ESMA
European Securities and Markets Authority

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Additional Information

Level 1 Regulation
Short Selling Regulation (SSR) Regulation (EU) No 236/2012

Topic
Determination of net short position

Subject Matter
Share dividend distribution and lending agreements

Question
Should dividends in the form of shares that must be returned by a borrower to the lender (as a result of a lending agreement) be taken into account to calculate short positions?

ESMA Answer

13-09-2012

Original language

[ESMA70-145-408 SSR Q&A, Q&A 6.4]

No. Those shares which the lender is entitled to receive under the terms of a stock lending agreement as a result of a share dividend distribution and that must be reimbursed by the borrower shall not be included by the latter in calculating their net short position. The mere conclusion of a lending agreement does not confer in itself any financial advantage in the event of a decrease in price of the share borrowed.