

January 12, 2022

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
USA

Dear Sir or Madam,

Support Letter for the RMA and SIFMA's Comment Letters Regarding the SEC's Proposed Rule to Provide Transparency in the Securities Lending Market

The Canadian Securities Lending Association ("CASLA") represents banks and other financial institutions involved in securities lending, borrowing, and trading in Canada. On behalf of our members, we are grateful for the opportunity to submit this letter of support for the comment letters recently submitted to you by the Risk Management Association ("RMA") and the Securities Industry and Financial Markets Association ("SIFMA"). The aforementioned comment letters address the U.S. Securities and Exchange Commission's (the "SEC" or "Commission") release on the proposed Rule 10c-1 (the "Proposed Rule") under the *Securities Exchange Act of 1934* ("*Exchange Act*"), that would, for the first time, implement a regime requiring the reporting of identifying data and material negotiated terms of securities lending transactions, as well as other securities lending market information, to a registered national securities association ("RNSA"), and the subsequent public dissemination by the RNSA of select securities lending transaction terms.

CASLA supports the Commission's efforts to increase market efficiency and provide for enhanced regulatory monitoring that may improve market integrity. However, as the Commission acknowledges in the 97 questions it poses in the Proposed Rule, there are many important elements meriting due consideration prior to finalizing these rules and implementing a securities loan reporting regime.

CASLA supports the concerns, clarifications, and changes recommended by the RMA and SIFMA in their respective comment letters. For the most part, our comments echo those submitted by the RMA and SIFMA, specifically:

- **Request for Additional Time:** We strongly urge the Commission to consider reproposing the Proposed Rule based on the comments received to allow a more appropriate period of time to consider and respond to the Commission's questions and the various substantive issues raised by the Proposed Rule. We respectfully submit that the brief delay that such an approach would require will be outweighed by the more informed content that the Commission will receive from the public to aid it in finalizing these rules.
- **Certain Clarifications and Changes:** The Proposed Rule is unduly broad and unclear in scope. Certain proposed reporting elements would be unavailable or operationally impracticable to gather and report within the proposed timeframes, or would impose burdens unnecessary to

achieve pricing transparency or meaningful regulatory oversight. Further, it is critical that the guidelines are very clear in order to avoid additional legal expense. To address these concerns, the following clarifications and changes should be made:

- **Amend the Reporting Time:** The SEC should amend the 15-minute reporting requirement in favor of end-of-day reporting on a t + 1 basis because the nature of the market makes 15-minute reporting impractical for several reasons, while a t + 1 standard addresses the SEC's transparency concerns, reduces implementation costs and aligns with existing SFTR securities loan reporting.
- **No Reporting of Full Availability:** The SEC should not include a requirement to report securities available to loan (as determined by regulation) because such data provides an inherently inaccurate picture of the market and may act as a deterrent to lending that could reduce liquidity.
- **Clarification of Transaction Reporting Requirement:** To enhance certainty and promote reporting comparability and consistency, the SEC should clarify the scope of the transaction reporting requirement in several ways consistent with a staged approach to implementation:
 - **Specific Definition of "Securities Loan":** The SEC should provide a specific definition of a "securities loan" covered by the rule, which should be a functional definition based on the purpose of a loan. To the extent reporting remains a lender requirement, such a definition should look to the intent of the beneficial owner. The SEC should also provide flexibility to an RNSA to exclude intra-affiliate and other non-arms-length transactions from public dissemination.
 - **Phased Approach to Reporting, starting with Liquid Securities:** Initially, reporting should be mandated for more liquid securities before expanding to other security types to provide the SEC with the opportunity to assess the value and integrity of data provided while minimizing potential market confusion and disruption. The initial stage of reporting should consist of regulatory reporting (only) of equity securities listed or traded on a U.S. exchange. Reporting of other U.S. equity securities or debt securities should only be adopted after further study.
 - **Defer Public Dissemination to a Later Phase:** The SEC should defer public dissemination of data to a later stage to allow the SEC to gain experience with the data and ensure that the program is designed effectively.
 - **Specific Guidelines on the Cross-Border Application:** The SEC should provide explicit guidelines on the cross-border application of the Proposed Rule that provide clarity and that rely on standards and data categories currently in use in the securities industry. This will maximize consistency and integrity of data

collection and avoid undue expense and delay stemming from additional industry documentation and operational implementation exercises.

- **Public Dissemination should be on an Aggregate Basis:** Once public dissemination of transaction data is implemented, the SEC should provide for an RNSA to publish aggregate pricing and volume data rather than transaction-by-transaction data in order to provide a more comprehensive and accurate view of the market.
- **Flexibility in the Production of Unique Transaction Identifiers:** The Proposed Rule should provide flexibility in the production of Unique Transaction Identifiers (“Transaction Identifiers”), so that they may be produced by reporting parties inclusive of technology firms and trading venues, as well as the RNSA, provided that the reporting parties are capable of producing such Transaction Identifiers.
- **Clarify that Pricing Data May be Reported as a Spread:** The SEC should clarify that where applicable, pricing data may be reported as a spread to a benchmark rate, and that such pricing does not need to be updated for changes in the value of the benchmark rate.

In addition to the above, CASLA also suggests the below clarifications:

- **Clarify Domicile of Underlying Lending Client or Agent Lender:** The SEC should clarify if the domicile of the underlying lending client or agent lender would apply from a territorial scope perspective.
- **Clarify Branch Reporting:** It is very common for branches to enter into securities lending transactions; the SEC should clarify if the branch or the entity would be responsible for reporting.

CASLA appreciates the opportunity to provide this support letter and would be happy to engage in a more comprehensive dialog with the SEC. We believe that achieving effective and efficient reform requires healthy and robust collaboration between supervisors and market participants.

We hope these comments are helpful. If you have any further questions please do not hesitate to contact us.

Sincerely,

Mary Jane Schuessler

Mary Jane Schuessler, CASLA President