

Final Rule: Reporting of Securities Loans



The Securities and Exchange Commission adopted Rule 10c-1a under the Securities Exchange Act of 1934 to increase the transparency and efficiency of the securities lending market by requiring that:

- Certain persons report specified information about securities loans to a registered national securities association (“RNSA”), in the format and manner required by the RNSA, and within specified time periods; and, in turn,
- An RNSA make publicly available certain information it receives, within specified time periods, and keep confidential certain information it receives.

Why This Matters

Parties to securities lending transactions are not currently required to report the material terms of those transactions. The lack of public information and data gaps create inefficiencies in the securities lending market and make it difficult for borrowers and lenders to ascertain – and to know whether the terms of their loans are consistent with – market conditions. Rule 10c-1a will provide market participants with access to pricing and other material information regarding securities lending transactions in a timely manner. Further, the rule will provide regulators with information for their market oversight functions.

How the Rules Apply

Rule 10c-1a will require any “covered person” who agrees to a “covered securities loan” to provide specified information to an RNSA. A covered person refers to (1) any person that agrees to a covered securities loan on behalf of the lender (intermediary) other than a clearing agency when providing only the functions of a central counterparty or a central securities depository, (2) any person that agrees to a covered securities loan as the lender when an intermediary is not used, or (3) the broker or dealer when borrowing fully paid or excess margin securities.

A covered securities loan refers to a transaction in which one person – either on that person’s own behalf or on behalf of one or more other persons – lends a “reportable security” to another person, with exclusions for (1) positions at a registered clearing agency that result from central counterparty services or central depository services, and (2) the use of margin securities by a broker or dealer unless such broker or dealer lends such securities to another person. A reportable security is a security for which information is already reported or required to be reported to existing reporting regimes.

What's Required

Rule 10c-1a will require covered persons to provide certain terms of the covered securities loans to an RNSA, if applicable, including the:

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

Additional loan terms that will be provided to the RNSA but will 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, Rule 10c-1a will require an RNSA to assign each loan a unique identifier.

In general, Rule 10c-1a requires that a covered person provide information to an RNSA by the end of the day that the loan is effected or modified and that an RNSA make certain information public not later than the morning of the next business day. However, the publication of the amount of an individual loan will be published on a delayed basis. An RNSA will publish information pertaining to aggregate transaction activity and distribution of loan rates for each security.

What's Next

Rule 10c-1a will become effective 60 days following the date of publication of the adopting release in the Federal Register. The compliance dates for Rule 10c-1a require that: (1) an RNSA propose rules to implement Rule 10c-1a within four months of the effective date of Rule 10c-1a and that such RNSA rules are effective no later than 12 months after the effective date of Rule 10c-1a; (2) covered persons report the information required by Rule 10c-1a to an RNSA starting on the first business day 24 months after the effective date of Rule 10c-1a ("reporting date"); and (3) an RNSA make specified information publicly available within 90 calendar days of the reporting date.