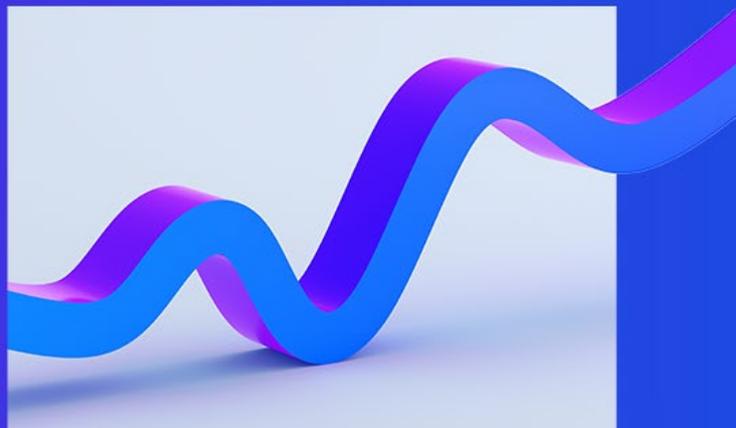




Reporting of securities loans: SEC Final Rule

Daily reporting requirements and publication of information for securities loans and related modifications



The Securities and Exchange Commission's (SEC) Rule 10c-1a (passed on October 13, 2023) requires market participants to report to the Financial Industry Regulatory Authority (FINRA) specific details of securities lending transactions by the end of the day that the loan is either effected or modified.

Who must report: Specifically, the rule requires any “Covered Person” who agrees to a “Covered Securities Loan” to provide specified information concerning “Reportable Securities” to FINRA.

What IS included?		What IS NOT included?
<ul style="list-style-type: none"> Any person agreeing to a covered securities loan on behalf of a lender (intermediary) A person agreeing to a covered securities loan as a lender when no intermediary is used Broker-dealers borrowing customers' fully paid or excess margin securities 	 Covered person	<ul style="list-style-type: none"> Clearing agencies only engaged in specific central counterparty/depository activities
<ul style="list-style-type: none"> Securities required to be reported to the consolidated audit trail (CAT, TRACE, or RTRS)¹ such as: <ul style="list-style-type: none"> Listed and over-the-counter (OTC) equity securities loans Debt securities loans Certain digital/crypto asset securities 	 Reportable securities	<ul style="list-style-type: none"> Securities NOT currently required to be reported to the consolidated audit trail (CAT, TRACE, or RTRS)¹ such as: <ul style="list-style-type: none"> Equity transactions involving certain restricted securities Fixed income transactions with a maturity of less than one year Some municipal securities transactions, such as interdealer transactions not eligible for comparison and municipal fund securities
<ul style="list-style-type: none"> Transaction in which a “covered person” lends a “reportable security” to another person on behalf of itself or others 	 Covered securities loan	<ul style="list-style-type: none"> Position at a clearing agency that results from specific central counterparty/depository activities Margin securities used by a broker-dealer, unless the broker-dealer lends these securities to another person

Key Milestones

- 1 Final rule published to federal register (January 2, 2024)
- 3 FINRA proposes rules (4 months after Milestone #2)
- 5 Regulation go-live (24 months after Milestone #2)

2024				2025				2026		
Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3

- 2 Final rule effective date (60 days after Milestone #1)
- 4 FINRA rules go into effect (12 months after Milestone #2)
- 6 FINRA public reporting go-live (90 days after #5)

By 2026, all in-scope securities lending trades will need to be reported to FINRA – covered persons will need to start addressing the impacts to their internal processes and reporting standards

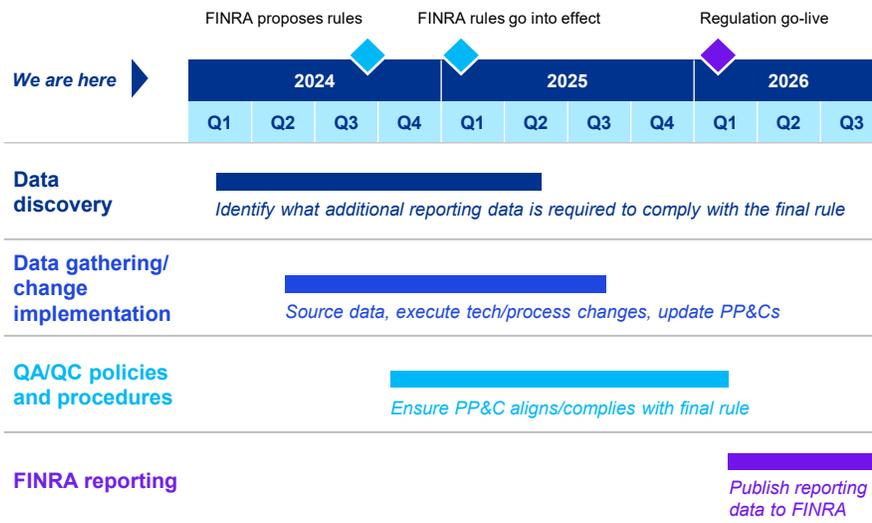
¹ Based on Rule 613 and the CAT National Market System Plan, FINRA's Trade Reporting and Compliance Engine (TRACE), the Municipal Securities Rulemaking Board Real-Time Transaction Reporting System (RTRS)
² Source: Code of Federal Regulations, “§ 240.10c-1a Securities lending transparency” (January 2024)

Change implications extend beyond just internal data; sourcing from vendors and developing new data quality controls key to success

Key challenge

Conduct impact assessment	Understand the changes required to existing reporting processes, client registration, onboarding, and Know Your Customer (KYC) processes
Identify data needs and develop sourcing strategy	Understand the changes required to internal/external data sourcing, availability, data architecture, etc.
Manage vendor change and negotiations	Discuss new data requirements with vendors (if applicable) to ensure receipt of new fields mandated by the rule
Identify scope overlaps with other regulatory mandates	Conduct an evaluation of changes required under other regulations such as the European Union's Securities Financing Transactions Regulation (SFTR) to identify synergies and define the remaining book of work
Define data quality and control mechanism	Interpret new rules and revise Policies, Procedures & Controls (PP&C) to ensure compliance with updated data and quality control standards
Execute technology and other changes	Understand and remediate gaps in existing booking systems configurations and update reporting technology to capture and leverage the data to be published by FINRA in 2026

Required actions are effort-intensive and time-consuming; organizations should start preparing today



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How KPMG can help



Data lineage and impact assessment

Data sourcing, lineage, and overall impact assessment powered by **KPMG's process-as-data accelerators**



Data QA/QC policy and procedures

AI-driven quality control of PP&C, powered by **KPMG Ignite**



Preloaded data/rule testing harness

Develop low-code-based rules testing harness pre-coded with SEC rule/logic to test against client implementation and accuracy



Vendor negotiations and testing

Assessment and management of required vendor changes across people, process, technology, and data

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