



EU Short Selling Regulation

The EU Short Selling Regulation (SSR) sought to implement a harmonised regime to regulate the short selling of EU securities including restrictions on uncovered short selling, and disclosure of short positions to the national competent authority (NCA), and the market (for short positions on shares), at initial and incremental thresholds depending on the size of the position.

Who is this relevant for?

The SSR in the EU applies to any natural or legal person short selling shares listed on an EU trading venue (other than dual-listed shares primarily traded on a non-EU venue), EU sovereign debt instruments and sovereign credit default swaps. The Regulation expressly confirms that the transparency regime applies to any person anywhere in the world holding a short position in EU shares or sovereign debt. Sales under repurchase agreements ('repos') or futures contracts are excluded from the definition of short sales in shares and debt instruments.

What does it cover?

The EU SSR introduced a number of requirements and restrictions, including:

- a **prohibition** on short selling of **uncovered shares** except where it is underpinned by an arrangement giving reasonable certainty that settlement can be effected when due;
- a **prohibition** on short selling of **sovereign debt instruments**, except where (i) the transaction is underpinned by an arrangement giving reasonable certainty that settlement can be effected when due; (ii) the purpose of the transaction is to hedge a correlated long position; or (iii) the NCA temporarily suspends the ban;
- a **prohibition** on short selling of **uncovered sovereign CDS**, except where the NCA temporarily suspends the ban; and
- a **notification and reporting regime** on holdings of shorts sales on shares and sovereign debt as follows:

Product	Threshold	Disclosure
Shares	Notification upon reaching or falling below a holding of 0.2% of issued share capital of a company and each 0.1% above that*	NCA
Shares	Publication upon reaching or falling below a holding of 0.5% of issued share capital of a company and each 0.1% above that*	Public
Sovereign debt	Notification upon reaching or falling below the following thresholds: <ul style="list-style-type: none">▪ An initial holding of 0.1% where the total amount outstanding issued sovereign debt is between €0 and €500bn or where there is a liquid futures market for the particular sovereign debt (and for each 0.05% above that)▪ A holding of 0.5% where the total amount outstanding issued sovereign debt is above €500bn or where there is a liquid futures market for the particular sovereign debt (and for each 0.25% above that) NB: ESMA publishes a list of the EU sovereign debt thresholds on a quarterly basis	NCA
Sovereign CDS	Where the ban on the short selling of uncovered sovereign CDS has been temporarily suspended, notification of positions reaching or falling below thresholds as set out above for sovereign debt.	NCA

*Subject to change on the advice of ESMA to reflect developments in financial markets

The legislation also provides the NCAs with additional powers to intervene in the markets in times of stress, including requiring additional notifications and disclosure or imposing conditions on, or banning, short selling or similar transactions for a specific instrument or class of instruments.

Where can I find more information?

Please contact AIMA's [markets regulation team](#) for more detail on any aspect of the new rules.