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January 4, 2022

Vanessa A. Countryman
Secretary, Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

File Number S7-18-2, Reporting of Securities Loans

Dear Ms. Countryman,

IHS Markit is pleased to submit these comments to the Securities and Exchange Commission (Commission) in response to the proposed Rule on the reporting of Securities Loans.

I. Introduction

IHS Markit is a global information and services company that provides data, insight, and solutions across the world's largest industries. IHS Markit is a NYSE-listed public company under the ticker "INFO." IHS Markit has approximately 15,000 employees in 35 countries, including over 5,000 employees in the United States with offices in 21 states and the District of Columbia.

At IHS Markit, we provide the tools and intelligence needed to successfully navigate the complexities of financial markets through leading data, analytics and workflow solutions from portfolio management to regulatory compliance. IHS Markit's Financial Services division accounts for just over one-third of IHS Markit's revenues and provides data, software, technology platforms and managed services designed to address a variety of financial services industry-related challenges.

Two of our core businesses, Securities Finance and Global Regulatory Reporting Solutions, are widely regarded as the preeminent solutions providers to all segments of the securities lending markets, offering comprehensive data, analytics and workflows to agent lenders, asset owners, brokers-dealers, and hedge funds. Our core data and analytics business was founded in 2002, and now covers more than \$37 trillion in lendable assets. Our services are used by more than 500 institutions in the securities lending markets, including agent lenders, broker-dealers, asset owners, and hedge funds. Most recently, we developed and implemented a solution for SFTR (Securities Finance Transaction Regulation), the EMEA-based regulatory requirement, which has been adopted by over 200 firms.

Given our extensive experience in the securities lending markets, we are uniquely positioned to comment on the SEC's proposal 10c-1, which seeks to bring additional transparency and efficiency to the securities lending markets. As a service provider, we are very supportive of appropriate levels of transparency and dissemination of data to aid in the efficient functioning of capital markets and improve availability of data that will reduce information asymmetry.

II. Comments

We advocate weighing the value delivered to the efficient functioning and stability of markets against the significant costs required to achieve and maintain a comprehensive regulatory regime, as well as potential unintended consequences such regulation might bring. Following are several key areas we encourage the SEC to consider when deciding on the appropriate level of regulation:

Regulatory reporting facilitators – We believe the Commission should allow a broader range of organizations to provide reporting agent services and / or facilitate them. The provision of reporting services is a highly specialized function and not a core competency of most lenders. Allowing entities other than FINRA-registered broker-dealers to facilitate reporting is a cost-effective and efficient way to achieve the SEC's objectives. A competitive



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landscape is the foundation of free and efficient capital markets, and as such the Commission should encourage a variety of organizations to provide innovative and cost-effective solutions to meet this regulation.

Frequency of data collection and dissemination – We have extensive experience in collecting, analyzing and publishing intraday securities lending data and are well-versed in the unique challenges associated with this market. As currently proposed, from our experience in providing services to the securities lending industry, the frequency with which loans would be reported and disseminated would be both an immense hurdle and costly burden for the industry and could also lead to reduced market liquidity and participants withdrawing from lending altogether.

Rather than meet the challenges and costs associated with frequent intraday reporting requirements as currently proposed, participants who lack the technological and operational wherewithal to comply with the regulation might cease to lend. In our opinion, the operational considerations around intraday data collection and potential implications on market liquidity are sufficiently substantial to warrant reconsideration.

Furthermore, in our experience, the vast majority of participants rely on end of day data as the most relevant and reliable measurement of market activity. Although intraday data is currently available from service providers, it is widely seen as indicative in nature and subject to frequent correction. Intraday data is also difficult to ingest and analyze and therefore accessible to only the largest and most sophisticated participants in the securities lending market.

Potential conflict of interest – IHS Markit believes there is a potential conflict of interest in the current proposal that could have detrimental effects on the broader market. Based on our experience with lenders and beneficial owners, we know this community is highly concerned about visibility into inventory levels and foresee a conflict between broker-dealers acting as reporting agents and lenders being required to provide inventory and lendable data via this avenue.

Many lenders transact with those same broker-dealers in the primary markets and the requirement to report data to these same parties creates a conflict for lenders. We believe this could cause a material withdrawal of securities lending inventory from the market, with the consequence of reduced liquidity and higher volatility in the primary markets, especially in less liquid and harder to trade securities. To clarify, it is not the provision of this information that is the issue, but rather the mechanism and route of the provision to the RNSA that is the concern.

IHS Markit appreciates the opportunity to provide these comments to the Commission. We would be happy to elaborate on or further discuss any of the points addressed above. If you have any questions, please do not hesitate to contact me at

Regards,

Edward M. Marhefka, Managing Director
Global Head of Equities Data and Analytics
IHS Markit – New York

IHS Markit is the leading source of information and insight in critical areas that shape today's business landscape. At IHS Markit, we provide the tools and intelligence needed to successfully navigate the complexities of financial markets through leading data, analytics, and workflow solutions from portfolio management to regulatory compliance.

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Given our extensive experience in the securities lending markets, we are uniquely positioned to comment on the SEC's proposal 10c-1, which seeks to bring additional transparency and efficiency to the securities lending markets. As a service provider, we are very supportive of appropriate levels of transparency and dissemination of data to aid in the efficient functioning of capital markets and improve availability of data that will reduce information asymmetry.

We provide our responses to salient questions posed by the Commission below.

2. What, if any, are the broader impacts of requiring that certain information be provided to an RNSA, for example to help borrowers and lenders evaluate rates and signals, such as whether a security is hard to borrow or heavily shorted? Would such a requirement bring more efficiency to the market? Please explain.

IHS Markit believes the submission of the proposed fields at the suggested regularity will provide added transparency to the securities lending market. However, we believe that the proposed Rule would not provide further transparency into the short interest market. It is important to note that not all securities loan trades facilitate a short sale, and that the securities lending market is not a mirror of the short interest market. These are two separate and distinct markets with different drivers, participants, and data points and should not be conflated.

There are many reasons for securities loans and borrows that are unrelated to short selling, including market marking, convertible arbitrage, negative sentiment, accelerated share repurchases, index hedging and more. To equate every securities loan to a short sale is inaccurate, and therefore using securities lending data as a measurement for short interest may be confusing to the broader market and may not meet the Commission's objectives.

We agree with the Commission's hypothesis that the added transparency would also likely lead to a compression of borrow rates but are concerned that overall efficiency of the market may suffer from the burden of implementation.

There is also a lack of clarity around whether international broker-dealers lending US securities are in scope for the proposed regulation. If these lenders are not in scope, this may incentivize market participants to borrow from international lenders, therefore leaving significant gaps in transparency.

11. Are there methods for the Commission to improve transparency in the securities lending market other than requiring Lenders to provide the material terms of a securities lending transaction to an RNSA? If so, how would the commenter suggest improving transparency in the securities lending market?

IHS Markit believes there is already a significant level of transparency in the securities lending market. Market participants already have access to transaction, security, and market level data.

One potential method to improve market wide transparency into short selling would be to simply increase the frequency of the current FINRA bi-weekly short interest reporting and expand this to a broader set of securities. If this was improved to daily and published 1-2 days in arrears, we believe many of the Commission's objectives would be achieved, without the associated enormous costs estimated in the proposal.

12. Would Lenders use a reporting agent to provide 10c-1 information to an RNSA? Why might a Lender choose not to use a reporting agent? Would Lenders be unwilling to use reporting agents due to concerns regarding maintaining the confidentiality of the information that the reporting agent would be required to provide an RNSA?

IHS Markit believes that the preferred model for a Lender to report their transactions to an RNSA would be to outsource that to a reporting agent or facilitator. If a Lender has to use a registered broker-dealer as a reporting agent to provide this data to an RNSA, there will be reluctance to do so because of confidentiality concerns of their underlying clients.

The Lender would have to provide inventory data to an entity with whom they may be trading the underlying securities, or the underlying client may not want to divulge their positions to the broker-dealer entity.

Since Lenders already use service providers such as IHS Markit to collect and safeguard their confidential data, we believe allowing other organizations to facilitate reporting to the RNSA would alleviate these confidentiality concerns.

15. Should proposed Rule 10c-1 permit reporting agents to be entities other than broker-dealers? If yes, what other persons should be added to the list of persons with whom a Lender can enter into a written agreement to provide the 10c-1 information to an RNSA and why?

IHS Markit believes that the Commission should allow a broader range of organizations to provide reporting agent services and / or facilitate them. The requirement for reporting agents to be broker-dealers is unnecessary, overly restrictive and will have the unintended consequence of reducing market liquidity, transparency, and efficiency for the following reasons:

- Beneficial owners will not want to share confidential information with broker-dealers. If they are forced to disclose this confidential data to a broker-dealer, it is likely that certain beneficial owners will cease participation in the securities lending market, thereby reducing liquidity.

- In order to promote a healthy, competitive marketplace, the SEC should allow lenders to choose their reporting agent from a variety of providers. This will ensure offerings are priced efficiently and costs are not prohibitively high.
- Other market participants, including commercial data vendors who specialize in the collection of large intraday quantities of confidential data, are well-positioned to meet this requirement. This has proved to be an efficient tool with similar reporting regulations in other regions, including in EMEA with SFTR.

21. Does the reporting of loan-level information within 15 minutes after each loan is effected or modified, as applicable, provide sufficient transparency? Please explain why or why not. If it would not, please provide an alternative and explain why the alternative would be preferable. For example, would end of day reporting for loan-level information provide sufficient transparency – why or why not?

As a service provider IHS Markit has significant experience in collecting, analyzing and disseminating intraday securities lending data. In our experience, requiring loan-level information within 15 minutes after each loan is effected would provide an enhanced level of transparency to market participants, albeit with considerable challenges and risks:

- Most lenders will not be able to meet the 15-minute requirement without substantial technology development and cost. This will disadvantage smaller lenders and those without an existing relationship with FINRA.
- Real-time data is more costly to asset owners which may cause them to withdraw from the lending markets, leading to lower revenues and less liquidity. This unintended consequence is contrary to the SEC's stated intent of the requirement.
- Data collected with such frequency is often inaccurate and prone to error without enough time to correct it. This would run counter to the SEC's stated objective of improving pricing accuracy.
- Our experience in the securities lending market shows that most loans occur close to market open or close, that in fact there is much less volume throughout the trading day, which calls into question the benefits versus implementation costs. We maintain that there might not be enough significance in the intraday data to justify the high implementation and ongoing costs.

22. For the data elements provided to an RNSA under paragraphs (a) through (c), should the Commission specify how quickly an RNSA should make the information publicly available? If so, which information and how long should an RNSA be given? Would limiting an RNSA's flexibility to structure its systems, policies, and procedures by specifying a timeframe create operational problems for the RNSA?

As a service provider IHS Markit has significant experience in collecting, analyzing and disseminating intraday securities lending data. In our experience, disseminating data intraday would provide an enhanced level of transparency to market participants, as well as possibly reduce information asymmetry which the SEC has stated as one of its primary objectives. There are several considerations and risks associated with intraday dissemination that are important to highlight:

- Limited significance of real-time dissemination due to the timing and patterns of intraday loans occurring mostly at the open and close of the trading day.
- Limited ability to audit and correct data in a real-time environment could give misleading signals to certain market participants who do not have other sources of pricing transparency.
- Real-time data is costly to ingest, aggregate and analyze. This could lead to increased information asymmetry because only the largest and most sophisticated market participants would be able to benefit from the real-time data. This unintended consequence would run counter to the SEC's stated intent of the requirement.

23. Should the Commission specify a different or more specific timeframe than “not later than the next business day” for the RNSA to make information provided under paragraph (e) publicly available? Does the “no later than the next business day” timeframe provide RNSAs with the time needed to perform these calculations while also requiring that the information be made publicly available in a timely manner?

As a service provider, IHS Markit has significant experience in collecting, analyzing and disseminating end of day and intraday securities lending data. In our experience, the vast majority of participants view end of day data as the most relevant and reliable measurement of market activity. Although intraday data is currently available from service providers, it is widely seen as indicative in nature and subject to correction and prone to manual error. Intraday data is also difficult to ingest and analyze and therefore accessible to only the largest and most sophisticated participants in the securities lending market.

24. What other data elements, if any, should be included to increase the transparency of securities lending?

IHS Markit believes that the following data elements would be of value:

- Trade Reference
 - For reporting of modifications, reporters need to include the UTI assigned by the RNSA to the trade being modified. Although not specified in the proposal, we are assuming that when new trades are reported, the RNSA will send a reply message to the reporter which includes the UTI. This will allow the reporter to include the UTI in modification reports. In order for the reporter to understand which UTI relates to which of the trades that they have reported, it would be valuable for the reporter to include their proprietary trade reference when reporting trades, and for the RNSA's response to include both this trade reference and the UTI. This would not be necessary if UTI were generated by the reporter, as discussed in our response to question 27.
- Lending agent trade indicator
 - For Agent Lender trades, it would be of value for the commission to confirm that only reporting of the shell trades (at Lending Agent level) are included in the Rule, and that reporting of the allocations of those trades to Beneficial Owners / principals, is not expected.

- While reporting at Beneficial Owner level would allow for insight into counterparty credit risk and exposure between trading counterparties, as the Agent Lender Disclosure process runs on a T+1 basis, reporting at the Beneficial Owner level could not be achieved within 15 minutes of trade execution.
- If the expectation is for reporting to include allocations of loans to Beneficial Owners, it may be of value for the report to include a Lending agent trade indicator, to specify whether the report relates to a shell trade loan by the lending agent or the allocation of that loan at Beneficial Owner level.
- Additionally, it would be valuable in this case, for the commission to confirm how quickly reporting of allocations at Beneficial Owner level would be required, as it would not be feasible to report these within 15 minutes of the lending agent trade.

25. Would any of the listed data elements not be informative to the public or to regulators? If not, why not? Should any of the data elements be removed or modified? If so, why?

As a service provider IHS Markit has significant experience in collecting, analyzing and disseminating end of day and intraday securities lending data. We are supportive of the SEC's stated objectives of improving transparency and reducing information asymmetry in the securities lending market. In our experience, making the total available to loan publicly available poses several risks that the SEC should consider:

- Beneficial owners do not want to share that information with a broker-dealer reporting agent because it would give the broker-dealer valuable insight that could be used to trade against them.
- The available to loan data would be difficult to interpret because of the intricacies of the lending program parameters between the lender and the beneficial owner. There are many restrictions around markets, counterparties, collateral types, concentration limits, etc. that would make the data misleading to market participants. This would have the effect of increasing information asymmetry, running counter to the SEC's stated intent of the regulation.

We believe that the data elements around inventory would not be informative to the public or regulators. We believe these data elements should not be collected or disseminated for the following reasons:

- If the intent of the regulation is to better measure short interest, inventory is not the best way to do this. A sufficient and more widely understood measure would be the percentage of shares that are outstanding on loan (%sool) or the percentage of the free float.
- The inventory data will be misleading because beneficial owners have complicated program guidelines for making inventory available to be lent including counterparty, collateral type, concentration limits as well as at the market, region and/or security level. Thus, the SEC will not be receiving an accurate picture of inventory.
- We believe that beneficial owners will be reluctant to disclose their inventory to a broker-dealer. Beneficial owners may choose to exit the securities lending market rather than have their inventory reported. This will have a negative effect on market liquidity and run counter to the SEC's stated purpose of improving market liquidity.

26. Should all of the data elements in paragraph (b) be made public at the loan-level as proposed? As an alternative, should some be made public in the aggregate or only made available to regulators? Would providing aggregates of 10c-1 information provide the same or greater benefits than loan-level information as proposed? Please discuss how your response relates to the statutory objective of increasing transparency.

Our observation is that the vast majority of users of securities lending data use the data on an aggregate basis when looking for transparency in the market. A more granular loan-level view may be helpful to regulators when tracking individual transactions and assigning UTI's but larger, more sophisticated firms with extensive technological resources would be better positioned to take advantage of this data to the detriment of smaller firms and individual investors.

As current collectors and aggregators of securities lending data, service providers such as IHS Markit and other organizations are well situated to compile the required loan-level data and report it to the RNSA.

27. Are there sufficient data elements to allow for the identification of loans of securities and permit the creation of a unique transaction identifier by the RNSA or should additional or different data elements be required for this purpose?

IHS Markit believes that there are sufficient data elements in the report to allow for identification of loans and to permit creation of a Unique Transaction Identifier (UTI) by the RNSA.

However, we feel that the Commission should specify how a UTI that is generated by the RNSA will be shared with the reporter, who will need the UTI when reporting trade modifications.

One potential issue relating to reporting of trade modifications is that trades are often modified shortly after initial booking, sometimes due to booking errors. These modifications will need to be reported within the 15-minute window but cannot be reported until a UTI has been generated by the RNSA, sent back to the reporter, and processed by the reporter. The reporter is thus unable to guarantee being able to report some modifications within 15 minutes, as they are dependent on receiving the UTI from the RNSA and have no control over the timeliness of this process.

An alternative that might be considered would be to allow the lender or reporting agent to generate a UTI for inclusion in the initial trade report and subsequent modifications. This would be in line with other regulatory regimes such as SFTR, and so the industry has experience of generating UTIs and linking them to trade references internally. There are existing methods to ensure uniqueness of UTIs (i.e., that no two reporters generate the same UTI), for example inclusion of a code unique to the reporter at the start of the UTI.

42. Should Lenders be required to provide all of the identifying data elements listed in d(1) for every loan of securities or should only one of those data elements be required? For example, would just providing a CRD be sufficient to allow the RNSA to identify the parties to a transaction? What are the costs and benefits of either approach? Further, would the lack of an LEI make it more challenging to identify entities across different data sets? Should borrowers be required to obtain an LEI if they do not already have one?

Based on experience working in other regulatory reporting regimes, IHS Markit is of the opinion that lack of an LEI would make it more challenging to identify entities and that borrowers should be required to obtain an LEI if they do not already have one.

LEI is the standard in other regulations to identify trade participants. Using LEI for this purpose in this reporting will be familiar to trade counterparties already using LEI in other reporting regimes, will assist with harmonized reporting in the future and ultimately lower costs associated with maintaining multiple alternate data elements to identify entities.

43. Should the RNSA make the information reported under proposed Rule 10c-1(e) public at the level it is provided (e.g., not aggregating the information by security)? Why or why not?

Our observation is that participants within the securities lending industry value their client data being anonymized for the security of their positions and trading strategies. In that respect, to keep ample liquidity in the market the information from 10c-1(e) should be aggregated at the security level. If participants think their data will not be anonymized, they could pull their supply from lending pools.

46. Are the data elements required by paragraphs (e)(1)(i)/(e)(2)(i) (the legal name of the security issuer, and the LEI of the issuer, if the issuer has an active LEI) and (e)(1)(ii)/(e)(2)(ii) (the ticker symbol, ISIN, CUSIP, or FIGI of the security, if assigned, or other identifier) both necessary? Would only requiring one of these be sufficient to allow identification of the security about which the information is being provided? Would only requiring one of these reduce the utility of the data in other ways, for example, by making it more challenging to identify entities and/or securities across multiple data sets?

IHS Markit agrees that having multiple instrument identifiers would improve the instrument mapping process. All instrument identifiers mentioned in the proposal would suffice. However, based on our experience as a service provider and regulatory reporting solutions provider to the securities lending industry, we recommend the Commission not make all identifiers mandatory, especially the LEI of the issuer. LEI of the issuer should only be provided if the issuer has an active LEI and that legal name should be used as an alternative, in addition to a security identifier such as ISIN. Experience in other reporting regimes has shown that many security issuers do not have an active LEI – this is especially true for US issuers of securities. Making issuer LEI a mandatory field could cause a gap in the number of transactions that can be reported.

49. If the number of shares available to lend was not made publicly available, are there alternative data that market participants could use to evaluate whether the security will be difficult or costly to borrow? For example, could a market participant look to the public float of a security instead? Why or why not? Would there be other impacts on the utility of the data?

IHS Markit believes there are multiple metrics more appropriate and meaningful than shares available to lend that can be used to gain transparency into markets. For example, % shares outstanding on loan and % free float on loan are widely adopted metrics that are used to evaluate whether a security will be difficult or costly to borrow.

50. To avoid the provision of information about individual market participants' proprietary portfolios, should the Commission limit the requirement to provide information under paragraph (e) to lending programs that pool the securities of multiple beneficial owners? In addition, or as an alternative, should the Commission remove the requirement that a reporting agent would be required to provide the identity of the person on whose behalf it is providing the information? Would this be consistent with the purpose of the proposed rule, which is to increase transparency in the securities lending market? Why or why not?

Our observation is there are a material number of lenders whose assets are not pooled. Even with an agency structure there can also be many pools and individual pools for a lender. We do not believe there would be hesitancy to provide securities lending data if the identity of individual lenders and contributors are anonymized, and any published data is aggregated. We believe there is a conflict with reporting agents being broker-dealers and lenders being required to provide inventory and lendable data via this means. Many lenders use the same organizations to transact in the primary markets and so we believe lenders will find the requirement creates a conflict for them.

We believe this could lead to a material amount of securities lending inventory being withdrawn with the ensuing consequence of lower liquidity and higher volatility in the primary markets, especially in less liquid and harder to trade securities. To reiterate, it is not the provision of this information that is the issue (on the assumption that details of individual lenders are kept confidential) it is the mechanism and route of the data provision to the RNSA that is the concern.

53. Do you believe that the information provided pursuant to paragraph (e) of the proposed Rule should be provided more frequently or less frequently than each business day? Why or why not?

In our experience, the vast majority of participants view end of day data as the most relevant and reliable measurement of market activity.

Providing data more frequently than each business day would increase levels of transparency in the securities lending market, however with the following caveats and considerations:

- Limited significance of intraday data due to most loans occurring mostly at the open and close of the trading day.
- Limited ability to audit and correct data in a real-time environment could give misleading signals to certain market participants who do not have other sources of pricing transparency.
- Real-time data is costly to ingest, aggregate and analyze. This could lead to increased information asymmetry because only the largest and most sophisticated market participants would be able to benefit from the real-time data. This unintended consequence would run counter to the SEC's stated intent of the requirement.

54. Should proposed Rule 10c-1 specify the format and manner that information should be provided to the RNSA rather than require the RNSA to adopt rules regarding such format and manner? Please discuss. Are there disadvantages to having an RNSA adopt a rule regarding the format and manner that information should be provided to the RNSA pursuant to proposed Rule

10c-1? What advantages would there be if Rule 10c-1 specified the format and manner that information should be submitted to the RNSA?

IHS Markit believes that the format and manner through which information will be provided to the RNSA should be defined by the RNSA and should not be specified in proposed Rule 10c-1. Experience working in other regulatory reporting regimes has shown that the reporting rules and guidelines as defined by regulators can sometimes require small changes to address imperfections in the reporting model soon after the regulation comes into effect.

Allowing the RNSA to define format and manner of reporting may allow for ease of evolution as required, rather than necessitating a regulatory or legal change which would typically be a more costly process and take longer to implement.

60. Should the Commission include additional requirements designed to help ensure the confidentiality of information provided to the RNSA? Please explain. Do commenters believe the confidential information is as sensitive as discussed in this release? Please explain.

IHS Markit believes that all collected data, whether securities lending transactions or lender inventory / lendable must always be kept confidential. Provision or the publishing of information should always be anonymized and where appropriate aggregated. Rather than publishing individual transactions and their fees, consideration should be given to publishing the total market wide volume of outstanding transactions in a given security. With respect to inventory and available to lend information, we believe that lenders and beneficial owner consider this to be highly sensitive data and therefore should not be published without significant consideration of anonymity.

Service providers are already processing confidential data for securities lending across the full spectrum of market participants. Allowing a broader range of organizations to act as reporting facilitators would alleviate the concern over confidential data and potential conflicts of interest between lenders and broker-dealers.

63. What, if any, impact would proposed Rule 10c-1 have on liquidity in securities that are subject to the requirement to provide 10c-1 information? Please explain.

IHS Markit believes that published information should always be anonymized and where appropriate aggregated. Beneficial owners, especially sovereign wealth funds and other sensitive investors, may have policies that could force them to withdraw from securities lending if they are required to submit available to lend data to a broker-dealer. This would have a major detrimental impact on the liquidity leading to settlement failures, trade breaks, higher fees, and more frequent supply constraints impacting the smooth functioning of the market and running contrary to the Commission's objectives.

66. How might the proposal positively or negatively affect investor protection, the maintenance of a fair, orderly, and efficient securities lending market, and capital formation?

IHS Markit believes the proposal as currently drafted may have an overall detrimental impact on the maintenance of a fair, orderly, and efficient securities lending market. Publicly publishing transaction level data on a potentially 15-minute interval may give rise to misleading inferences that could lead to increased volatility. Further, sophisticated organizations with large resources and highly efficient technology would gain an advantage over smaller, less sophisticated market participants by being able to better and more quickly act on the data - for example, closing loans quicker when a potential short squeeze is identified, leaving the less sophisticated market participants with potentially higher cost and risk. Additionally, we believe that liquidity will be negatively impacted if lenders are required to report their data to the RNSA solely through broker-dealers.

68. As currently drafted paragraphs (b), (c), and (d) of the proposed Rule require that information be provided to the RNSA within 15 minutes after the loan is effected or modified. Please comment on whether the time period for providing the information in paragraphs (b), (c), and (d) should be shorter, for example within 90 seconds, or longer, for example within 30 minutes, and explain why.

As a service provider IHS Markit has significant experience in collecting, analyzing and disseminating intraday securities lending data. In our experience, requiring loan-level information within 15 minutes after each loan is effected would provide an enhanced level of transparency to market participants, albeit with considerable challenges and risks:

- Most lenders will not be able to meet the 15-minute requirement without substantial technology development and cost. This will disadvantage smaller lenders and those without an existing relationship with FINRA.
- Real-time data is more costly to asset owners which may cause them to withdraw from the lending markets, leading to lower revenues and less liquidity. This unintended consequence is contrary to the SEC's stated intent of the requirement.
- Data collected with such frequency is often inaccurate and prone to error without enough time to correct it. This would run counter to the SEC's stated objective of improving pricing accuracy.
- Our experience in the securities lending market shows that most loans occur close to market open or close, that in fact there is much less volume throughout the trading day, which calls into question the benefits versus implementation costs. We maintain that there might not be enough significance in the intraday data to justify the high implementation and ongoing costs.

73. Are there any additional factors that the Commission should consider when estimating whether a Lender would employ a reporting agent?

The provision of reporting and / or the facilitation of the provision of reporting is specialized function and in fact not a core competency of almost all lenders. The Commission has estimated quite dramatic costs associated with the implementation and ongoing costs of supporting the proposal. Competition underpins free and efficient markets and is an essential ingredient of commerce, and we believe the proposal is counter to these principals. We believe the Commission should allow a broader range of organizations to provide reporting agent services and / or facilitate them.

75. Would any aspects of the proposed Rule that are not discussed in this PRA Analysis impact the burden associated with the collection of information?

Although the Commission has covered most of the impacts, we believe that the SEC should consider that not all reporters have licenses to multiple instrument identifiers required for reporting. This means that many contributors, especially smaller firms, would need to purchase additional data licenses and thereby add to their current cost structure, unless they use the services of specialized third-party regulatory reporting solutions provider to enrich the data. This route has been proven successful in other regulatory regimes, most notably in Europe with SFTR.

Also, most lenders will not be able to meet the 15-minute requirement without substantial technology development and cost. This will disadvantage smaller lenders and those without an existing relationship with FINRA.

79. Do you agree with the Commission's assessment of the causes and effects of opacity in the securities lending market? Why or why not? What are the consequences of the current level of opacity in the securities lending market? Please provide details. Does opacity in the lending market inhibit some market participants from engaging in fundamental research? Why or why not? To what extent does the opacity in the lending market contribute to the wide variation in rebate rates or lending fees? Do you agree that the opacity results in high search costs or other costs in the securities lending market? Do you agree that this inhibits the securities lending market's efficiency? Why or why not?

IHS Markit believes the commission has overstated the level of opacity in the securities lending market. We do not believe the opacity results in high search costs, nor does it inhibit the market's efficiency. Over many years of market maturation, the level of detail in the data provided by data vendors has improved drastically. At the same time, the number of data vendors present in the market has been growing, providing market participants with multiple different data views from multiple different perspectives. We estimate that the vast majority of parties involved in the lending of securities have access to at least one securities lending data vendor, and in many cases multiple vendors. Thus, anyone actively participating in the market has access to securities lending data from the rest of the market. It is also worth noting that multiple vendors can provide transaction-level securities lending information to market participants, yet aggregated security level data is the most preferred level of granularity. We observe that too much data granularity proves difficult to analyse.

81. Do you agree with the Commission's assessment that the proposed Rule will improve transparency of the securities lending market? Why, or why not? Do you agree that the proposed Rule would increase transparency by providing information about the securities lending market that is more complete than current information? Do you agree that the increased completeness would improve the accuracy of information on securities lending? Do you agree that the proposed Rule would result in information that is more accessible than current information? Do you agree that the proposed Rule would result in loan-level information that is at least as timely as current information? Would the information on shares on loan and shares available be more or less timely than current information? Please explain.

Although IHS Markit agrees that the Rule will increase transparency into the securities lending market, the level of granularity as currently proposed could paradoxically result in information asymmetry, which is counter to the Commission's stated intent. Requiring loans to be reported every 15 minutes would amass a significant dataset. We believe this would prove advantageous to larger firms who have more sophisticated data scraping and analytical tools. Smaller firms, with fewer and less sophisticated resources, would take longer to make sense of such detailed data, resulting in them trailing the activity of larger firms. It is also worth noting that the current information available from data vendors includes activities from international lenders of US securities. The proposed Rule does not include such international lenders and therefore is less complete and accurate than what is currently available and widely used in the market today.

83. Do you agree that the proposed Rule will ameliorate information asymmetry in the securities lending market? Do you agree that this effect is sufficient to make security loan terms more competitive that they currently are? Would the public information in the proposed Rule have an impact on the risk of market instability? Would the public information in the proposed Rule have an impact on the efficiency of the securities lending market or the underlying market? Please explain.

The securities lending industry is not as opaque as stated by the Commission. There are currently several independent data vendors providing daily transparency to the securities lending market, whereby data is collected, aggregated and published to the vast majority of active market participants involved in securities lending. This has helped the industry to gain insight into market sentiment to optimize entry and exit points and support opportunity screening, price discovery and assessment of market share. Market participants do have access to transactional, security and market level data which has helped in making the borrow rates more competitive. We believe that publicly disseminating the securities lending participants' trade and inventory positions would deter some firms from participating in securities lending owing to reasons mentioned earlier that will have an impact on the efficiency of the securities lending market or the underlying market which is contrary to Commission's stated intent of the requirement.

92. Do you agree with the Commission's assessment of the effects of the alternative discussing different reporting or dissemination timeframes? Why or why not? Do securities lending transactions occur often enough during the day for intraday reporting to be beneficial? Would a shorter or longer time for reporting be more beneficial or less costly? Please explain.

In our experience, disseminating data intraday would provide an enhanced level of transparency to market participants, as well as possibly reduce information asymmetry which the SEC has stated as one of its primary objectives. There are several considerations and risks associated with intraday dissemination that are important to highlight:

- Limited significance of real-time dissemination due to the timing and patterns of intraday loans occurring mostly at the open and close of the trading day.
- Limited ability to audit and correct data in a real-time environment could give misleading signals to certain market participants who do not have other sources of pricing transparency.

- Real-time data is costly to ingest, aggregate and analyze. This could lead to increased information asymmetry because only the largest and most sophisticated market participants would be able to benefit from the real-time data. This unintended consequence would run counter to the SEC's stated intent of the requirement.

97. Are there any other reasonable alternatives that the Commission should consider? If so, how would the potential costs and benefits of the alternative compare to the Proposed Rule? Please provide quantification, if possible.

IHS Markit believes the Commission should allow a broader range of organizations to provide reporting agent services and / or facilitate them. The provision of reporting services is a highly specialized function and not a core competency of most lenders. Allowing entities other than FINRA-registered broker-dealers to facilitate reporting is a cost-effective and efficient way to achieve the SEC's objectives. A competitive landscape is the foundation of free and efficient capital markets, and as such the Commission should encourage a variety of organizations to provide innovative and cost-effective solutions to meet this regulation.

We also believe that leveraging the successes of service providers to other regulatory regimes, notably SFTR in EMEA, would offer reporters the most efficient and cost-effective way to implement and maintain the requirements imposed by the Rule. Firms could use their existing technical infrastructure and delivery pipes to action this which would not only help to reduce costs but also help the participants to implement this quicker than the current proposal. Please refer to Appendix 1 for a more detailed explanation of how service providers bring efficiencies to the SFTR regulation.

Additionally, we believe that increasing the frequency of current bi-weekly short interest reporting to a shorter time frame and expanding to broader set of securities and firms will be a reasonable alternative that the Commission should consider.



IHS Markit®

SFTR

Securities Financing Transactions Regulation

End to end regulatory reporting solutions



As part of the policies identified by the Financial Stability Board to increase transparency across securities financing transactions (SFTs), the EU introduced the **Securities Financing Transaction Regulation (SFTR)**.

SFTR includes new rules compelling market participants to report all SFTs to an approved trade repository and radically restructure their data architecture – integrating numerous and often disparate, data sources to enhance transparency.



Participants in scope

Financial counterparties

Non-financial counterparties

EU-based entities (including their non-EU-based branches)

Non-EU entities (where the transaction is concluded by an EU-based branch)

Products in scope

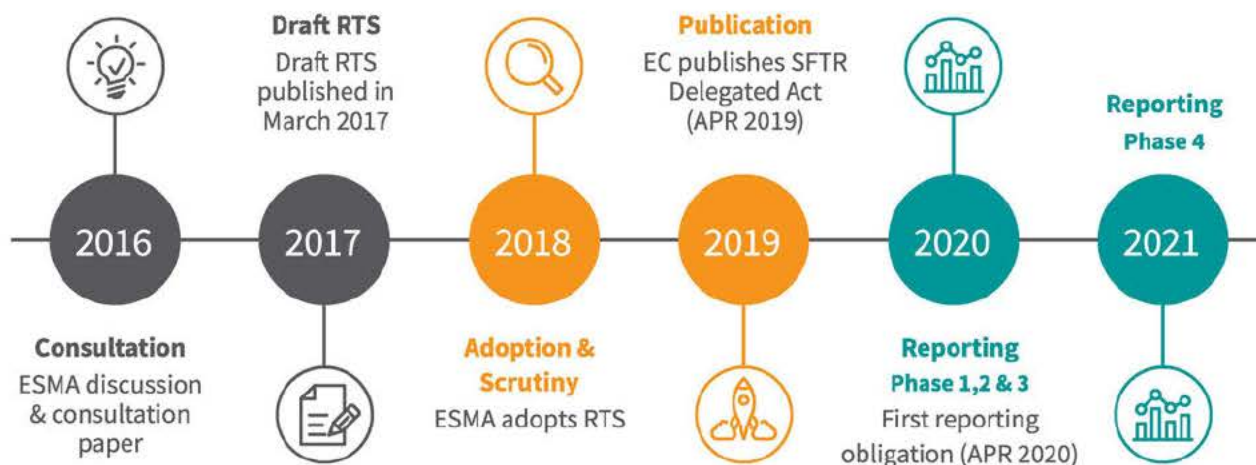
Repo/Reverse Repo and Buy/Sell back trades

Securities loans and borrows

Commodities loans and borrows

Prime brokerage margin lending transactions

SFTR Reporting Timeline



First reporting obligation:

- 13 JUL 2020 Phase 1 Investment firms and Credit institutions
- 13 JUL 2020 Phase 2 CCPs and CSDs
- 11 OCT 2020 Phase 3 Insurance, UCITS, AIF & Pensions
- 11 JAN 2021 Phase 4 Non financial companies

How IHS Markit can help you comply with SFTR

Our SFTR solution provides the foundation needed to reconcile trading activity down to the UTI and LEI level of granularity, setting an industry wide standard.

The IHS Markit SFTR solution facilitates the exchange of the data points and life cycle events between the participants. In addition, it enables the efficient reporting of the various SFTR files to the chosen Trade Repository within a t+1 timeframe.



SFTR Solution

Full End-to-End Solution

Complete solution for SFT reporting and data retention



Real Time Processing

Data feeds, processing amendments, enrichment and matching in real time



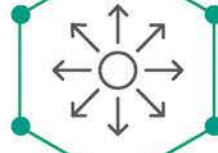
Regulation Coverage

Single solution to cover both SFTR and MiFID regulations



Connectivity

Connected to every trade repositories



Dedicated Support

Seamless integration and implementation with a dedicated contact



Modular Construction

Flexibility to meet your individual needs and structure



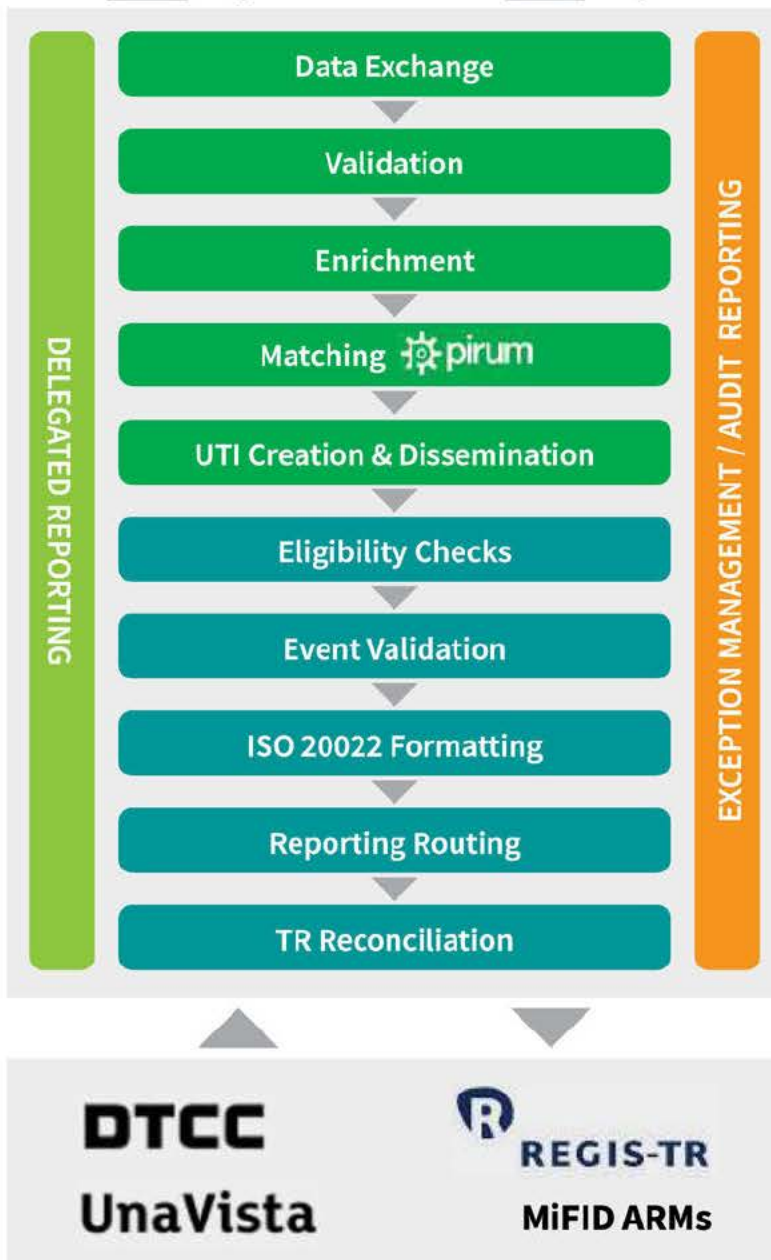
IHS Markit SFTR Solution – Overview

Third Party providers

- TRI PARTY AGENT
- CCP
- TRADING PLATFORM
- POST TRADE SERVICES

Customized Pipelines

- Client Source System 1
- Client Source System 2
- Static Data



For more information on how IHS Markit can help you meet your regulatory obligations, please contact:

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About IHS Markit

IHS Markit (NYSE: INFO) is a world leader in critical information, analytics and expertise to forge solutions for the major industries and markets that drive economies worldwide. The company delivers next-generation information, analytics and solutions to customers in business, finance and government, improving their operational efficiency and providing deep insights that lead to well-informed, confident decisions. IHS Markit has more than 50,000 business and government customers, including 80 percent of the Fortune Global 500 and the world's leading financial institutions. Headquartered in London, IHS Markit is committed to sustainable, profitable growth.

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