

FINANCIAL INFORMATION FORUM

April 25, 2025

By electronic mail

Securities and Exchange Commission
100 F Street, NE
Washington, DC 20002
Attn: Elizabeth Sandoe, Senior Special Counsel

Financial Industry Regulatory Authority, Inc.
1735 K Street, NW
Washington, DC 20006
Attn: Lauren Schreur, Associate General Counsel

Re: FINRA Rule 6500 Series: Securities Lending and Transparency Engine (SLATE)

Dear Ms. Sandoe and Ms. Schreur,

Financial Information Forum (“FIF”) is submitting this letter on behalf of FIF members relating to (i) the implementation of Rule 10c-1a under the Securities Exchange Act of 1934,¹ adopted by the Securities and Exchange Commission (the “Commission”) on October 13, 2023,² (ii) the implementation of the Financial Industry Regulatory Authority (“FINRA”) Rules 6500 Series, titled “Securities Lending and Transparency Engine (SLATE)”, and (iii) the associated Participant Specifications published by FINRA on February 12, 2025 (the “Participant Specifications”).³ The comments and questions in this letter are focused on the implementation of SLATE reporting. FIF members continue to discuss issues relating to the implementation of SLATE reporting and expect to submit additional comments and questions in the future.

Given the focus of FIF on implementation issues, this letter is focused on specific issues relating to the implementation of Rule 10c-1a and the FINRA Rule 6500 Series and is not intended to address all issues of concern of FIF members relating to Rule 10c-1a and the FINRA Rule 6500 Series. For example, this

¹ 17 CFR §240.10c-1a.

² Securities Exchange Act Release No. 98737 (Oct. 13, 2023), 88 FR 75644 (Nov. 3, 2023) (Reporting of Securities Loans) (“Rule 10c-1a Adopting Release”).

³ Participant Specifications for Securities Lending and Transparency Engine (SLATE™), Version 1.1 (Feb. 12, 2025), available at <https://www.finra.org/sites/default/files/2024-05/slate-participant-specification.pdf> (“Participant Specifications”).

letter does not address concerns relating to the disclosure of loan data to the market and the relative costs and benefits of SLATE. FIF members continue to raise these concerns through separate communications by individual firms and through other industry associations.

On January 24, 2025, Robert Cook, the President and CEO of FINRA, wrote in a FINRA news blog that FINRA “will be asking the SEC to consider revisiting certain operational requirements under Rule 10c-1a in light of what has been learned since the Rule’s adoption.”⁴ The news blog identifies certain Rule 10c-1a reporting requirements that “... may merit further consideration.”⁵ In certain cases this letter references the recommendations set forth in the FINRA news blog, but this letter is not intended to address those recommendations.

A. Implementation timetable

FIF members request that the Commission and FINRA delay the implementation of SLATE reporting until a reasonable period of time from: (I) the date that the Commission and FINRA provide written guidance in response to (A) the issues and questions raised in this letter, and (B) issues and questions raised by other market participants; and (II) FINRA’s subsequent publication of updated and final SLATE Participant Specifications.

While the current Participant Specifications are not labeled as a draft, FIF members understand that the current Participant Specifications are not final. As one example, the current Participant Specifications includes the file-level validations by the SLATE system but not the record-level validations.⁶ As a second example, FINRA has not yet provided benchmark name values.⁷

In this letter we also highlight that the current Rule 10c-1a does not provide for the reporting of certain data that is necessary for Covered Persons to accurately report their loan activity. For example, as discussed in further detail below, FIF members understand that Rule 10c-1a does not allow for the reporting of equity loans that extend beyond the agreed termination date (as a result of the closing leg not settling on the agreed termination date) and also does not allow for the proper reporting of forward-start loans and amendments. As discussed in further detail below, this will result in the dissemination of incomplete and potentially inaccurate data to the public. Given these concerns, the Commission should consider amending Rule 10c-1a prior to implementation to address these issues. This is discussed in further detail below.

Given the number of open interpretive issues, as discussed in this letter, FIF members are not able to implement many aspects of SLATE reporting at this time. FIF members will require a reasonable time period between (i) the Commission and FINRA providing interpretive guidance on these issues and (ii) the compliance date for reporting. Some issues are longer “lead-time” issues, meaning that FIF members

⁴ Robert Cook, President and CEO of FINRA, FINRA News blog, Implementing the SEC’s Securities Lending Reporting Requirements (Jan. 24, 2025), available at <https://www.finra.org/media-center/blog/implementing-sec-securities-lending-reporting-requirements> (“FINRA SLATE News Blog”).

⁵ Ibid.

⁶ See, for example, Participant Specifications, at 34-40.

⁷ See, for example, Participant Specifications, at 15.

will require a longer implementation time period from the date that these issues are addressed. FIF members are available to identify and discuss specific implementation issues that involve a longer lead-time. FIF members also request, given the number of issues raised in this letter, that the Commission and FINRA provide guidance on specific issues as this guidance becomes available without waiting for resolution of all issues.

B. Participant Specifications

FIF members have comments and questions relating to the revised Participant Specifications, as set forth in this section.

1. Voluntary fields

FIF members request that FINRA remove from the Participant Specifications any fields that are Voluntary (not required by rule). More specifically:

- FIF members request that the following fields be removed from the New Loan Event: `omniLoanID`; `settlementDate`; `offMarketIndicator`; and `exclusiveArrangementFlag`.
- FIF members request that the following fields be removed from the Pre-Existing Loan Modification Event: `omniLoanID`; `lenderName`; `lenderLEI`; `lenderMPID`; `lenderCRDIARD`; `intermediaryName`; `intermediaryLEI`; `intermediaryMPID`; `intermediaryCRDIARD`; `borrowerName`; `borrowerCRDIARD`; `offMarketIndicator`; `exclusiveArrangementFlag`; `sourceOfLoan`; and `loanCloseOutFTD`.
- FIF members request that the following fields be removed from the Modify Loan Event: `offMarketIndicator`; and `exclusiveArrangementFlag`.
- FIF members request that the following fields be removed from the Correction Event: `omniLoanID`; `settlementDate`; `offMarketIndicator`; and `exclusiveArrangementFlag`.

2. Optional fields

The Participant Specifications classify certain fields as “Optional”. According to the Participant Specifications, Covered Persons are required to report these fields where required by rule, but the SLATE system will not reject the event if the field is not populated.⁸ FIF members are concerned that classifying these fields as “Optional” could create confusion since these fields are not always optional to report. Accordingly, FIF members recommend that FINRA relabel the current Conditional field type as “Conditional / Validated” and relabel the current Optional field type as “Conditional / Not Validated”.

3. Settlement events

Commission guidance that settlement events are not reportable

In the Commission’s Notice of Filing of Partial Amendment #1 filed by FINRA, the Commission writes:

⁸ Participant Specifications, at 10.

In Partial Amendment No. 1, FINRA is proposing to delete the originally proposed settlement date- and effective date-related requirements of proposed Rules 6530(a)(2)(E) and 6530(b)(2)(F). FINRA believes it is appropriate, at this time, to delete these requirements to facilitate the achievement of the initial implementation of SLATE reporting requirements in a timely manner.⁹

Based on the statement above and other similar statements in the Commission's Notice of Filing and FINRA's Partial Amendment #1, FIF members understand that events relating to settlement of the open and close leg of a loan are not reportable to SLATE. For example, FIF members understand that if the closing leg of a loan does not settle on the agreed termination date, this does not change the reporting (in other words, the failure of the closing leg of a loan to settle on the agreed termination date does not require the reporting of any event to SLATE). FIF members request written confirmation on this point.

FIF member concerns

FIF members note that any requirement to report settlement events would add significant additional complexity and cost to SLATE reporting. Accordingly, excluding settlement events from SLATE reporting reduces the time and cost for implementation. At the same time, FIF members also are concerned that excluding settlement events from SLATE will result in the dissemination of data to the market that does not reflect actual lending activity in the market. For example, if the closing leg of a stock loan does not settle on the agreed termination date, the loan will still be outstanding after the agreed termination date, but this loan would not be disclosed to the market. Similarly, if a lender recalls a stock loan and the borrower is delayed in settling the loan (thereby extending the loan beyond the termination date), this would not be disclosed to the market.

FIF member recommendations

Given the concerns above, FIF members recommend that the Commission and FINRA consider the following potential approaches:

- Implement SLATE reporting without reporting of settlement events but hold-off on dissemination of data to the market until the SLATE system is updated to address this issue.
- Hold-off on implementing SLATE reporting at this time and consider amendments to SLATE to address this issue.

FIF members note that the reporting of settlement events significantly increases the complexity of reporting because of the need to access settlement systems, as opposed to just accessing trade booking

⁹ Securities Exchange Act Release No. 101645 (Nov. 15, 2024), 89 FR 92228 (Nov. 21, 2024) (Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Partial Amendment No. 1 to Proposed Rule Change To Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))), at 89 FR 92230.

systems. Accordingly, any implementation that would require the reporting of settlement events would require a longer implementation period.

Scenarios where loan execution is simultaneous with settlement

There are certain scenarios where a loan execution is simultaneous with settlement of the open leg of the loan. For example, there are scenarios where a lending agent finalizes the amount of a loan to be allocated to each lender at the point of settlement. In these scenarios, the lending agent would effectively be reporting the settlement time because it is the same as the time that the loan is effected. FIF members request that the Commission and FINRA provide written confirmation on this point.

4. Forward-start loans and modifications

In the Commission's Notice of Filing of Partial Amendment #1 filed by FINRA, the Commission writes that, "In Partial Amendment No. 1, FINRA is proposing to delete the originally proposed ... effective date-related requirements of proposed Rules 6530(a)(2)(E) and 6530(b)(2)(F)."¹⁰ Accordingly, FIF members understand that if a loan is entered into with a forward-start date, a Covered Person should report in the eventDateTime field the date and time that the loan is entered into as opposed to reporting the forward-start date for the loan. Similarly, FIF members understand that if the parties to a loan agree to modify a loan with the modification to take effect on a future date, the Covered Person should report in the eventDateTime field the time that the loan modification is agreed and not the date that the loan modification takes effect. FIF members further note that the effective date in this scenario would typically be a date and not a time, and thus the eventDateTime field would not be appropriate for reporting an effective date.

Excluding effective dates from reporting could result in the dissemination of data to the market that does not reflect actual lending activity in the market. As an example, if two parties agree to modify a loan with the modification to take effect on a future date, the data disseminated to the market would reflect the modified terms taking effect prior to the date on which the modified terms actually take effect. For a forward-start loan and a modification that takes effect on a future date, both the date that the loan (or modification) is agreed and the date that the loan starts (or the modification takes effect) are relevant. For these scenarios, the current reporting structure appears to only allow for reporting of the date that the loan or modification is agreed.

Given this issue, the Commission and FINRA should consider whether it would be appropriate to hold-off on implementing SLATE reporting at this time (or, alternatively, holding off on the dissemination of SLATE data) pending amendments to Rule 10c-1a to address this issue.

¹⁰ Ibid.

5. Terminations

Scenarios where a Covered Person should be permitted to report either a Terminate Loan Event or a Modify Loan Event

FIF members believe that a Covered Person should be permitted to report either a Terminate Loan Event or a Modify Loan Event in the following scenarios:

- A lender and borrower enter into a securities loan with an agreed end date, the parties mutually agree to terminate the transaction prior to the agreed end date, and this mutual agreement is entered into on the new agreed end date
- A lender and borrower enter into a securities loan with an agreed end date and the loan is otherwise terminated prior to the agreed end date (for example, as a result of a corporate event or a buy-in)
- A lender and borrower enter into an open loan, and one party subsequently terminates the loan.

In all of these scenarios, FINRA would understand that the termDate is the same as the date portion of the eventDateTime.

If a Covered Person reports a Modify Loan Event for any of these scenarios, the Covered Person should report a termDate that is the same as the date portion of the eventDateTime. In addition, the SLATE system should assume that all of the following fields, if previously reported for the applicable loan, are now null: legalNameSecurityIssuer; leiSecurityIssuer; securityIndicator; securityIdentifier; equityShares; parValue; collateralType; collateralCurrency; requiredPctCollateral; lendingFee; rebateRate; otherFees; benchmarkName; benchmarkOtherDesc; benchmarkSpread; sourceOfLoan; and loanCloseOutFTD. The SLATE system should apply this logic specifically where the termDate reported in the Modify Loan Event is the same as the date reported in the eventDateTime.

FIF members believe that both approaches should be permitted given differences in how Covered Persons manage their books and records. FIF members request written confirmation that both approaches would be permitted.

Termination scenario where no event is reportable

FIF members request clarification regarding the scenario where a lender and borrower enter into a securities loan with an agreed end date, and the loan ends on the agreed end date. FIF members request written confirmation that, in this scenario, no event would be reportable upon the loan ending on the agreed end date, since the SLATE system already has a record of the termDate.

Scenarios that can be reported through a Modify Loan Event but not a Terminate Loan Event

FIF members believe that the following scenarios should be reported through a Modify Loan Event but not through a Terminate Loan Event.

- A lender and borrower enter into a securities loan with an agreed end date, the parties mutually agree to terminate the transaction prior to the agreed end date, and this mutual agreement is entered into on a date that is prior to the new agreed end date; in this scenario, the Covered Person should report a Modify Loan Event rather than a Terminate Loan Event
- A lender and borrower agree on a partial reduction of securities loaned; FIF members understand that for this scenario the Covered Person should report a Modify Loan Event rather than a Terminate Loan Event (alternatively, the Covered Person could report a Terminate Loan Event, but the Covered Person would then need to report a separate New Loan Event).

In both of these scenarios, the termDate is after the date portion of the eventDateTime, so a Terminate Loan Event would not be appropriate.

termDate description

The Participant Specifications define termDate as the “Date on which the loan’s term ends.”¹¹ The problem with this definition is that a loan will not necessarily end on the agreed termination date as there could be a modification or termination prior to the agreed end date. Accordingly, FIF members request that FINRA revise the description of this field to clarify that this field refers to the date that the parties have agreed for the loan transaction to end (for example, “Agreed end date for the loan”).

termDate for open loans

For the Pre-Existing Loan Modification Event and the Modify Loan Event, the description of the termDate field includes the following statement: “Will be blank if the loan is an open loan”.¹² FIF members request that FINRA add this statement to the description for the termDate field in the New Loan Event and the Correction Event.

terminationDate

FIF members request that FINRA either remove this field or clarify the scenarios where this field would be reported. FIF members are not aware of any such scenarios.

Partial terminations

FIF members request written confirmation that a Covered Person should always report a partial termination (i.e., a partial return of loaned securities) as either of the following:

- A Modify Loan Event; or
- A Terminate Loan Event (for a full termination); and a New Loan Event (for the reduced amount)

¹¹ See, for example, Participant Specifications, at 13.

¹² Participant Specifications, at 18 and 22.

If this is correct, the equityShares and parValue for a Terminate Loan event should always be zero (please see next sub-section).

Terminate Loan Event: equityShares; and parValue

FIF members have different interpretations of what should be reported in these two fields. Some FIF members understand that a Covered Person should report these fields based on these values immediately prior to the termination (the first interpretation); other FIF members understand that a Covered Person should report these fields after giving effect to the termination (the second interpretation).

Regardless of which interpretation is correct, FIF members do not understand why equityShares or parValue should ever be reported for a Terminate Loan Event. Under the first interpretation, FINRA already has this information based on the most recent prior reported event (for example, the most recent Modify Loan Event or the original New Loan Event if the loan was not modified). Under the second interpretation, these values would always be zero. Accordingly, FIF members request that these two fields be removed from the Terminate Loan Event.

FIF members further understand that the following statements in the description of these two fields in the Terminate Loan Event would not be applicable because the current Rule 10c-1a does not take into account settlement events (see discussion above): “If original loan did not settle, do not modify share quantity of the original loan event. If loan was fully returned and terminated, provide 0.”¹³

Scenario where the first reportable event for a loan after the compliance date is a termination

FIF members request that FINRA provide written guidance that a Covered Person is not required to report to SLATE when the first reportable event for a loan after the compliance date is a termination (for example, the parties agree to terminate an open loan). The Participant Specifications appear to provide that this event should be reported with a Pre-Existing Loan Modification Event,¹⁴ but this is problematic because many of the fields in the Pre-Existing Loan Modification Event would not be applicable. The following are examples of some (but not all) of the fields that would not be applicable: equityShares; parValue; collateralType; collateralCurrency; requiredPctCollateral; lendingFee; rebateRate; otherFees; benchmarkName; etc.

It is also important to note that while Commission Rule 10c-1a provides for reporting of a loan entered into prior to the compliance date and modified after the compliance date, Rule 10c-1a does not provide for reporting of a loan entered into prior to the compliance date and terminated after the compliance date (without any modification after the compliance date).¹⁵

¹³ Id. at 31.

¹⁴ Id. at 16.

¹⁵ See 17 CFR §240.10c-1a.

Terminate Loan Event: eventDateTime

To be consistent with the description of the eventDateTime for the other reportable events,¹⁶ FIF members request that FINRA revise the description of the eventDateTime field for the Terminate Loan Event to refer to the date and time that the loan termination is “effected”.¹⁷

Evergreen loans

FIF members request that FINRA provide written clarification that a Covered Person is permitted to report as follows for an evergreen loan:

- When the evergreen loan is first entered into, the Covered Person reports a New Loan Event with the initial automatic renewal date as the termDate
- If there is an automatic renewal of the evergreen loan, the Covered Person reports a Modify Loan Event with the next automatic renewal date as the termDate.

FIF members request that FINRA also permit a Covered Person to report an evergreen loan without a termDate. Upon termination of the loan, the Covered Person would report (i) a Modify Loan Event with the termDate, or (ii) a Terminate Loan Event.

Loan Event Message Types: Termination

The Participant Specifications provide the following description for terminations in the Local Event Message Types section: “Termination – Used to indicate the date and time a loan has been terminated. In the case of a loan termination where securities are returned, a Loan Termination Event must also include the new loan amount.”¹⁸

Consistent with the comments above, FIF members do not believe that there would be a new loan amount (i.e., value of equity shares or par value of bonds) for a termination because a terminated loan would no longer have a loan amount. As discussed above, FIF members believe that a partial return of collateral should be reported (i) through a Modify Loan Event, or (ii) through a Terminate Loan Event (with no equity shares or par value) and a New Loan Event.

6. *Modify Loan Event*

The Participant Specifications provide that for a Modify Loan Event, “Reporters must only send the fields that are being modified, in addition to required linkage fields.”¹⁹ FIF members are concerned that this

¹⁶ See, for example, Participant Specifications, at 11.

¹⁷ FIF members interpret “effected” to mean the same as “agreed”. This is relevant for forward-start loans and modifications that take effect at a future date where the date of agreement and the effective date are different (see discussion above).

¹⁸ Participant Specifications, at 7. FINRA should change the reference to “Loan Termination Event” in this quoted section to “Terminate Loan Event.”

¹⁹ Id. at 20.

approach creates unnecessary complexity and makes it more difficult for firms to track the current status of their reporting for individual loan transactions (as a firm would need to look beyond the most recent event filed to understand its current reporting status for a loan). The Commission and the self-regulatory organizations operating the Consolidated Audit Trail (“CAT”) system (FINRA and the equity and options exchanges) implemented this type of approach for the initial version of the CAT Customer & Account Information System (“CAIS”) and subsequently reverted to an approach requiring that reporting firms report all applicable fields for any modification.²⁰ FIF members recommend that the personnel at the Commission and FINRA who are involved with SLATE discuss this issue with their colleagues who are involved in CAIS regarding the CAIS experience with this issue.

7. Multiple modifications relating to a loan on the same date

FINRA’s original rule filing provided that, if a covered securities loan is modified multiple times throughout the day, a Covered Person must report each loan modification multiple times throughout the day.²¹ FIF members appreciate that Partial Amendment #1 filed by FINRA deleted this guidance.²²

Notwithstanding the removal of this guidance, FIF members request that the Commission and FINRA provide further clarity as to whether (and, if so, under what circumstances) Covered Persons are required to report multiple modifications relating to a single loan that occur on the same date. Some FIF members believe it would be more efficient to report every intra-day loan modification; other FIF members believe it would be more efficient to report a single end-of-day event with the cumulative modifications for the day. Accordingly, FIF members request that the Commission and FINRA adopt the following approach with respect to this issue:

- A Covered Person should have the option (i) to report every modification; or (ii) to report only based on the cumulative modifications after the last modification for any day
- If a firm adopts the second option, the modification reported by the Covered Person would need to report the cumulative changes for the day.

FIF members note that, under the second option, the Commission and FINRA would not have the timestamp for every change during the day, but FIF members believe that the benefits of reducing the complexity of reporting all intra-day timestamps (for Covered Persons that want to adopt this approach) would outweigh the loss of the intra-day timestamps. To the extent that exemptive relief would be

²⁰ See, for example: CAT Reporting Customer & Account Technical Specifications for Industry Members, Draft Version 2.0 r1 (Dec. 1, 2020), available at <https://catnmsplan.com/sites/default/files/2020-12/12.07.20-DRAFT-CCID-Technical-Specification-v2.0r1-Clean.pdf>; and CAT Reporting Customer & Account Technical Specifications for Industry Members, Version 2.2.0 r3 (Mar. 25, 2025), available at https://catnmsplan.com/sites/default/files/2025-03/03.25.25_Full_CAIS_Technical_Specifications_2.2.0_r3_CLEAN.pdf.

²¹ SR-FINRA-2024-07 (Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))), available at <https://www.finra.org/sites/default/files/2024-05/SR-FINRA-2024-007.pdf>, at 112-113.

²² SR-FINRA-2024-07 (Proposed Rule Change to Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))), Amendment No. 1 to Proposed Rule Change, available at <https://www.finra.org/sites/default/files/2024-11/FINRA-2024-007-A-1.pdf>, at 5.

required to allow for reporting based on the second option above, FIF members request that the Commission grant such exemptive relief.

8. *Loan deleted from books and records on the original booking date*

FIF members request guidance for the scenario where a Covered Person records a securities loan on its books and records and, on the same date, realizes that the loan was booked in error and removes the loan from its books. FIF members request written confirmation from the Commission and FINRA that, in this scenario, the Covered Person would not be required to report any events to SLATE (more specifically, the Covered Person could either (i) report a New Loan Event and a subsequent Delete Loan Event to SLATE, or (ii) not report any events to SLATE).

9. *Cancel Events*

FIF members understand that a Cancel Event should only be reported when a prior event was reported to SLATE in error. FIF members request that FINRA provide written confirmation on this point.

10. *clientUniqueLoanID field*

FIF members have identified scenarios where a Covered Person modifies a loan and assigns a new internal identifier for the modified loan. Accordingly, FIF members request written confirmation that FINRA will not validate for a Modify Loan Event that there is a New Loan Event with the same clientUniqueLoanID. In other words, FINRA should not assume that a new clientUniqueLoanID represents a new loan.

11. *FINRANLoanID*

The Participant Specifications describe the following validation for the FINRANLoanID field for the Modify Loan Event: “Required for modifications of loans on R+n, and if not provided, the system will reject.”²³

FIF members are concerned about this validation because of the following scenario:

- A Covered Person attempts to submit a New Loan Event on the date that the loan is effected.
- The SLATE system rejects the submission.
- On the next business day (R+1), there is a modification to the loan.
- On R+1, the Covered Person wants to resubmit the New Loan Event and also wants to submit a Modify Loan Event.
- The validation described above would prevent the Covered Person from submitting the Modify Loan Event because the Covered Person would not yet have a FINRANLoanID to report for the Modify Loan Event.

²³ Participant Specifications, at 21.

To avoid this problem, FIF members request that FINRA remove this validation. FINRA could instead validate that a Covered Person provides either a clientUniqueLoanID or a FINRALoanID for any modification. FINRA could further validate that any FINRALoanID reported by a Covered Person for a Modify Loan Event corresponds to a FINRALoanID previously assigned by FINRA.

12. eventDateTime field

The Participant Specifications include the following statement in the description for the eventDateTime field: “Must not be prior to system start date or the system will reject.”²⁴ FIF members request written confirmation that “system start date” refers to the SLATE compliance date (currently, January 2, 2026).

FIF members note that in certain cases a Covered Person will be required to submit an event after the event date (for example, if a Covered Person only becomes aware that a loaned security is a Reportable Security on the day after the loan is agreed). Accordingly, the SLATE system should not restrict a Covered Person from submitting an event with an eventDateTime that is prior to the date of submission of the event.

13. Intermediaries

Lending agents

Rule 10c-1a defines an “intermediary” as “Any person that agrees to a covered securities loan on behalf of a lender.”²⁵ The only type of intermediary that FIF members are aware of is a lending agent. FIF members request that FINRA confirm this point in writing or identify any other type of intermediary.

Agency capacity

FIF members request written clarification that an “intermediary” only refers to an entity that transacts as agent (in other words, an entity is not an “intermediary” for a transaction if it transacts as principal for the transaction).

14. Fields relating to parties

borrowerType field

FIF members have identified a number of challenges with reporting the borrowerType field.²⁶ One challenge is that three of the borrowerType values (Broker Dealer, Bank and Clearing Agency) are based on the type of entity of the borrower, while two of the borrowerType values (Custodian and Customer) are based on the relationship between the Covered Person and the borrower.²⁷ Because of this

²⁴ Id. at 11.

²⁵ 17 CFR §240.10c-1a(j)(1)(i).

²⁶ See, for example, Participant Specifications, at 13.

²⁷ The sixth borrowerType value (Other Person) is a catch-all for borrowers that do not fall into any of the other five categories.

inconsistency, (i) the Custodian and Customer borrowerType values and (ii) one of the borrowerType values based on the type of entity of the borrower could apply to the same transaction. For example, if a broker-dealer lends securities to a bank that is also a custodian for the broker-dealer, the Bank and Custodian values could both apply. The Commission’s Notice of Filing for the original rule filing by FINRA appears to indicate that, when both the Custodian value and another value are applicable, a Covered Person should report the Custodian value, but this point should be clarified.²⁸ FIF members also are not clear whether this same approach applies for the Customer value. A second challenge is that the Customer and Custodian borrowerType values are difficult to apply because a borrower could be a customer of, or custodian for, the Covered Person for some scenarios but not for other scenarios. The Custodian value appears to be based on the specific loan being reported;²⁹ it is not clear whether this same approach applies for the Customer value. FIF members request clarification on this point. A third challenge is that Covered Persons are having difficulty with applying the Bank definition to their counterparties given the complexity of this definition.³⁰

FIF members request that FINRA adopt one of the following approaches to address the above challenges (to the extent that exemptive relief would be required for any of these approaches, FIF members request that the Commission grant such exemptive relief):

- As a first preference, FIF members request that the Commission and FINRA exempt a Covered Person from reporting the borrowerType field if the Covered Person reports an LEI, MPID, CRD or IARD for the borrower. In this scenario, FINRA would have the necessary data to classify the borrower. It would be more efficient for FINRA to perform the mapping of the borrower identifier to the borrower type as opposed to imposing this obligation on every Covered Person.
- As a second preference, FIF members request that the Commission and FINRA remove the Custodian and Customer borrowerType values as these values can overlap with the Broker Dealer and Bank borrowerType values, as discussed above.
- As a third preference, FIF members request that the Commission and FINRA provide written clarification as to how a Covered Reporter should report for scenarios where multiple borrowerType values could apply. This is discussed in further detail below.

borrowerType: Customer

This subsection applies if the Commission does not remove the Customer borrowerType. Commission Rule 10c-1a(c)(12) requires a Covered Person to report whether the borrower is a customer (if the person lending securities is a broker or dealer).³¹ Rule 10c-1a does not define “customer”, but the definition of Covered Person in Rule 10c-1a(j)(1) would indicate that the term “customer” as used in Rule 10c-1a is based on how that term is used in Commission Rule 15c3-3(b)(3).³² The definition of

²⁸ See, Securities Exchange Act Release No. 100046 (May 1, 2024), 89 FR 38203 (May 7, 2024) (Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Notice of Filing of a Proposed Rule Change To Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATE))), at 89 FR 38207 n.36.

²⁹ Ibid.

³⁰ Id. at 89 FR 38207 n.35.

³¹ 17 CFR §240.10c-1a(c)(12).

³² 17 CFR §240.10c-1a(j)(1).

customer in Rule 15c3-3(b)(3) is based on a broker-dealer having possession or control of fully-paid or excess margin securities.³³ FIF members request that the Commission and FINRA provide written confirmation as to whether this is a correct understanding as to the definition of customer for purposes of Rule 10c-1a. FIF members further note that the term “customer” is used but not defined in FINRA Rule 6530 and the Participant Specifications.³⁴ FIF members recommend that FINRA clarify the meaning of customer within the Participant Specifications. FIF members also request clarification as to whether the term “Customer” is based on (i) the relationship between the Covered Person and the borrower for the specific securities being loaned or (ii) the wider relationship between the Covered Person and the borrower.

FIF members request that FINRA include the scenarios described above in a reporting scenarios document.

borrowerType: Broker Dealer

FIF members request that the Commission and FINRA provide written confirmation that the borrowerType “Broker dealer” refers to a U.S.-registered broker-dealer (i.e., a broker-dealer registered with the Commission). FIF members similarly request that the Commission and FINRA provide written clarification that “broker or dealer” as referenced in Rule 10c-1a(c)(12) also refers to a U.S.-registered broker-dealer. This would mean that a lender that is not a U.S.-registered broker-dealer should never report a borrowerType value of “CT” (Customer).

FIF members request that FINRA include these scenarios in a reporting scenarios document.

borrowerType: transfer to Custodian of the borrower

FIF members request clarification for the scenario where a lender lends to a borrower, and the securities are transferred to the borrower’s custodian, but the custodian is not the custodian for the lender. FIF members understand that, in this scenario, the borrowerType value of “CD” (Custodian) would not apply because the borrower is not the custodian for the lender. FIF members request that the Commission and FINRA provide confirmation on this point.

Foreign banks and clearing agencies

FIF members request that the Commission and FINRA provide written clarification as to any circumstances where a foreign bank would be considered a “bank” and a foreign clearing agency would be considered a “clearing agency” for purposes of reporting the borrowerType field. Outside of SLATE, while firms need to currently consider these definitions with respect to evaluating their own registration status, they do not necessarily need to consider these definitions with respect to classifying their counter-parties.

³³ 17 CFR §240.15c3-3(b)(3).

³⁴ See, for example, Participant Specifications, at 13.

Firm that acts as lending agent and borrower for the same transaction

Some FIF members have identified a scenario where one desk at a Covered Person is the lending agent for a transaction and another desk at the Covered Person is the borrower for the same transaction. FIF members request that FINRA not apply any validation to restrict the same Covered Person from having more than one role for a single transaction.

Counter-party name

FIF members request confirmation that in the scenario where a Covered Person enters into a loan with a bank branch, and the bank and the branch have the same LEI, the Covered Person is permitted to report either the bank or the branch as the counter-party.

Fields relating to the lender

The lenderName field includes the following description: “Report ‘CT’ if the Covered Person is a broker dealer borrower and the lender is its customer or the lender is a natural person.”³⁵ FIF members request that FINRA provide written clarification that, in the scenario where the Covered Person reports ‘CT’ in the lenderName field, the Covered Person would be permitted to omit reporting the lenderLEI, lenderMPID and lenderCRDIARD fields. For these fields, the Participant Specifications provide: “System will issue a warning if at least one of the following is not provided: lenderName; lenderLEI; lenderMPID; lenderCRDIARD.”³⁶ FIF members believe that this warning should not apply if the Covered Person reports ‘CT’ in the lenderName field.

15. Execution platform

Definition of execution platform

Rule 6530(a)(2)(E) requires a Covered Person to report “the name of the platform or venue where the Covered Securities Loan was effected.” The FINRA rule does not define what is meant by a platform or venue. FIF members request that the Commission and FINRA provide a clear definition of what is meant by a platform or venue. FIF members propose that this definition incorporate the following principles:

- A platform or venue is a multilateral system where third-party buyers and sellers are matched to enter into securities loans
- The systems of the platform or venue determine the time at which the loan is effected
- The platform or venue automatically generates the timestamp for the loan transaction
- The platform or venue is not a principal party to the transaction
- A bilateral system that a dealer operates to execute trades as principal against counter-parties is not an execution platform

³⁵ Id. at 11.

³⁶ Ibid.

- Activities relating to settlement or collateral management are not relevant to whether a system is operating as an execution platform.

MANU value

The Participant Specifications provide for a value of “MANU” (Manual) to signify that a loan was not executed on a platform.³⁷ FIF members consider the use of this value to be confusing because many bilateral loans can be executed systematically. Accordingly, FIF members request that FINRA rename this value to a value like “NOTPF” to signify that a loan was not executed on a platform.

MIC code

The list of ISO 10383 MIC codes includes MIC and OPERATING MIC columns.³⁸ FIF members request that FINRA clarify in writing that firms should report based on the MIC column.

Platform use for locating counter-parties but not for effecting a loan

There are some platforms that firms can use to locate loan counter-parties, but the loan is effected directly between the counter-parties and not through the platform. FIF members request written confirmation that, in this scenario, the platform should not be identified to SLATE because the loan was not effected on the platform.

16. Loan within a single entity

Rule 10c-1a(j)(2)(i) defines a “covered securities loan” as “A transaction in which any person on behalf of itself or one or more other persons, lends a reportable security to another person.”³⁹ FIF members understand based on the phrase “to another person” that a loan by one desk at an entity to another desk at the same entity would not be reportable to SLATE. FIF members request confirmation on this point.

17. Fields relating to loaned securities

parValue field

The Participant Specifications provide the following description for the parValue field: “parValue of the entire loan for fixed income securities.”⁴⁰ FIF members request written confirmation that a Covered Person, when reporting this field, should report the par value of the bond loaned multiplied by the number of bonds loaned. For example, if a Covered Person lends ten bonds and each bond has a face value of \$1,000, the Covered Person would report a par value of \$10,000.

³⁷ Id. at 13.

³⁸ ISO 10383, Market Identifier Codes, available at https://www.iso20022.org/sites/default/files/ISO10383_MIC/ISO10383_MIC.pdf.

³⁹ 17 CFR §240.10c-1a(j)(2)(i).

⁴⁰ Participant Specifications, at 14.

FIF members further request written confirmation that a Covered Person should report the par value of a loaned security in the notional currency of the reported instrument and not converted into another currency. Since FINRA will have the security identifier, FINRA will know the currency of the loaned security.

Factored securities

The parValue of certain mortgage-backed securities (“MBS”) and asset-backed securities (“ABS”) is impacted by prepayments on the underlying assets. These securities are sometimes referred to as “factored securities”, and the current par value of these securities as a percentage of the original par value is sometimes referred to as the “factor”. The updated factors for MBS and ABS are sometimes published on a delayed basis. FIF members request that the Commission and FINRA provide written confirmation that it would not be necessary for a Covered Person to correct previously-reported events due to the delayed publication of an updated factor for an MBS or ABS.

18. Fields relating to collateral

collateralType

FIF members request that FINRA provide three additional collateralType values to address the following three scenarios: (i) a transaction that includes both cash and non-cash collateral; (ii) a transaction that is uncollateralized; and (iii) a transaction that involves pooled collateral. A transaction with pooled collateral involves a master agreement and collateral that supports multiples loans under that master agreement. In a pooled collateral transaction, the collateral is not associated to a specific loan and is instead associated to a group of loans.

collateralCurrency

FIF members request that FINRA provide written guidance for how a Covered Person should report this field for a transaction that has cash collateral with multiple currencies. One approach would be to allow a Covered Person to report multiple currencies in this field. A transaction involving pooled collateral could involve cash collateral with different currencies, and this would not necessarily be known to the Covered Person. Accordingly, for a pooled collateral transaction, the Covered Person should be permitted to report MULTI, which would signify that the transaction could involve collateral with different currencies.

19. Fields relating to fees and rebates

Reporting fees as positive or negative

FIF members request that FINRA provide written confirmation as to the following:

- A Covered Person should report the lendingFee as a positive percentage if the borrower is paying a lending fee to the lender
- A Covered Person should report the rebateRate as a positive percentage if the lender is paying a rebate rate to the borrower
- A Covered Person should report the otherFees field as positive if the borrower is paying a one-time fee to the lender and negative if the lender is paying a one-time fee to the borrower.

FIF members further request that FINRA document this guidance in the Participant Specifications.

Transactions with a variable rate

The Participant Specifications include the following description for the rebateRate field: “If benchmarkName or benchmarkSpread are provided, rebateRate must be provided or the system will reject.”⁴¹ FIF members note that for a variable rate loan the standard industry practice is for the rebate rate to be incorporated into the spread. Accordingly, FINRA should remove this validation. In other words, it should be permitted for a Covered Person to report a variable rate loan without reporting a rebateRate.

Requirement to only report one fee or rebate field

The Participant Specifications describe the following validation for the lendingFee, rebateRate and otherFees fields: “Only one of lendingFee, rebateRate, or otherFees may be populated. If more than one or none are provided, the system will reject.”⁴² Some FIF members have transactions involving a pool of cash collateral where both a lending fee and a rebate could apply for a single transaction. Further, some FIF members have transactions where a lendingFee or rebateRate applies and otherFees also would apply. An example of an “other fee” would be a one-time end of contract cents-per-share payment related to special situations or corporate actions events. Based on these transactions, FIF members request that FINRA remove this validation.

otherFees field

FIF members have various questions on how to report the otherFees field. The Participant Specifications include the following description for this field: “Value of other fees or charges on the loan.”⁴³ A loan could have various types of one-time fees, including a fee associated to the initiation of a loan, a fee associated to the modification of a loan, or a fee associated to the termination of a loan. In some cases, multiple fees could apply to the same loan. In contrast to a lendingFee or rebateRate, which is reported as a daily percentage, an “otherFee” would generally be a one-time fee. It is not clear whether “other fees” should be reported as associated to a specific event (for example, a new loan, a modification or a termination) or whether these fees should be reported as associated to a loan. If the latter applies, is a Covered Person required to aggregate these fees? If the former applies, it is not clear how a Covered Person would report an “otherFee” associated to a termination. If fees related to ending a loan (as

⁴¹ Ibid.

⁴² Ibid.

⁴³ Ibid.

described above) are required to be reported, FINRA could consider adding a field to the Terminate Loan Event for Covered Persons to report a termination fee, where applicable. Given the different types of fee arrangements that could apply, FIF members recommend further discussion between the regulators and industry members on this topic.

Dissemination of variable rate loans

FIF members request clarification on how FINRA intends to disseminate variable rate loans. Does FINRA intend to disseminate variable rate loans by disseminating the benchmark and the spread? Alternatively, does FINRA intend to combine the current benchmark rate and the spread and report variable rate loans based on this combined amount? FIF members also request clarification on how FINRA intends to treat variable rate loans when disseminating aggregate loan rate distribution data. FIF members recommend that FINRA discuss this issue with market participants.

20. sourceOfLoan field

Lending from a pool of securities that is composed of principal and customer positions

The Participant Specifications require a Covered Person to report in the sourceOfLoan field whether or not the Covered Person obtained the securities loaned from inventory.⁴⁴ FIF members request clarification as to whether loaning from inventory is equivalent to a Covered Person acting as principal.

There are many scenarios where a broker-dealer lends from a pool of securities that is composed of principal and customer positions. When the broker-dealer lends from this pool, there is no way for the broker-dealer to identify the pool of securities or any securities loaned from the pool as either inventory or non-inventory. Accordingly, FIF members request that FINRA add a third value to this field for a Covered Person to report that the securities are being loaned from a pool of securities that can consist of both principal and customer positions.

System validation for the sourceOfLoan field

The Participant Specifications include the following description for the sourceOfLoan field: “If lender is a Broker or Dealer and the borrower is its customer, value is required, and if not provided, the system will reject.”⁴⁵ As discussed above, FIF members request that FINRA provide additional clarification as to the meaning of the term “customer”.

21. loanCloseOutFTD field

FIF members request that FINRA provide written clarification that SLATE does not impose on a Covered Person any obligation to ask a borrower whether the borrower is using a loan to close out a failure to deliver.

⁴⁴ Id. at 15.

⁴⁵ Ibid.

C. Validations

The Participant Specifications provide the validations for the File Acknowledgement Feedback and the File Integrity Feedback.⁴⁶ FIF members request that FINRA also provide the validations for the File Ingestion Feedback.

D. Schemas and sample files

FIF members request that FINRA provide schema files and sample files for the file submission and each feedback file.

E. Timeframe to repair rejections

FIF members would like to discuss with FINRA the expected timeframe for Covered Persons to repair SLATE rejections.

F. Reporting Scenarios document

FIF members request that FINRA publish a Reporting Scenarios document that includes the scenarios discussed in this letter.

G. Feedback process

Will SLATE send an end-of-day (EOD) file containing all the events sent to them for a given reporting day? If not, will SLATE participants have access to a GUI where they can download this information? Ensuring access to this data is crucial for reconciliation and maintaining reporting completeness.

H. Onboarding

FINRA Rule 6520 sets forth various requirements for a firm to become a SLATE participant, including how firms that do not have an MPID can obtain an MPID. FIF members request clarification as to when FINRA intends to publish details of the full onboarding process for SLATE.

I. Requirement for notification of non-compliance

FINRA Rule 6520(a)(3) requires firms to inform FINRA of non-compliance with the requirements of Rule 6520(a)(2), including non-compliance with the SLATE Participant Agreement and SLATE rules and procedures and non-compliance with the requirement to maintain "... the physical security of the

⁴⁶ Id. at 36-38.

equipment located on the premises of the SLATE Participant to prevent unauthorized entry of information into SLATE.” FIF members request that FINRA provide additional guidance on the following with respect to this notification requirement:

Notification method

- What is the appropriate channel for communicating breaches (e.g., email, portal submission, or other methods)?

Notification format

- Are there specific requirements or templates for submitting a notification?
- What are the elements that FINRA would expect to be included in the initial communication?

Materiality thresholds

- Are there defined thresholds or qualitative criteria that determine when a breach should be reported to FINRA?

Reporting schedule

- Should notifications be made immediately upon discovery, or is there a specific timeframe for escalation?
- Are periodic updates or final resolution reports expected?

J. FINRA website

The Project Timetable on the FINRA website includes a milestone of “CT and User Acceptance Test Dates” with a date of “July 2025 (date TBD)*”.⁴⁷ The Project Timetable further writes that “Test dates are estimates and subject to change by FINRA.”⁴⁸ Given the number of issues raised in this letter that require interpretive guidance (and, in certain cases, that will require technical changes to SLATE), FIF members do not believe that it is realistic for testing to begin during July 2025. FIF members request that FINRA update the Project Timetable to provide for a more realistic testing start date. As discussed above, FIF members also do not believe that a compliance date of January 2, 2026 is realistic given the interpretive issues and questions raised in this letter.

K. Federal Reserve Bank of New York

FIF members request that the Commission and FINRA provide written clarification as to whether the Federal Reserve Bank of New York (the “FRBNY”) will be required to report to SLATE with respect to scenarios where the FRBNY lends securities to its primary dealers.

⁴⁷ Available at <https://www.finra.org/filing-reporting/slate>.

⁴⁸ Ibid.

L. Rehypothecation; scenario where a broker-dealer long position settles a customer short sale

On May 28, 2024, the Securities Industry and Financial Markets Association (“SIFMA”) submitted a comment letter that presented a short sale settlement scenario and the understanding of SIFMA members as to how SLATE reporting would, or would not, apply to this scenario. As part of this scenario, SIFMA expressed the understanding of SIFMA members that rehypothecation of shares from a customer margin account to effect this short sale settlement would not be reportable to SLATE.⁴⁹

FIF members request that the Commission and FINRA provide written clarification on this point. FIF members note that requiring reporting to SLATE in this rehypothecation scenario would require significant additional work for FIF members and would thus require a re-evaluation of the required timetable to implement SLATE reporting.

FIF members also request written confirmation that the following transaction would not be reportable to SLATE: a customer sells short in a margin account, and the broker-dealer uses its own long position to settle the short sale.

M. Block trades and allocations

In a comment letter submitted by FIF on August 24, 2024, FIF requested confirmation “... that an Intermediary would not report a block (i.e., omnibus) transaction to SLATE and would instead report the allocations for the block transaction once the allocations have been finalized.”⁵⁰ FIF is withdrawing this comment based on the following statement by Robert Cook in a news blog relating to SLATE:

Other technical elements of Rule 10c-1a’s reporting requirements also may merit further consideration. As one example, some market participants have suggested that when investors lend securities in their portfolios through a securities lending agent, that lending agent should be permitted to report loans at the omnibus loan level (rather than sub allocations) to reduce operational complexity while providing publicly disseminated data that better reflects the key economic terms between the parties.⁵¹

FIF members support reporting at the omnibus level as described by Mr. Cook. It is important that the Commission and FINRA clarify this issue, as clarification of this issue is necessary for FIF members to move forward on implementation.

⁴⁹ Letter from Robert Toomey and Joseph Corcoran, SIFMA, to the Commission (May 28, 2024), available at <https://www.sec.gov/comments/sr-finra-2024-007/srfinra2024007-478691-1370214.pdf>, at 8-9.

⁵⁰ FIF letter to the Commission (Aug. 23, 2024), available at <https://www.sec.gov/comments/sr-finra-2024-007/srfinra2024007-510595-1480582.pdf>, at 6.

⁵¹ FINRA SLATE News Blog.

If reporting is only required at the omnibus level, FINRA could remove the warning described in the Participant Specifications for the scenario where the Covered Person does not report any information for the lender.⁵²

N. Security list

The Commission Order approving SLATE provides as follows:

FINRA stated that, as FINRA typically does with its other over-the-counter facilities, FINRA intends to create a SLATE security list that it will make available to Covered Persons and other SLATE participants (leveraging reference data from the CAT NMS list, TRACE, and the MSRB). FINRA stated, however, that a Covered Person remains obligated to determine whether a securities loan transaction that it has engaged in is reportable under Rule 10c-1a, regardless of whether the security appears on FINRA's SLATE security list. FINRA stated that, for this reason, proposed Rule 6530(c)(3), as modified by Partial Amendment No. 1, requires that, if a Covered Person makes a good faith determination that it has a reporting obligation under Rule 10c-1a with respect to a securities loan, and the Reportable Security is not already entered into the SLATE system, the Covered Person (or its Reporting Agent) must promptly notify FINRA and work with FINRA Operations to enter the Reportable Security into the SLATE system.⁵³

FIF members are opposed to the requirement for Covered Persons to notify FINRA of securities that should be reportable to SLATE but are not on FINRA's SLATE security list. This will create a significant operational burden for Covered Persons for what would represent a very small percentage of transactions. FIF members are specifically concerned about having duplicative processes for the underlying reporting systems (i.e., TRF, ORF, TRACE and RTRS) and SLATE and the potential inconsistencies that could result from these duplicative processes (please see discussion below). FIF members believe that it is sufficient to have these processes implemented for the underlying reporting systems, as is currently the case.

FIF members recommend that FINRA publish a security list at the end of each business day and that Covered Persons should be entitled to report for each business day based on the security list that was posted by FINRA the prior evening.

If the Commission and FINRA do not agree to this requested change, FIF members have the following questions relating to the security list and the obligation of Covered Persons to notify FINRA if a Reportable Security is not already entered into the SLATE system:

- What is the process and timing for FINRA to make the SLATE security list available?

⁵² See, for example, Participant Specifications, at 11-12.

⁵³ Securities Exchange Act Release No. 102093 (Jan. 2, 2025), 90 FR 1563 (Jan. 8, 2025), Self-Regulatory Organizations; Financial Industry Regulatory Authority, Inc.; Order Approving a Proposed Rule Change, as Modified by Partial Amendment No. 1, To Adopt the FINRA Rule 6500 Series (Securities Lending and Transparency Engine (SLATETM)), at 90 FR 1580.

- What is the process and timing for FINRA to update the SLATE security list and to notify Covered Persons of updates?
- What is the process for a Covered Person to request that a security be added to the SLATE security list?
- What is the process and expected timing for FINRA to update the SLATE security list upon such a request being submitted by a Covered Person? How will FINRA notify the requesting Covered Person that the SLATE security list has been updated? How will FINRA notify other SLATE Participants?
- Does FINRA plan to update the SLATE security list based on changes to the security lists for the TRF, ORF, TRACE and RTRS systems? If so, what is the process and expected timing for these updates?
- In many cases, a Covered Person, prior to contacting FINRA to add a security to the SLATE system, will have contacted FINRA (or the MSRB) to enter the security into the TRF, ORF, TRACE or RTRS system, as applicable. In this scenario, does FINRA intend to rely on the security data provided by the Covered Person for SLATE or the security data from the TRF, ORF, TRACE or RTRS system?
- FIF members are concerned that having separate processes for adding symbols to the TRF, ORF, TRACE and RTRS systems, on the one hand, and SLATE, on the other hand, could result in discrepancies between SLATE and the other reporting systems. FIF members would like to understand the approach that FINRA plans to adopt to address this issue.
- Will a Covered Person be charged a late fee if the Covered Person is not able to timely report an event because of the time that it takes for FINRA to update the SLATE security list?

FIF members also request clarification as to whether the SLATE system will reject an event reported with a symbol that is not on the SLATE security list. FIF members also request confirmation that the security list will classify each security as an equity or fixed income security.

O. Legal Name and LEI of Security Issuer

Pursuant to FINRA Rule 6530(a)(2)(A), a Covered Person is required to report “The legal name of the security issuer and the Legal Entity Identifier (“LEI”) of the issuer (if the issuer has a non-lapsed LEI).” FIF members are opposed to the requirement for a Covered Person to report the LEI for the issuer. This requirement imposes a significant burden on reporting firms while, at the same time, it provides no value to the regulators. Since Covered Persons are already required to report an identifier for the security being loaned (i.e., the symbol, CUSIP, ISIN or FIGI), reporting the LEI for the issuer is duplicative. As a general principle, a Covered Person should only be responsible for its own LEI and should not be responsible for third-party LEIs. If the Commission believes that exemptive relief is required to remove this requirement, FIF members request that the Commission grant such exemptive relief.

If the Commission does not agree to remove this requirement, FIF members recommend as an alternative that FINRA include in its security list the LEI for each security. It is far more efficient for FINRA to perform this mapping than to have large numbers of Covered Persons independently create this mapping (or pay vendors to create this mapping).

If the Commission does not remove the requirement for Covered Persons to report issuer LEIs or include the issuer LEIs in the security list, FIF members have the following comments and questions relating to this requirement:

- There are various statuses that can apply to an LEI. One of these statuses is “lapsed”. FIF members request that the Commission and FINRA permit a Covered Person to optionally report a lapsed LEI. There is no adverse impact to FINRA in permitting this.
- With what frequency does FINRA expect Covered Persons to validate their SLATE submissions against a database of LEI issuers (for example, the Global LEI Index made available by GLEIF)?
- Will FINRA conduct any validation on the LEI submitted by a Covered Person?

FIF members also request clarification as to whether FINRA will conduct any validation on the Legal Name of the issuer.

P. Corporate actions

FIF members request that FINRA provide further guidance on how a Covered Person should report a corporate action. For example, if a Covered Person has reported a loan for a stock, and the stock subsequently has a stock split, is the Covered Person required to report a Modify Loan Event? FIF members recommend that the Covered Person report a Modify Loan Event in this scenario as this will keep the SLATE system in-line with the Covered Person’s books and records.

One challenge with this approach is that FINRA could disseminate these modifications to the market, and it would appear to the public that there was significant loan modification activity for the particular stock when, in fact, Covered Persons were only reporting based on a stock split. To address this concern, FIF members recommend that FINRA add a field in the Modify Loan Event for a Covered Person to signify that the Covered Person is only reporting the event to SLATE based on a corporate action. FINRA could then either not disseminate these events or disseminate these events with a flag to indicate that these events relate solely to a corporate action. FIF members also believe that FINRA should not charge Covered Persons for reporting events that have this corporate action flag.

Given the variety and complexity of corporate action scenarios, FIF members are available to discuss these scenarios further with Commission and FINRA personnel.

Q. “If known”

Pursuant to Rule 6530, a Covered Person is required to report various values “if known”. FIF members request that FINRA provide written clarification that the phrase “if known” means that the Covered Person has recorded the applicable data in its books and records. FIF members are concerned that, absent this clarification, Covered Persons could be subject to a significant compliance and operational burden in meeting this requirement.

R. Jurisdictional scope of reporting

Adopting release for Rule 10c-1a

The Commission's adopting release for Rule 10c-1a provides the following guidance relating to the jurisdictional scope of reporting:

Turning to the cross-border scope of section 10(c), the Commission's understanding of that provision's cross-border reach is based on the territorial approach that the Commission has applied when crafting rules to implement other provisions of the Exchange Act. Consistent with that territorial approach (which is based on Supreme Court precedent, including *Morrison v. National Australia Bank, Ltd.* and its progeny) the Commission examined the relevant statutory provision to determine the domestic conduct that is covered by the provision. By its terms, section 10(c) requires reporting when, directly or indirectly, a person has "effect[ed], accept[ed], or facilitate[d]" a transaction involving the loan or borrowing of securities. Based on that language, the Commission concludes that the relevant domestic conduct that triggers the Commission's regulatory authority under section 10(c) is conduct within the U.S. that comprises (in whole or in part) effecting, accepting, or facilitating of a borrowing or lending transaction. Because the Commission intends final Rule 10c-1a to be co-extensive with the regulatory scope of section 10(c), the Commission is of the view that the rule's reporting requirements will generally be triggered whenever a covered person effects, accepts, or facilitates (in whole or in part) in the U.S. a lending or borrowing transaction.⁵⁴

The Commission further discussed the jurisdictional scope of reporting in a reply brief filed on May 6, 2024.⁵⁵

Transactions entered into outside the U.S. and settled in the U.S.

FIF members request confirmation that a securities loan entered into between two parties outside the U.S. where post-transaction processing occurs in the U.S. (for example, because of the involvement of a local U.S. custodian) would not be subject to reporting. The adopting release, referencing Section 10(c) of the Securities Exchange Act of 1934, provides that reporting is required when a securities loan is effected, accepted or facilitated in the U.S.⁵⁶ FIF members believe that the Commission, when referencing the effecting, acceptance or facilitation of a securities loan, is referring to activity relating to the negotiation and execution of a securities loan as opposed to referring to post-trade activity.

If the Commission believes that Rule 10c-1a would require reporting in this scenario, FIF members request that the Commission grant exemptive relief from this reporting requirement. FIF members are

⁵⁴ Rule 10c-1a Adopting Release, at 88 FR 75688-75689.

⁵⁵ Brief for Respondent at 53-55, *Nat'l Ass'n of Private Fund Managers v. SEC*, No. 23-60626 (5th Cir. May 6, 2024).

⁵⁶ Rule 10c-1a Adopting Release, at 88 FR 75689.

concerned that if this scenario were reportable, the scope of reporting would extend to many overseas parties that are engaging in activity outside the U.S.

Custodian bank scenario

FIF members request confirmation that the following scenario would not be reportable to SLATE:

- A U.S. custodian bank has custody of Reportable Securities of a foreign government pension fund.
- The fund lends these securities through the Euroclear auto-borrow program. This is a [description of the Euroclear program](#).
- The fund enters into the loans through Euroclear outside of the U.S.
- The U.S. custodian bank does not act as lending agent for these loans. For example, the U.S. custodian is not involved in the negotiation of the terms of the loans, and the U.S. custodian is not authorized to enter into these loans on behalf of the fund.
- The U.S. custodian bank handles billing for these loans. For example, the custodian charges or credits the fund, as applicable, and Euroclear charges or credits the U.S. custodian bank.
- The U.S. custodian bank also handles settlement and returns on behalf of the fund.
- The U.S. custodian bank charges a fee to the fund for these services.

This scenario presents two questions. The first question is whether the U.S. custodian bank is acting as an intermediary in this scenario. Rule 10c-1a(j)(1)(1) defines an “intermediary” as “Any person that agrees to a covered securities loan on behalf of a lender.”⁵⁷ FIF members request confirmation that the activity described above is not intermediary activity because the custodian is not involved in the negotiation or agreement of the loan.

The second question is whether post-trade activity in the U.S. for a loan involving two non-U.S. counterparties would subject a loan to SLATE reporting. As discussed in the preceding sub-section, FIF members understand that SLATE was not intended to apply when all parties to a loan are located outside the U.S. and enter into the loan outside the U.S. FIF members request confirmation on this point.

Scenario involving the loan of a security that is not a Reportable Security

FIF members request written confirmation that if a firm lends a security that is not a Reportable Security (for example, a Japanese government bond), and the loan is collateralized by a security that is a Reportable Security (for example, a U.S. Treasury bond), that transaction is not subject to SLATE reporting. Rule 10c-1a makes clear that SLATE reporting only applies to Covered Securities Loans and that Covered Securities Loans are limited to loans of Reportable Securities.⁵⁸

⁵⁷ 17 CFR §240.10c-1a(j)(1)(i).

⁵⁸ 17 CFR §240.10c-1a(a) and §240.10c-1a(j)(2)(i).

S. Loan that is novated to the Options Clearing Corporation

FIF members request that the Commission and FINRA provide clarification on how a Covered Person that is a broker-dealer should report for the scenario where two broker-dealers negotiate and agree to a loan bilaterally and novate the loan to the Options Clearing Corporation (the “OCC”).⁵⁹ In particular, assuming that the lender is the Covered Person, should the lender report the OCC or the borrowing broker-dealer as the lender’s counter-party?

T. Funding trades

FIF members request that the Commission and FINRA provide written clarification that “funding trades” are not subject to reporting. Rule 10c-1a defines a “covered securities loan” as a transaction in which “any person ... lends a reportable security to another person.”⁶⁰ In a funding trade, a lender lends cash to a borrower and securities are pledged as collateral. A funding trade does not involve the lending of a Reportable Security. Accordingly, FIF members understand that a funding trade is not subject to SLATE reporting.

More generally, a loan transaction can be (i) a loan of securities against collateral, or (ii) a loan of cash against collateral. The first category of trades is subject to SLATE reporting; the second category of trades is not a loan of securities and should not be subject to SLATE reporting. A guide published by the International Capital Market Association for reporting under the European Union’s Securities Financing Transactions Regulation provides guidance that funding trades should be reported as repos and not as securities loans.⁶¹

U. “Pay for hold” transactions

In a “pay for hold” transaction, a firm pays a lender a fee to hold securities on behalf of the firm for potential lending to the firm. At a subsequent time, the parties can convert this “pay for hold” transaction to a security loan, at which time both parties would record a securities loan in their books and records. FIF members request written confirmation that, in this scenario, a loan would not be reportable to SLATE until the lender records a securities loan in its books and records.

V. Single MPID for an entity

FIF members request that the Commission provide written clarification that a firm that engages in both direct lending and agency lending in one entity would be permitted to report all loans to SLATE using a single MPID. FIF members further request written clarification that separate affiliated entities that are Covered Persons must have separate MPIDs.

⁵⁹ For a description of this workflow, please see <https://www.theocc.com/Clearance-and-Settlement/Stock-Loan-Programs>.

⁶⁰ 17 CFR §240.10c-1a(j)(2)(i).

⁶¹ International Capital Market Association, ICMA Recommendations for Reporting under SFTR (March 2025), available at [ICMA draft recommendations for reporting under SFTR](#), at 35.

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Please contact me at howard.meyerson@fif.com after you and your colleagues have had the opportunity to review the comments and questions set forth in this letter.

Very truly yours,

/s/ Howard Meyerson

Howard Meyerson
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