For example, firms will have to establish a detailed definition of what a "look-alike repo" means in their reporting context. This will include designing procedures for identifying and reporting these transactions.
- **Industry forum** – Industry groups such as the Financial Information Forum (FIF) and the Managed Funds Association (MFA) can offer firms an opportunity to discuss with peer firms their challenges and questions related to the reporting obligation or to submit inquiries and suggestions to the OFR and MFA in one unified voice.

Important considerations for firms

For firms that are still developing their compliance processes, mobilizing a team from multiple functional areas across operations, information technology, legal, and compliance is imperative. Other important steps firms can take to develop a mature approach to daily reporting include the following:

- Understand and be able to identify in-scope transactions and trade flows
- Identify data sources and gaps
- Develop business requirements and alignment to the NCCBR report specifications
- Design a control framework that supports not just timely, but also accurate reporting
- Test data flows and report generation, including re-reporting scenarios and capabilities
- Draft appropriate procedures that align to the new compliance processes
- Train required personnel

Firms should not underestimate the level of effort involved in implementing the NCCBR report, nor should they overlook the fact that they now have an ongoing responsibility to determine whether they have a reporting obligation. Making this determination alone may present challenges and require modifications to existing business processes for certain firms. For those firms that know they have a reporting obligation, there are multiple steps to take, from working through report production to control framework implementation, each of which will take time.

Endnotes

1. Department of the Treasury and Financial Research Office (FRO), [Ongoing Data Collection of Non-Centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement Market](#), *Federal Register* 12 CFR Part 1610, May 6, 2024.
2. Deloitte, [Final rule on US Treasury Clearing](#), May 2024.
3. Department of the Treasury and Financial Research Office (FRO), [Ongoing Data Collection of Non-Centrally Cleared Bilateral Transactions in the U.S. Repurchase Agreement Market](#), *Federal Register* 12 CFR Part 1610, May 6, 2024.
4. Pursuant to the NCCBR Final Rule, “transactions conducted under a Securities Lending Agreement (SLA), a Master Securities Lending Agreement (MSLA), or Global Master Securities Lending Agreement (GMSLA) are not considered repurchase agreements, nor are repurchase agreements arising from either participation in a commercial mortgage loan or the initial securitization of a residential mortgage loan” for determining in-scope transactions.

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