

**Submission Date**

29/01/2013

# ESMA\_QA\_1913

Status: Answer Published

## **Additional Information**

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### **Level 1 Regulation**

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

### **Topic**

Determination of net short position

## **Subject Matter**

Offsetting a net long position in a sovereign issuer with a net short position in another sovereign to which it is highly correlated

## **Question**

Article 8(3) of the DR states that “provided always that they are highly correlated in accordance with Article 3(5) of the Regulation and with paragraphs 4 and 5, all net holdings of sovereign debt of a sovereign issuer which is highly correlated with the pricing of the sovereign debt in any short position shall be included in the calculation of the long position”.

Does the use of the language “shall be” imply that it is a mandatory requirement to net long positions in sovereign debt of one Member State which are “highly correlated” with a short position in another Member State?

## ESMA Answer

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29-01-2013

Original language

[ESMA70-145-408 SSR Q&A, Q&A 6.8]

ESMA considers that there is no obligation to assess systematically all long positions in sovereign debt which are highly correlated with another sovereign debt i.e. forcing the investor to compare all possible correlation pairs.

However, when deciding to offset the net long position in a sovereign issuer with the net short position in another sovereign to which it is highly correlated, the investor should comply with the requirements of the DR No 918/2012 (Annex II, Part 2, Article 11(10) sentence 2 and 3), in particular the requirement that a given long position shall only be used once to offset a short position in cases where the investor maintains several short positions in different sovereign issuers.