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New Repo Reporting Rule: Get Ready for NCCBR Data Collection

By Tom Ciulla and Phil Marsden

Financial regulators are bringing transparency to a large but previously opaque segment of the U.S. repo market, requiring banks to institute several changes in reporting and related processes and service levels. The Treasury Department's Office of Financial Research (OFR) recently began a staggered rollout of a rule mandating daily reporting by certain brokers, dealers, and other financial companies with large exposures to non-centrally cleared bilateral repo (NCCBR).

Background: Facing Risk in a Multitrillion-Dollar Market

Back in January 2023, the OFR proposed a rule that would require financial entities to submit transaction-level data for NCCBR as a proxy for monitoring the risks to

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financial stability within this short-term funding market. Previously, the U.S. financial agencies that make up the Financial Stability Oversight Council (FSOC) had only collected data for cleared and bilateral triparty repos and centrally cleared bilateral repos. But until now, NCCBR reporting was voluntary, even though it represents the largest segment of the overall repo market. Federal Reserve data shows that primary dealers had $2.55 trillion outstanding in NCCBR as of May 1, 2024, comprising 38% of market activity (both repo and reverse repo) across all products.

The OFR's final rule, published in May, aims to close this gap in oversight of the repo market by providing regulators with full transparency into market activities in the non-centralized bilateral market. The final rule takes into account industry input that sought additional time to comply with the reporting requirements. The OFR has established two categories of covered financial institutions, with a July 5, 2024, effective date for both and separate compliance dates of December 2, 2024 (for Category 1) and April 1, 2025 (for Category 2).

Category 1	This category includes securities brokers, securities dealers, government securities brokers, or government securities dealers whose average daily outstanding commitments to borrow cash and extend guarantees in NCCBR transactions with counterparties amount to at least $10 billion over all business days during the prior calendar quarter.
Category 2	This category covers any financial company that is not a securities broker, securities dealer, government securities broker, or government securities dealer and that has over $1 billion in assets or assets under management. Other attributes include average daily outstanding NCCBR commitments over the prior calendar quarter of more than $10 billion, including commitments of all funds for which the company serves as an investment adviser, with counterparties that are not in Category 1.

Note that delegated reporting is permitted subject to certain constraints where the "covered reporter" will remain fully responsible for the data submission and compliance with the final rule.

For each transaction, 32 data elements are to be reported including the identities of cash lenders and borrowers, start and end dates of repo transactions, cash amounts lent and borrowed, and rates.

What's in Scope

The ruling covers all NCCBR that is neither cleared by a central counterparty (CCP) nor managed by a triparty agent. This includes all repos regardless of cash currency, type of collateral, tenor, and optionality, such as open, overnight, intra-day, evergreen repos, and "shortfall guarantees," which are transactions in which a financial company

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offers a guarantee only on the un-collateralized portion (haircut) of a repo (though the full amount of the underlying repo must be reported). The rule applies to all NCCBR by qualifying U.S. entities, regardless of the domicile of the counterparty and the place of settlement.

What Needs to be Reported and When

For each transaction, 32 data elements are to be reported including the identities of cash lenders and borrowers, start and end dates of repo transactions, cash amounts lent and borrowed, and rates at which repo transactions occurred. The reporting deadline is 11:00am EST on the business day following a new repo or another reportable event (T+1). For the purpose of reporting, a business day is a day on which the Fedwire Funds Service is open.

NCCBR Reporting Compliance Checklist

The new NCCBR reporting requirements contain a number of changes that banks will need to adopt. Some of these relate to reports to be generated; others are further reaching, potentially requiring new processes and service levels. A high-level checklist for readiness includes:

- **Availability of Accurate Transaction Data:** NCCBR activity originates from multiple business lines, legal entities, and jurisdictions, with generally limited single ownership across the firm. There will now be a need for a consistent view of the transactional data for the 32 data elements across all lines of business, jurisdictions, and legal entities, potentially creating problems for internal processes, systems, and platforms where detailed transaction data might not be available or where differing data formats and quality might complicate the collation of data for the reports.
- **New Service Levels:** Transaction data will have to be reported at a specific time during the business day. For reporting purposes, the business day begins at 6:00pm EST and ends at 6:00pm EST the following business day (a business day = Fedwire Funds Service is open). Adherence to this deadline will require understanding where systems of record are held and where a transaction originated, to supply data within the correct time zones and adhere to the reporting deadlines.
- **Process and Operating Model:** Operating models and processes will have to be created or updated to generate reports, perform reconciliations, and remediate any transactional data breaks and inaccuracies.
- **NCCBR Reporting Categorization:** Transaction volumes will need to be assessed against thresholds to understand the categorization of any organization.
- **Delegated Reporting:** Service level agreements around related processes will need to be agreed—most notably around reconciliation and responses to exceptions, but also around cross-entity communications, such as notification of changes to delegated reporting. Changed rules around permissioning and authorization also imply changed processes.

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Conclusion

Since much of the NCCBR activity is likely to stem from multiple entities across a financial institution, it is important for firms to put in place a mechanism to monitor volumes across inter-affiliate relationships and subsidiaries under the parent group. It is highly recommended that firms begin by assessing the impact of this rule at once, since the data collation transcends multiple legal entities, systems, and platforms along with associated policies and processes. A robust implementation plan and holistic view of compliance activities are paramount to making sure that adequate reporting is in place by the deadlines laid out by the OFR. Due to the regional and multi-entity nature of the NCCBR business, implementation aspects are likely to be complex and require acceleration due to the impending deadlines for reports to be submitted.

How Treliant Can Help

Treliant is a financial services consulting firm with a strong focus on data, regulation, and digital transformation. Here's how Treliant can assist banks with NCCBR reporting:

- **Data Solutions:** Our data expertise helps you respond to regulatory changes, deliver regulatory reports, and comply with prudential and privacy regulations. We also help you maximize the return on your data investments by enhancing your cloud migration path with effective data governance for enhanced reporting and analysis.
- **Digital Transformation:** Treliant offers technology enablement to ensure rapid and sustained improvement within your organization.
- **Regulatory Guidance:** Our firm can provide guidance and support to banks on the interpretation and implementation of regulatory changes. This includes helping banks understand the requirements of the regulations, as well as providing practical advice on how to meet those requirements in a cost-effective and efficient manner.
- **Risk Management:** Treliant can help banks identify and manage the risks associated with large-scale changes, including operational, reputational, and financial risks.

Overall, Treliant can help banks effectively comply with regulatory change and manage the associated risks. By leveraging Treliant's expertise and resources, banks can better understand and meet their obligations, while also protecting their businesses and reputations.

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- The Underestimated Threat: Zelle Fraud's Impact on Regional Banks in the United States
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- Risk Data Aggregation and Risk Reporting: Where Did It All Go Wrong?

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