

Deutsche Wealth Management
SFTR Internal FAQs
08 July 2016
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Securities Financing Transaction Regulation – Re-use of collateral

What is SFTR?

|| The Securities Financing Transaction Regulation (SFTR) is a European regulation formally adopted by the European Parliament on 29th October 2015.

|| SFTR forms part of the EU's package of legislation targeted at reforming shadow banking and aims to enhance transparency around securities financing transactions (SFTs) and the re-use of collateral

What are SFTs?

SFTs are defined as:

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A repurchase transaction

Securities or commodities lending and securities or commodities borrowing

A buy-sell back transaction or a sell-buy back transaction; and

A margin lending transaction

What is the Article 15 requirement and when does it apply?

|| Disclosure of risks and consequences of reuse

|| Art. 15 – Reuse of financial instruments received under a collateral arrangement:

DB must send Information Statements to all clients with title transfer collateral arrangements (TTCAs) or securities collateral agreements (SCAs), regardless of the products traded under them.

The Information statements will outline the potential risks and consequences of collateral re-use provided under a TTCA or an SCA and must be sent by 13th July 2016.

Right to re-use:

|| The client has granted prior express consent to reuse collateral under a SCA. Which clients are in-scope for the Information Statement?

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An Information Statement must be sent to financial and non-financial clients that are:

1. An EU domiciled client and has a TTCA or SCA with an (i) EU or non-EU DB branch or (ii) EU or non-EU subsidiary
2. A non-EU domiciled client that has a TTCA or SCA with an (i) EU or non-EU DB branch or (ii) EU subsidiary

Which Products are in-scope for the Information Statements?

The requirement to send an Information statement is dependent on the type of

contract that clients have, i.e. Does it facilitate transfer of collateral and does it contain the right to reuse collateral, and not the products it covers. Therefore, the products that are in-scope are not limited to SFTs. Contracts that are TTCAs and SCAs include, but are not limited to; ISDA/-CSAs, GMRA, Prime Brokerage Agreements and Structured Trade Agreements.

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When was the Information Statement published?

The Association for Financial Markets in Europe (AFME), FIA, the International Capital Market Association (ICMA), the International Swaps and Derivatives

Association, Inc. (ISDA), and the International Securities Lending Association (ISLA) jointly published an Information Statement on 13th April 2016 that can be

used to help market participants comply with the new requirements under the SFTR. Click here to view the announcement.

DB will be using this industry Information Statement to meet its obligations under Article 15 of SFTR.

What does the Information Statement say?

The Information Statement outlines the general risks and consequences that may be involved in consenting to a right of use of collateral provided under a

TTCa or an SCA. Appendix 2 of the Information Statement sets out an indicative (but not exhaustive) list of the types of agreement that may constitute TTCAs

or SCAs and Appendix 3 of the Information Statement sets out alternative disclosures that are applicable if the DB entity sending the Information Statement is

(1) a U.S. broker dealer or futures commission merchant, or (2) a U.S. bank or U.S. branch or agency office of a non-U.S. bank.

Click here to view the Information Statement.

How will the Information Statement be sent to clients?

Clients will receive the Information Statement and a letter stating that the Information Statement applies to TTCa or SCA contracts. The letter will not explicitly

reference each in-scope contract that the client has with DB.

Translations will be available in German, Spanish, Italian, French and Japanese.

How does this impact our clients?

The Information Statement is provided for information purposes only and does not amend or supersede the express terms of the TTCAs or SCAs or any rights or obligations of the client under applicable law, create any rights or obligations, or otherwise affect the client's or DB's liabilities or obligations.

How does the Information Statement change future trades and contracts?

The Information Statement, which has been sent to a client, will apply to future TTCAs and SCAs entered into between DB and such client.

What will be required post 13th July 2016?

The Information Statement will be merged into all legal templates and thus will be provided to all new clients that negotiate TTCa or SCA contracts going

forward. The provision will be inserted into the ISDA, GMSLA, GMRA, F&O and UKPBA templates

Who can I contact for further information?

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