

Regulatory Alert (06-2020): Short-Selling Reporting and Restrictions

The recent market turmoil caused by the global outbreak of COVID-19 has prompted a small number of regulators to impose short-selling restrictions (or enhanced reporting) in their respective stock markets, as summarised below.

The SBAI extensively covered the topic of short-selling reporting and restrictions in consultation responses following the 2008 financial crisis. At the time, the Standards Board highlighted the importance of short-selling as a risk management tool and as a contributor to liquidity. The Standards Board also drew attention to the negative consequences of regulatory interference in a functioning price formation process (potentially triggering further sell-offs). More background information on the SBAI’s contribution to the short-selling debate is [available here](#).

Overview of current regulatory short-selling reporting and restrictions:

Jurisdiction	National regulator or other regulatory authority	Period of restriction/date of reporting	Comments
France	Autorité des Marchés Financiers (AMF)	18 March – 16 April	One-month ban (creation or increase of short net positions)
Belgium	Financiel Services and Market Authority (FSMA)	17 March – 17 April	Ban for shares traded on Euronext Brussels (regardless of the place where the transaction is executed)
Spain	Comisión Nacional del Mercado de Valores (CNMV)	17 March – 17 April	One-month ban for creation or increase in short positions (shares or indexes, including cash transactions, derivatives traded on trading venues or OTC derivatives)
Austria	Financiel Market Authority (FMA)	18 March – 18 April	One-month ban on the Vienna stock exchange (all shares admitted to trading on the Regulated Market of the Vienna Stock Exchange that fall under the competence of the FMA as supervisory authority)

Greece	Hellenic Capital Market Commission (HCMC)	17 March – 24 April	HCMC decided to prohibit short sales and transactions other than short sales which create, or increase the net short positions in shares admitted to trading on the regulated market of the Athens Stock Exchange, for which the competent authority is the HCMC, irrespective of the venue where the transaction is executed. The temporary prohibition includes sales of shares covered by subsequent intraday purchases.
Italy	Commissione Nazionale per le Società e la Borsa (CONSOB)	18 March – 18 June	Three-month short-selling ban for all traded shares on the Italian regulated market (also applies if trades are carried out through derivatives or other financial instruments)
EU	ESMA	16 March – 16 April Extended until September 2020	Minimum threshold for the net short reporting obligation for shares has been reduced from 0.2 percent to 0.1 percent, applicable to shares trading in a European Union regulated market On 10 June 2020, ESMA renewed its decision to temporarily require holders of net short positions in shares traded on an EU regulated market to notify the relevant national competent authority if the position exceeds 0.1 percent of the issued share capital. The renewed measures apply from 17 June 2020 for a period of three months.
South Korea	Financial Services Commission	10 March – 10 June	Three-month ban on short selling. In the KOSPI market, an issue will be designated as an overheated shortselling stock if it has a price falling rate of 5% or higher and a short-selling trading volume of 3 times above the average. In KOSDAQ, the standard for short-selling trading volume will be lowered from 5 times above the average to 2 times above the average.

The [UK Financial Conduct Authority \(FCA\)](#) has highlighted its focus “on maintaining open markets that operate with integrity” and noted that “an ability to short sell can contribute to this, including by supporting effective price formation, enhancing liquidity and enabling risk management.”

[Germany’s BaFin](#) has clarified that instruments related to indices Euro STOXX 50®, STOXX® Europe 600, MSCI Europe, MSCI EMU are exempt from short-selling restrictions; therefore, trading in these instruments is possible.

The [Canadian Securities Administrators \(CSA\)](#), and the Investment Industry Regulatory Organization of Canada (IIROC) issued a joint statement on 9 April 2020 which ruled out following their counterparts in Europe to place restrictions on short selling. The CSA and IIROC noted that Canadian capital markets continue to operate in a "fair and orderly fashion" despite recent spikes in trading volumes and volatility.