



Regulatory Alert

Regulatory Insights for Financial Services

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Reporting of Securities Loans: SEC Final Rule

Regulatory Insights:

- *New securities loan information reporting requirements, including terms and modifications*
- *Daily reporting by lenders ("covered persons") and publication by FINRA; intended to increase market transparency and fill an existing data gap.*

The Securities and Exchange Commission (SEC) adopts a [new final rule](#) (Rule 10c-1a) under the Securities Exchange Act that will require the reporting and publication of specific information regarding securities lending transactions.

In particular, the final rule requires "covered persons" to provide securities loan information concerning "reportable securities" to a Registered National Securities Association (RNSA) in the format and manner required by the RNSA and within specified time periods. (At present, FINRA is the only RNSA.) Major themes outlined in the rule include the scope of coverage, reporting requirements, responsibilities of covered persons and reporting agents, and compliance dates.

Scope of Coverage and Definitions. The final rule defines:

- "*Covered person*" as any person that agrees to a covered securities loan on behalf of a lender (i.e., an "intermediary"), any person that agrees to a covered securities loan as a lender when an intermediary is not used, or a broker or dealer when borrowing fully paid or excess margin securities. The rule also excludes clearing agencies engaged in

central counterparty or central securities depository activities from the definition of "covered person".

- "*Reportable security*" as any security reported or required to be reported to the Consolidated Audit Trail (CAT), FINRA's Trade Reporting and Compliance Engine (TRACE), or MSRB's Real-Time Transaction Reporting System (RTRS), or any reporting system that replaces them.
- "*Covered securities loan*" as a transaction in which any person on behalf of itself or one or more other persons, lends a "reportable security" to another person except for i) a position at a clearing agency that results from certain central counterparty or central securities depository services, and ii) the use of margin securities by a broker or dealer unless the broker or dealer lends the securities to another person.

Reporting Requirements

The final rule requires a covered person to report three types of data that together comprise the Rule 10c-1a information:



Type	Description	Deadline
“Data Elements”	<p>Material terms of the covered securities loan, including:</p> <ul style="list-style-type: none"> — Legal name of the issuer of the securities to be borrowed. — Ticker symbol of those securities. — Time and date of the covered securities loan. — Name of the platform or venue, if one is used. — Amount of reportable securities loaned. — Rates, fees, charges, and rebates for the loan. — Type of collateral provided for the covered securities loan and the percentage of the collateral to the value of the reportable securities loaned. — Termination date of the covered securities loan. — Borrower type, e.g., broker, dealer, bank, customer, bank, clearing agency, custodian. 	<p>Provided to an RNSA by the end of the day on which the loan is effected.</p>
Modifications	<p>Modifications to a covered securities loan after information has been reported to the RNSA.</p>	<p>Provided to an RNSA by the end of the day of the modification.</p>
Confidential Information	<p>Confidential information in connection with a covered securities loan, including:</p> <ul style="list-style-type: none"> — If known, the legal name of each party to the covered securities loan; unique identifiers of each party (e.g., CRD, IARD, MPID, LEI); and whether each person is the lender, borrower, or intermediary. — If the person lending securities is a broker or dealer and the borrower is its customer, whether the security is loaned from a broker’s or dealer’s securities inventory to a customer of such broker or dealer. — If known, whether the covered securities loan is being used to close out a fail to deliver pursuant to Regulation SHO or a fail to deliver outside of Regulation SHO. 	<p>Provided to an RNSA by the end of the day on which the loan is effected.</p>

Responsibilities of Covered Persons and Reporting Agents

The final rule distinguishes the responsibilities of covered persons and reporting agents and allows covered persons to rely on a reporting agent to fulfill their reporting obligations, provided that they enter into a written agreement with the reporting agent.

- Reporting agents must agree to establish, maintain, and enforce policies and procedures ensuring compliance with the rule and be provided with timely access to information by the covered person.
- Covered persons may use third-party vendor service providers to facilitate their fulfillment of reporting obligations.

Responsibilities of the RNSA

Publication of data.

- RNSAs must keep confidential information confidential subject to applicable law and make other Rule 10c-1a information available to the SEC or other persons designated by the SEC.
- The RNSA must make certain information publicly available for each covered securities loan not later than the morning after a securities loan is effected, including the:
 - Unique identifier assigned by the RNSA.
 - Data elements reported except for loan amount.
 - Securities identifiers.

- Aggregate transaction activity and the distribution of loan rates for each reportable security for the previous day’s activity to be made available daily.
- Loan amounts must be made publicly available twenty (20) business days after the covered securities loan is affected or modified.

Data retention.

- Retain information in a “convenient and usable standard electronic data format that is machine readable and text searchable without any manual intervention for a period of five years” and also make the information available to the public on the RNSA’s website or similar means of electronic distribution, without use restrictions, for a period of at least five years.

Compliance Dates

The final rule becomes effective sixty (60) days after publication in the Federal Register, and provides for the following compliance dates:

1. RNSAs must propose rules pursuant to final Rule 10c-1a(f) within four (4) months of the effective date of the final Rule 10c-1a.
2. The proposed RNSA rules must be effective no later than twelve (12) months after the effective date of the final Rule 10c-1a.
3. Covered persons must report Rule 10c-1a information to an RNSA starting on the first business day twenty-four (24) months after the effective date of the final Rule 10c-1a (the "reporting date").
4. RNSAs must publicly report Rule 10c-1a information within 90 calendar days of the reporting date.

Changes from the proposal. The SEC notes that public comments on the proposed rule resulted in several changes to the final rule. The table below outlines a comparison of the significant changes between the proposed and final rules.

Comparing Final Rule vs. Proposed Rule		
Major Themes	Final Rule	Proposed Rule
Scope of Coverage	Excludes clearing agencies engaged in central counterparty or central securities depository activities from the definition of "covered person".	No exclusion
Reporting Requirements	Streamlines information reporting by providing three types of data that need to be reported as Rule 10c-1a information.	More complex reporting format
Responsibilities	Distinguishes responsibilities of covered persons and reporting agents and allows covered persons to rely on reporting agents.	Less distinction between roles
Compliance Dates	Sets specific dates for RNSAs and covered persons to comply with the final rule requirements.	No specific compliance dates

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