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Additional Information

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

Topic
Other SSR-related topics

Subject Matter
Net short positions - Meaning of investment strategies

Question
Being a global fund manager of funds, I use derivative instruments that may result in net short positions in particular issuers when calculated as described in the DR though the strategies being implemented do not, however, relate to particular issuers but aim at increasing or reducing exposure to markets or sectors. An example of the type of strategies that may be employed is: selling exposure to European bank equity through the EuroStoxx

Banks index (SX7E) using futures contracts.

In light of the definition of investment strategy under Article 12(2)(a) of the DR and considering that such strategies are aimed at reducing my exposure to sectors or markets and do not relate to particular issuers, are they subject to short position reporting requirements ?

ESMA Answer

10-10-2012

Original language

[ESMA70-145-408 SSR Q&A, Q&A 8.4]

Yes, they are subject to the net short position reporting requirement.

According to the DR, the calculation of the net short position should be performed at each individual fund level. For a particular issuer, it should include not only cash positions but also positions held by the individual fund through indices where that issuer is represented and in accordance with its weight in the index.

The concept of investment strategy is used to determine whether the fund position is net short or net long. In the former, the net short position of that fund should be aggregated at the level of the management entity with the other funds having a net short position in the concerned issuer.