

April 1st, 2022

By electronic mail to rule-comments@sec.gov.

Vanessa Countryman, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-0609

Re: 17 CFR PART 240 [Release No. 34-93613; File No. S7-18-21]; Reporting of Securities Loans

Dear Ms Countryman,

The FIX Trading Community (FIX) provided comments on SEC Exchange Act Rule 10c-1 and appreciates the opportunity provided by the SEC to respond further.

Since our initial response, our Securities Lending Working Group has been analysing the lists of reporting fields and discussing these in the context of various lending workflows. This has raised some questions, which we have listed below, and an alternative proposal for the generation and handling of UTIs and report modifications more generally, which we have attempted to explain through the provision of example scenarios.

Our analysis is ongoing, and we have further questions or comments to make as we continue this work. We would very much appreciate the opportunity to discuss our earlier feedback, as well as that contained in this letter, and explore with you how the knowledge and expertise of our members can best be utilized to help drive this initiative through to a successful implementation.

Sincerely,

Jim Kaye

Americas Regional Director

FIX Trading Community

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FIX Trading Community Supplementary Responses Regarding Proposed Rule 10c-1 (17 CFR PART 240 [Release No. 34-93613; File No. S7-18-21]; Reporting of Securities Loans)

Questions relating to specific fields on Table 1 (Individual Loan Details)

Field description	FIX Trading Community Comment
The type of collateral used to secure the loan of securities	We request clarification as to what is meant by ‘type’ of collateral, e.g., a high-level categorization (cash, non-cash) or something more granular (e.g., specific type of financial instrument).
The percentage of collateral to value of loaned securities required to secure such loan	We request clarification as to what ‘percentage of collateral’ means.

Comments Regarding Modifications of Loans and the Handling of UTIs

We note that table 2 (Loan Modifications) includes a ‘description of the modification’. Having reviewed this further and considered some modification scenarios, we strongly recommend that the ‘description of the modification’ be expressed as a complete restatement of the loan, i.e., full details (both modified fields and unmodified fields) as opposed to a list of individual changes. This becomes particularly important when considering scenarios where the number of loans changes. Examples are provided later in this letter.

Comments Regarding Shell Trades and Allocations

Our members have requested clarity as to how shell trades and their allocations should be reported. The scenario is as follows:

An Agent Lender may book a shell trade during the day but wait till the end of day to allocate the loaned shares among various beneficial owners.

We have the following questions:

- *Would the rule expect the Agent Lender to report the Shell trade intra-day, or would they be expected to report the individual loans per beneficial owner at the end of the day?*
- *If the allocation changes on subsequent days (which is common), e.g., a change in one of the beneficial owners, does the rule see this as a termination of the loan to the original beneficial owner followed by a new loan to the new beneficial owner?*

We have provided an example of this later in this letter, based on the assumption that Shell trades are not reported, and that re-allocations are treated as cancellations followed by new loans.

Comments Regarding UTIs

In our original response, we expressed support for the proposal that RNSAs generate UTIs, and that they be provided on modifications. However, having considered this in the context of various modification scenarios we would like to change our recommendation and have an alternative proposal for generating

and using UTIs that we feel supports the SEC’s requirements (as we understand them) while avoiding some concerns with the RNSA approach.

These concerns can be summarised as follows:

- Requiring the RNSA to generate a UTI and provide it back to the reporting party for use on modifications imposes a delay on the reporting of such modifications. We note there are situations where a loan may be modified or cancelled very quickly (e.g., if the original loan report contained an error) and modifications are subject to the same 15-minute reporting window as original loans. Any latency in the generation and provision of the UTI by the RNSA may cause modifications to be reported outside this window (or reported without the original UTI).
- This approach requires there to be a two-way message flow with matching of the RNSA’s response message to the reporting firm’s original message. This introduces complexity.
- This approach becomes problematic for scenarios where the number of loans being reported changes (e.g., splits, combinations, reallocations of shell trades).

We believe the intention of the RNSA-based approach is to help to ensure uniqueness of UTIs. We believe this can be achieved with reporter-based UTI generation.

We also note the existence of ISO 23897 (<https://www.iso.org/standard/77308.html>) which provides a standard for the formatting of unique transaction identifiers for financial services and recommend that the SEC adopts this standard (regardless of who generates the UTI). This ISO standard requires that UTIs be constructed as follows:

- 20 characters: The UTI generator’s ISO 17442 LEI (18 characters plus two-digit checksum)
- 1-32 characters: Alphanumeric code (must be unique over all time for this LEI)

The standard does not dictate how the alphanumeric code should be constructed, simply that it be unique for that LEI. The SEC could, if it chooses, determine how this code be constructed or leave it up to individual reporting firms.

Example Scenarios

Further to the above, we have prepared a number of scenarios to indicate how we believe 10c-1 reports would be handled, particularly with regards to the use of UTIs and representation of loan modifications. Each scenario comes in two forms – one with the RNSA generating UTIs and the other with the reporting firm generating UTIs. For brevity, we have not used the ISO 23897 format for UTIs used in these scenarios, we have listed only a subset of the reportable fields and we have not documented any ‘acknowledgement’ (message receipt confirmation) messages except where we believe they would need to carry business data (i.e. an RNSA-generated UTI).

Example 1 – single loan with simple modification (e.g., to one data field)

With UTI generated by reporting lender

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
New loan	From lender to RNSA	New	1	MSFT	3/20 10:00	10,000	100	FIRM1	FIRM2

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
Mod'n	From lender to RNSA	Amend	1	MSFT	3/20 10:15	10,000	98	FIRM1	FIRM2

With UTI generated by RNSA

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
New loan	From lender to RNSA	New		MSFT	3/20 10:00	10,000	100	FIRM1	FIRM2
Ack with UTI	From RNSA to lender	New	1						
Mod'n	From lender to RNSA	Amend	1	MSFT	3/20 10:15	10,000	98	FIRM1	FIRM2

Example 2 – single loan that is then split

With UTI generated by reporting lender

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
New loan	From lender to RNSA	New	1	MSFT	3/20 10:00	10,000	100	FIRM1	FIRM2
Split	From lender to RNSA	Cancel	1		3/20 10:14				
		New	2	MSFT	3/20 10:15	6,000	60	FIRM1	FIRM2
		New	3	MSFT	3/20 10:15	4,000	40	FIRM1	FIRM2

With UTI generated by RNSA

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
New loan	From lender to RNSA	New		MSFT	3/20 10:00	10,000	100	FIRM1	FIRM2
Ack with UTI	From RNSA to lender	New	1						
Split	From lender to RNSA	Cancel	1						
		New		MSFT	3/20 10:15	4,000	40	FIRM1	FIRM2
		New		MSFT	3/20 10:15	6,000	60	FIRM1	FIRM2
	From RNSA to lender	New	2						
		New	3						

Example 3 – multiple loans that are then combined

With UTI generated by reporting lender

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
New loan	<i>From lender to RNSA</i>	<i>New</i>	<i>1</i>	<i>MSFT</i>	<i>3/20 10:00</i>	<i>10,000</i>	<i>100</i>	<i>FIRM1</i>	<i>FIRM2</i>
New loan	<i>From lender to RNSA</i>	<i>New</i>	<i>2</i>	<i>MSFT</i>	<i>3/20 10:10</i>	<i>20,000</i>	<i>200</i>	<i>FIRM1</i>	<i>FIRM2</i>
Com- bine	<i>From lender to RNSA</i>	<i>Cancel</i>	<i>1</i>						
		<i>Cancel</i>	<i>2</i>						
		<i>New</i>	<i>3</i>	<i>MSFT</i>	<i>3/20 10:27</i>	<i>30,000</i>	<i>300</i>	<i>FIRM1</i>	<i>FIRM2</i>

With UTI generated by RNSA

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
New loan	<i>From lender to RNSA</i>	<i>New</i>		<i>MSFT</i>	<i>3/20 10:00</i>	<i>10,000</i>	<i>100</i>	<i>FIRM1</i>	<i>FIRM2</i>
Ack with UTI	<i>From RNSA to lender</i>	<i>New</i>	<i>1</i>						
New loan	<i>From lender to RNSA</i>	<i>New</i>		<i>MSFT</i>	<i>3/20 10:10</i>	<i>20,000</i>	<i>200</i>	<i>FIRM1</i>	<i>FIRM2</i>
Ack with UTI	<i>From RNSA to lender</i>	<i>New</i>	<i>2</i>						
Com- bine	<i>From lender to RNSA</i>	<i>Cancel</i>	<i>1</i>						
		<i>Cancel</i>	<i>2</i>						
		<i>New</i>		<i>MSFT</i>	<i>3/20 10:27</i>	<i>30,000</i>	<i>300</i>	<i>FIRM1</i>	<i>FIRM2</i>
	<i>From RNSA to lender</i>	<i>New</i>	<i>3</i>						

Example 4 – shell trade with allocation, reallocation

With UTI generated by reporting lender

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
Shell trade	<i>No message generated</i>								
Allocation	<i>From lender to RNSA</i>	<i>New</i>	<i>1</i>	<i>MSFT</i>	<i>3/20 10:00</i>	<i>3,000</i>	<i>30</i>	<i>FIRM1</i>	<i>FIRM3</i>
		<i>New</i>	<i>2</i>	<i>MSFT</i>	<i>3/20 10:00</i>	<i>6,000</i>	<i>60</i>	<i>FIRM1</i>	<i>FIRM4</i>
Reallocation	<i>From lender to RNSA</i>	<i>Cancel</i>	<i>1</i>						
		<i>Cancel</i>	<i>2</i>						

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
		New	3	MSFT	3/20 10:20	4,000	40	FIRM1	FIRM3
		New	4	MSFT	3/20 10:20	5,000	50	FIRM1	FIRM5

With UTI generated by RNSA

Event	Message	Status	UTI	Ticker	Dt/time	Amount	Fee	Lender	Borrower
Shell trade	No message generated								
Allocation	From lender to RNSA	New		MSFT	3/20 10:00	3,000	30	FIRM1	FIRM3
		New		MSFT	3/20 10:00	6,000	60	FIRM1	FIRM4
	From RNSA to lender	New	1						
		New	2						
Reallocation	From lender to RNSA	Cancel	1						
		Cancel	2						
		New		MSFT	3/20 10:20	4,000	40	FIRM1	FIRM3
		New		MSFT	3/20 10:20	5,000	50	FIRM1	FIRM5
	From RNSA to lender	New	3						
		New	4						