



SEC postpones 10c-1a SLATE approval

Industry participants reflect on the delay in implementing FINRA's 6500 Series SLATE and what it means for the market. Carmella Haswell reports

The US Securities and Exchange Commission (SEC) has now postponed its approval of the Financial Industry Regulatory Authority's (FINRA's) Rule 6500 Series proposal to allow for additional analysis of the suggested rule changes, which requires, among other things, that FINRA rules promote just and equitable principles of trade.

The rule change relates to the Securities Lending and Transparency Engine (SLATE), a new facility that allows for covered securities loan transaction reporting by 'covered persons', and transparency of covered securities transactions in accordance with SEC Rule 10c-1a and the FINRA Rule 6500 Series.

First filed on 1 May and published for comment in the Federal Register on 7 May, FINRA's proposal requires the reporting of

securities loans, and provides for the public dissemination of loan information.

It is designed to improve transparency and efficiency in the securities lending market, consistent with Section 15(A)(b)(6) of the Exchange Act, Rule 10c-1a, and Section 984 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

In addition, the rules would define key terms for the reporting of covered securities loans and specify the reporting requirements with respect to both initial covered securities loans and loan modifications, including prescribing required modifiers and indicators.

The industry has been working hard over the past few months to digest the proposed rules, which ultimately resulted in a lot of



feedback on how to best improve the reporting requirements. Some firms have commended FINRA and the SEC for taking a consultative approach and extending the period to finalise the rules.

However, the decision to postpone does not come without challenge.

“Trying to capture every nuance of a completely new trade reporting regime within a single rule is always going to leave a multitude of unanswered questions, any number of which could lead to delays,” explains Jonathan Lee, money markets director at Kaizen.

He adds: “This method of rolling out a new regulation lacks the somewhat more phased approach as we have in Europe which consists of a regulation, regulatory and implementation technical standards, followed by schemas, validation rules and guidelines.”

The order

An order published by the SEC on 5 August institutes proceedings to determine whether to approve or disapprove the proposed rule change. The SEC will now have until 5 October to make a decision on the

proposed Rule 6500, and has reopened the comment period window for another 21 days after the order’s publication in the Federal Register.

Speaking to Securities Finance Times, Tom Veneziano, North American head of product at Pirum, says the decision to delay the proposal by another 60 days and reopen the comment period can be seen to pose a further challenge to the industry in its preparation for compliance with the rule.

He adds: “Despite the delay, firms will still be required to push ahead and assign resources and budget for the project without knowing SLATE’s final scope and specification.”

Igor Kaplun, global head of business development, Cappitech at S&P Global Market Intelligence, interjects: “The delay, however, does create some more practical challenges in that it reduces the time between when the final requirements are out, expected to be in October 2024, and the go live on 2 January 2026.”

The industry will have just over 12 months to analyse, design, build, integrate and test a reporting solution to meet the go live date, Kaplun

advises. S&P Cappitech and Pirum have extended their collaboration from their Securities Financing Transactions Regulation (SFTR) solution to address the reporting requirements for SEC 10c-1a.

This is not the first time the proposal has been pushed back from approval. On 10 June, the commission extended the time period to 5 August, in which to reach one of three verdicts: approve the proposed rule change, disapprove the proposed rule change, or institute proceedings to determine whether to disapprove the proposed rule change.

Following the announcement, an EquiLend representative said the firm “understood” the need for a thorough review by the SEC, but also echoed that a delay in this decision “affects the industry participants and their ability to prepare for the new rule’s implementation”.

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EquiLend has been actively participating in industry dialogues and closely monitoring developments related to the 10c-1a SLATE proposal. The firm anticipates the eventual rollout of Rule 10c-1a and will work to ensure it is in a good position to launch its product offering and begin client testing and integration.

Veneziano agrees that there remain several issues in need of clarification which the industry is concerned about. As a result, he believes extending the final decision “makes sense”. This statement coincides with the SEC’s order, which reflects on a previous industry review of the FINRA rule.

For example, one commenter stated that the rules would impose on market participants reporting requirements that go beyond the commission’s requirements under Rule 10c-1a, which would

result in the disclosure of highly sensitive and complex information and contribute to significantly increased costs and burdens for implementation and compliance.

Within the published order, the SEC comments that the institution of proceedings is appropriate at this time in light of the legal and policy issues raised by the proposed rule change. The institution of proceedings does not indicate, however, that the commission has reached any conclusions with respect to any of the issues involved.

A brief pause

The resultant output for the FINRA 6500 Series needs to be fit for purpose, freely available in a digestible form for retail, and not only able to be interpreted through expensive vendor offerings, according to Kaizen’s Lee.

“The current requirements in terms of the amount of trade lifecycle data is perhaps overly complex as it stands in meeting this simple primary goal,” he interjects.

In his analysis, Lee pinpoints that trying to install and enforce a very US domestic rule in an interconnected multinational market “was always going to be fraught with difficulties from a market participant perspective”.

“Quite apart from all of the challenges in relation to technical and implementation standards, schemas and the choreography of reporting, come the fears about double counting in the aggregation of regional and global securities financing transaction data,” he continues.

Lee explains that US securities financing reporting will need to focus on lenders (and if cross jurisdiction, borrowers too) established in the US to be entirely workable.

In conclusion, Lee says: “Reporting firms, beneficial owners, agent lenders, and the street generally, need more regulatory certainty than they have today to ensure the best possible outcomes from FINRA Rule 6500 SLATE implementation and go-live. Sometimes it is better to take a (brief) pause and deliberate over the details and the unanswered questions than to go-live with something that is not yet ready.” ■