



Short selling

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What we'll cover today

1

AIMA initiatives

2

EU Short Selling Regulation – reminder of the law

3

Update on recent developments – SSR measures taken in response to Covid-19

4

Impact on firms – key practical issues / questions



AIMA initiatives

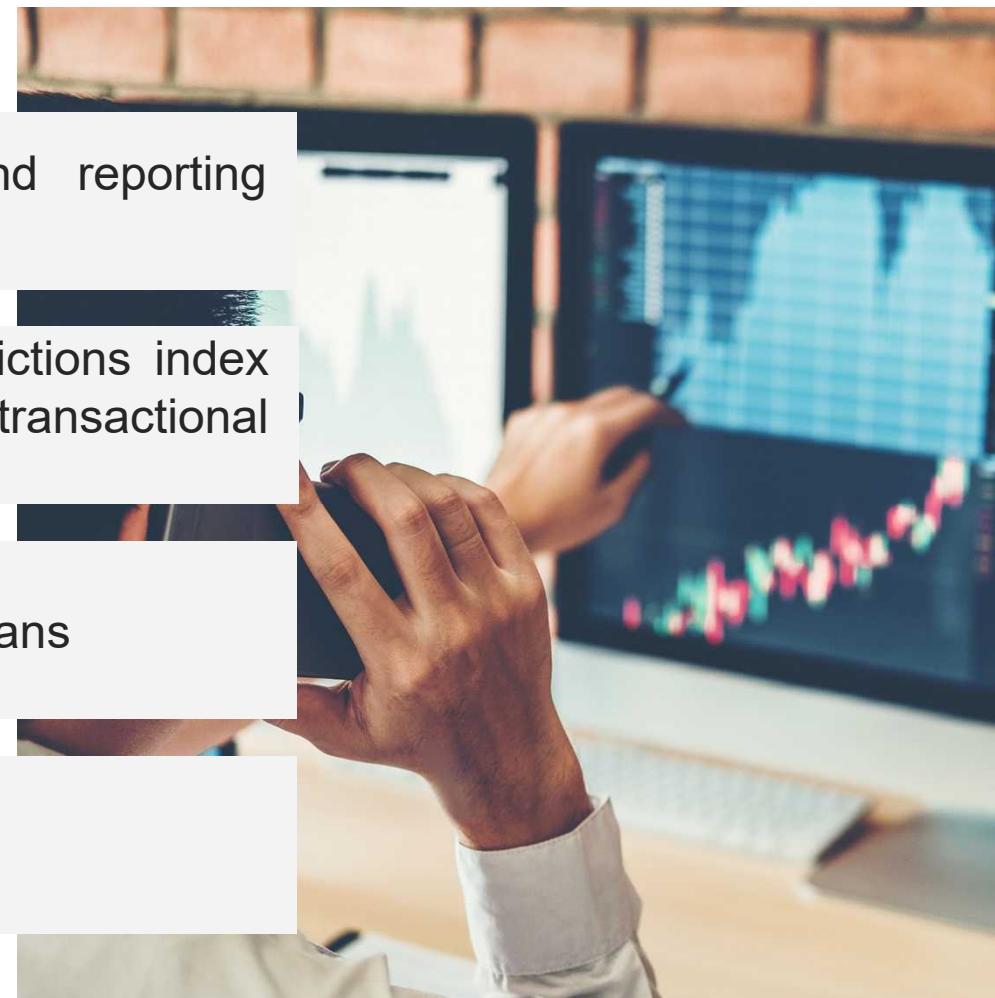
SSR – AIMA initiatives

Industry co-ordination on short-selling restrictions and reporting requirements

Clarifications regarding parameters of short-selling restrictions index positions, hedges on covered bond positions, net or transactional basis, rolling of derivative positions, etc.

Engagement with authorities that have not implemented bans

Work to avoid renewal of bans





2

EU Short Selling Regulation

Net short position calculations

Fund / Asset management activities

Fund/portfolio level calculation

- > Net short position in each issuer must first be ascertained at **fund / portfolio level**
- > This is to ensure that, for example, the short sales of Fund A are not offset by the long positions of Fund B

Aggregation

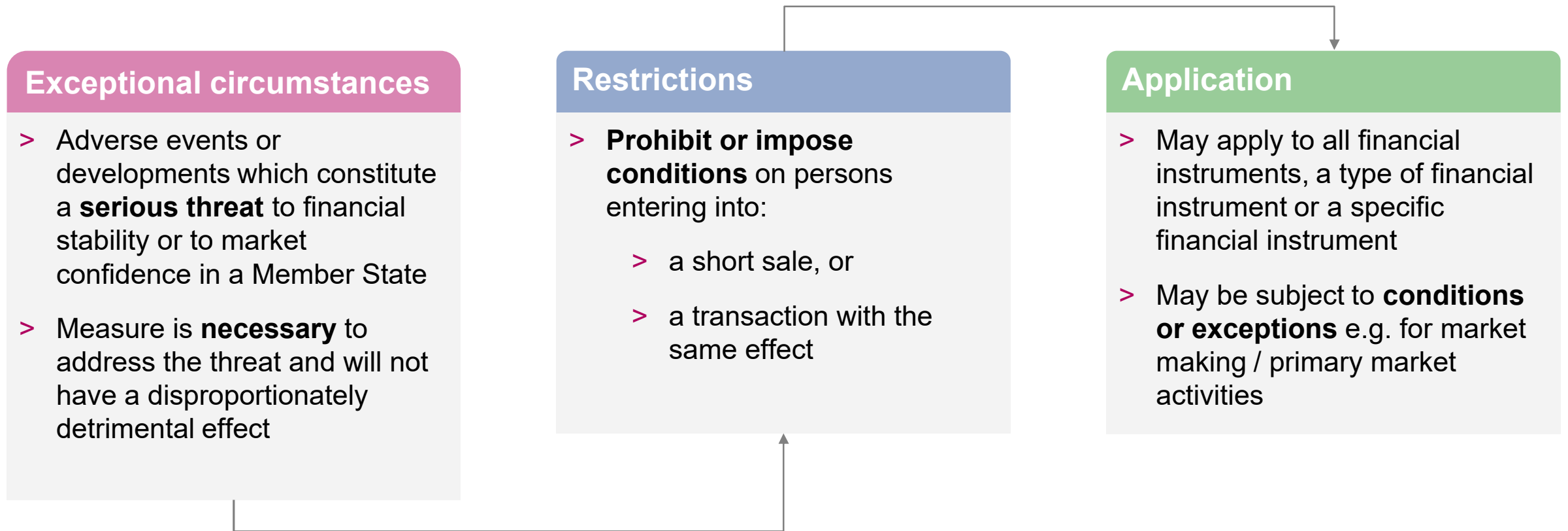
- > Positions of funds / portfolios that are net short and for which the **same investment strategy** is pursued, must then be aggregated
- > ESMA Q&As indicate that asset managers can aggregate at level of entity / unit / division / department managing the fund or portfolio

Exclude

- > Delegated assets
- > Positions held through non-management activities (note that those should be calculated separately)

Summary of Article 20 SSR

Restrictions on short selling and similar transactions in exceptional circumstances



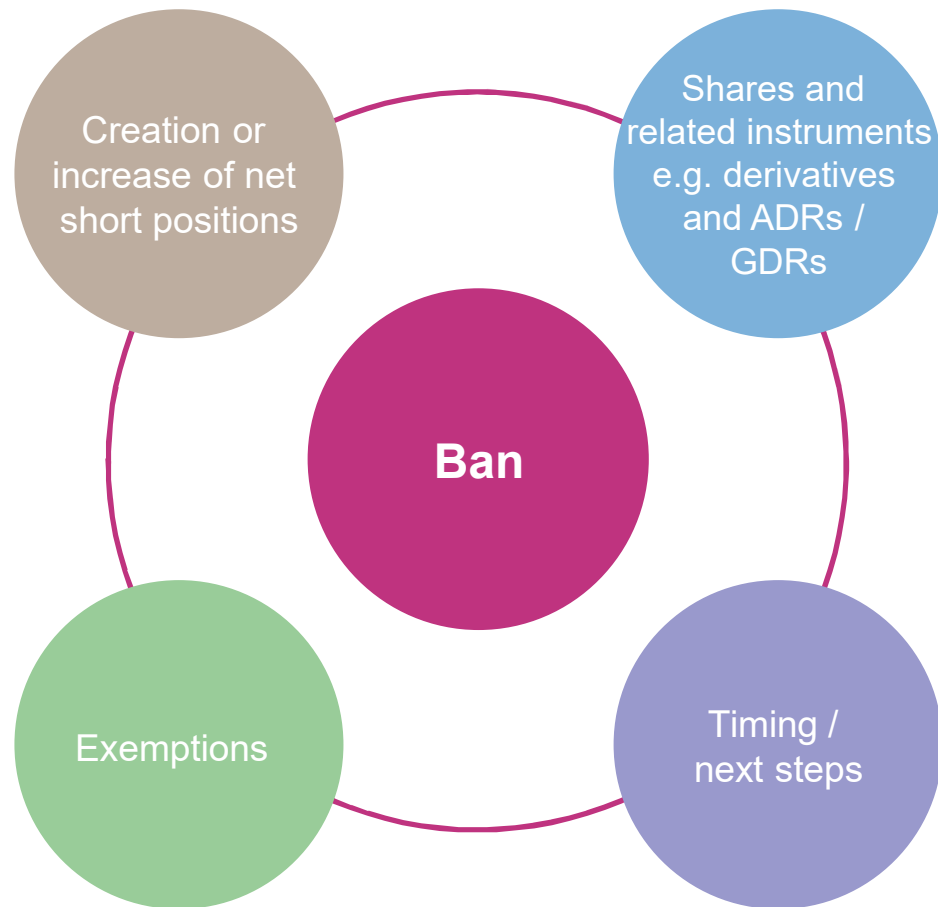


Update on recent developments

Summary of current measures in EU Member States

	Ban	Duration	Exemptions	Recent changes
Austria	Entering into new / increasing existing net short positions	1 month + 1 month extension to 18 May	MM + transactions in ETFs / indices / baskets where banned shares represent less than 50%	Ban now applies to net short positions rather than any short sales; carve-outs for subscription rights / convertible bonds
Belgium	Entering into new / increasing existing net short positions	1 month + 1 month extension to 18 May	MM + indices where banned shares represent 50% or less	Threshold for exempt indices increased to 50% (from 20%); carve-outs for subscription rights / convertible bonds
France	Entering into new / increasing existing net short positions	1 month + 1 month extension to 18 May	MM + transactions in ETFs / indices / baskets where banned shares represent less than 50% + subscription rights / convertible bonds	-
Greece	Entering into new / increasing existing net short positions	1 month + 1 month extension to 18 May	MM + indices where banned shares represent 50% or less	Threshold for exempt indices increased to 50% (from 20%)
Italy	Entering into new / increasing existing net short positions	3 months to 18 June	MM + transactions in ETFs / indices / baskets where banned shares represent less than 20% + subscription rights / convertible bonds	-
Spain	Entering into new / increasing existing net short positions	1 month + 1 month extension to 18 May	MM + transactions in ETFs / indices / baskets where banned shares represent less than 50% + subscription rights / convertible bonds	Exemption for indices / ETFs etc. clarified – previous exemption referred to no. of shares rather than weighting and no % threshold was provided

Spanish ban in focus



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The decision, which has been notified to ESMA in accordance with said Regulation, has been taken due to the extreme volatility taking hold of European securities markets, including those based in Spain, their performance in the context of the situation arisen as a result of the virus COVID-19 and the risk of disorderly trading taking place in the following weeks.

CNMV statement of 16 March 2020

ESMA's changes to the net short disclosure threshold

Notification requirement

- > Art 5 SSR
- > Notify regulator where position reaches or falls below relevant threshold
- > Threshold = **0.2%** issued share capital and each 0.1% above that
- > ESMA may adjust threshold taking into account financial market developments



On 16 March 2020
ESMA issued 3-month
decision to adjust
notification threshold to
0.1% after the entry into
force of the decision

How has the FCA responded?



**Implemented new net
short disclosure
threshold**



**Provided updates on
restrictions taken by
other EU Member States**



**Issued statement on UK
markets**



Impact on firms

Key practical issues / questions

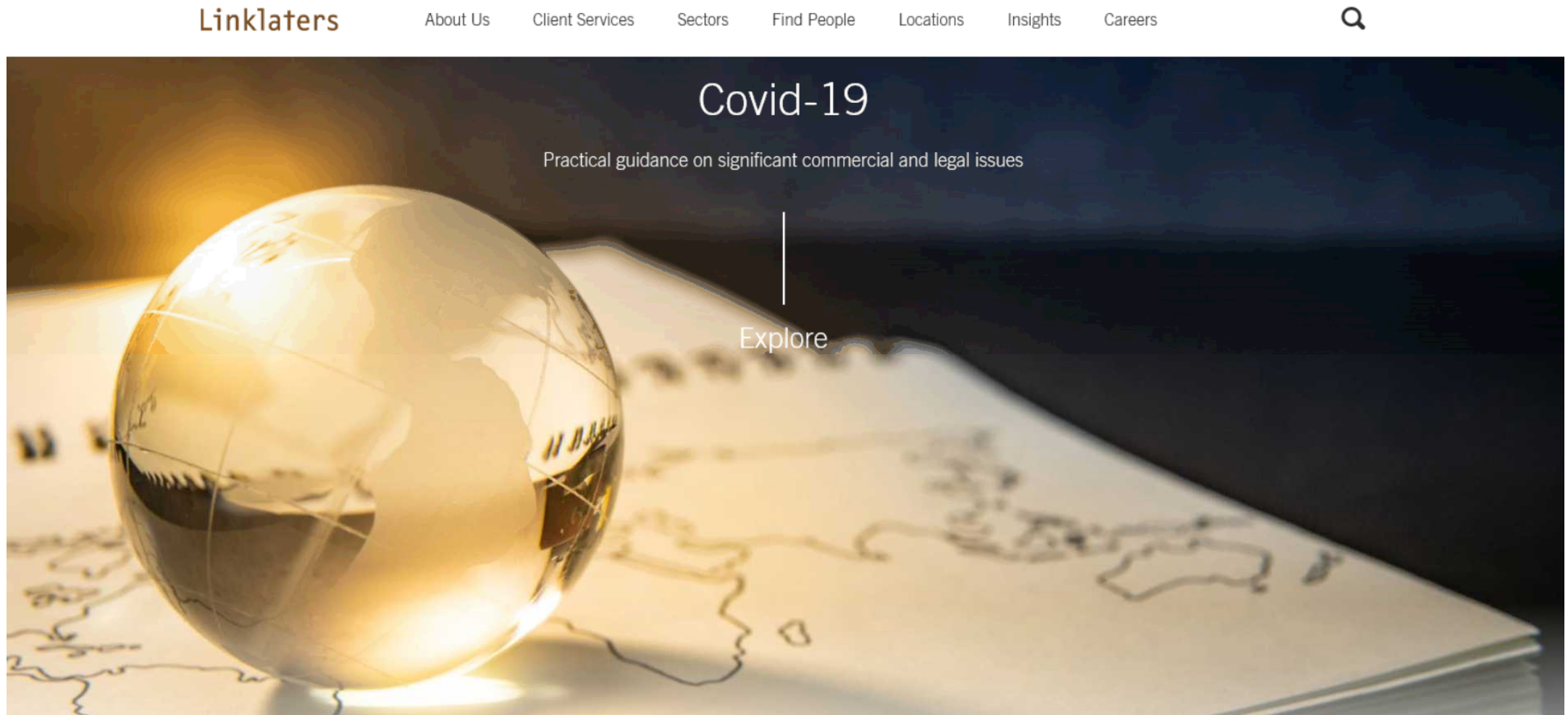
Entering into short sales to hedge long positions

Rolling forward existing derivative positions

Determining which instruments are in scope

What is the right approach for baskets, indices and ETFs?

Where to find more practical guidance on the commercial and legal issues relating to Covid-19



Get in touch



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