

Securities Lending Transparency



The Commission is proposing Exchange Act Rule 10c-1 to increase transparency and efficiency in the opaque securities lending market by requiring any person that loans a security on behalf of itself or another person to report certain material terms of those loans and related information regarding the securities the person has on loan and available to loan to a registered national securities association (RNSA), such as the Financial Industry Regulatory Authority.

The proposed Rule would also require that the RNSA make available to the public certain information concerning each transaction and aggregated information on securities on loan and available to loan. The proposed Rule is consistent with Congress's mandate in the Dodd-Frank Act that the SEC increase transparency in the securities lending market.

Why This Matters

There is limited information available to market participants, the public, and regulators about securities lending in the United States. Data on the market is incomplete, unavailable to the general public, and not centralized. These gaps create inefficiencies in the securities lending market and make it difficult for borrowers and lenders to know whether the terms of their loans are consistent with market conditions. They also affect the ability of the Commission, RNSAs and other self-regulatory organizations, and other Federal financial regulators to oversee transactions that are vital to fair, orderly, and efficient markets.

In response, the Commission's proposed Rule 10c-1 is designed to provide investors and other market participants with access to pricing and other material information regarding securities lending transactions in a timely manner. Further, the data elements required by the proposed Rule are designed to provide regulators with information for their market oversight functions.

How This Rule Applies

Proposed new Rule 10c-1 would require lenders of securities to provide certain terms of their securities lending transactions to an RNSA. Any person that loans a security on behalf of itself or another person would be a "lender" under the proposed rule, including banks, insurance companies, and pension plans.

What's Required

Proposed Rule 10c-1 would require lenders of securities to provide certain terms of their securities lending transactions to an RNSA. The terms to be provided to the RNSA, which the RNSA would make public, include the:

- Legal name of the issuer of the securities to be borrowed;
- Ticker symbol of those securities;
- Time and date of the loan;
- Name of the platform or venue, if one is used;
- Amount of securities loaned;
- Rates, fees, charges and rebates for the loan as applicable;
- Type of collateral provided for the loan and the percentage of the collateral provided to the value of the loaned securities;
- Termination date of the loan if applicable; and
- Borrower type, e.g. broker, dealer, bank, customer, clearing agency, custodian.

Additional loan terms that would be provided to the RNSA but would not be made public include:

- The legal names of the parties to the loan;
- When the lender is a broker-dealer, whether the security loaned to its customer is loaned from the broker-dealer's inventory; and
- Whether the loan will be used to close out a fail to deliver pursuant to Rule 204 of Regulation SHO or whether the loan is being used to close out a fail to deliver outside of Regulation SHO.

To track the securities lending transaction, the proposed Rule would require RNSAs to assign each securities lending transaction with a unique transaction identifier. Loan modifications would be provided to the RNSA if the modifications to the loan involved any of the terms in the above bullets. The terms of the loan modification would be made public.

Proposed Rule 10c-1 also would require that by the end of each business day information concerning securities on loan or available to loan would be provided to the RNSA. Such information would be made publicly available by the RNSA on an aggregated basis.

Additional Information:

Visit [sec.gov](https://www.sec.gov) to find for more information about the proposed rulemaking and the full text of the proposing release. The proposals will be published on [SEC.gov](https://www.sec.gov) and in the Federal Register. The public comment period will remain open for 30 days after publication in the Federal Register.