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Glossary of terms

The following terms are referenced in the article titled: Preparing for SFTR | Bringing transparency to the shadow banking system

Central clearing counterparty (CCPs)

A CCP is a financial market infrastructure that stands between buyers and sellers in financial transactions, ensuring that obligations will be met on all contracts cleared through the CCP. By managing and mitigating counterparty credit risk, CCPs have the potential to reduce systemic risk, thereby reducing the potential for financial shocks to be transmitted throughout the financial system and supporting the ability of markets to remain continuously open, even in times of stress (Chande, Labelle and Tuer 2010).

Source: **https://www.bankofcanada.ca/wp-content/uploads/2012/12/fsr-1212-chande.pdf**

Central securities depository (CSD)

A CSD is an entity which provides a central point for depositing financial instruments ("securities"), for example bonds and shares. CSDs' clients are typically financial institutions themselves (such as custodian banks and brokers) rather than individual investors.

Source: https://ecsda.eu/facts/faq

European Market Infrastructure Regulation (EMIR)

The European market infrastructure regulation (known as 'EMIR'), lays down rules regarding over-the counter (OTC) derivative contracts, central counterparties (CCPs) and trade repositories, in line with the G20 commitments made in Pittsburgh in September 2009.

EMIR aims to reduce systemic risk, increase transparency in the OTC market and preserve financial stability.

Source: https://eur-lex.europa.eu/legal-content/EN/LSU/?uri=CELEX:32012R0648

Legal entity identifiers (LEIs)

The LEI is a 20-character code used to identify entities that enter into financial transactions.

Source: http://www.osc.gov.on.ca/en/Derivatives_legal-entity-identifier_index.htm

Margin loan

A margin loan is a loan from a broker to a client that functions as a margin account. The client may use the funds for any purpose and usually secures the loan with securities.

Source: https://www.occ.treas.gov/topics/credit/commercial-credit/margin-loans.html

Markets in Financial Instruments Directive (MiFID II)

The Markets in Financial Instruments Directive (MiFID) is EU legislation that regulates firms who provide services to clients linked to 'financial instruments' (shares, bonds, units in collective investment schemes and derivatives), and the venues where those instruments are traded. MiFID II is made up of MiFID (2014/65/EU) and the Markets in Financial Instruments Regulation (MiFIR - 600/2014/EU).

Source: https://www.fca.org.uk/markets/mifid-ii

Repurchase agreements (repos)

In a repo, one party sells an asset (usually fixed-income securities) to another party at one price at the start of the transaction and commits to repurchase the fungible assets from the second party at a different price at a future date or (in the case of an *open repo*) on demand. If the seller defaults during the life of the repo, the buyer (as the new owner) can sell the asset to a third party to offset his loss. The asset therefore acts as collateral and mitigates the credit risk that the buyer has on the seller.

Source: https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/repo-and-collateral-markets/icma-ercc-publications/frequently-asked-questions-on-repo/1-what-is-a-repo/

Securities Financing Transactions

Securities Financing Transactions are transactions where securities are used to borrow cash, or vice versa and includes repurchase agreements (repos), securities lending activities, and sell/buy-back transactions.

Source: **https://www.lseg.com/markets-products-and-services/post-trade-services/unavista/regulation/securities-financing-transactions-regulation**

Securities Financing Transactions Regulation (SFTR)

SFTR entered into force on January 12, 2016, as part of the European Union's efforts to mitigate the risks of shadow banking and to improve transparency in the securities financing transactions market.

Source: RBC I&TS Regulatory Update, November 29, 2016

Shadow banking

Shadow banking comprises activities involving some element of maturity and liquidity transformation, credit extension, and risk transfer, conducted partly or wholly outside the "traditional" banking system. It covers a wide range of activities, including securitization, repos, and money market funds as well as some activities of non-bank financial institutions such as finance companies and credit hedge funds.

Source: https://www.bis.org/review/r130628g.pdf

Total return swap (TRS)

A total return swap is a bilateral financial transaction where the counterparties swap the total return of a single asset or basket of assets for periodic cash flows, typically a floating rate such as Libor.

Source: https://www.bis.org/publ/work343.pdf

Unique transaction identifier (UTIs)

A key data element required for regulatory reporting purposes is the Unique Transaction Identifier (UTI), also known as the Unique Swap Identifier (USI).

Source: https://www2.swift.com/uhbonline/books/public/en_uk/us3u_20170720/con_488484882.htm

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