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Additional Information

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

Topic
Uncovered short sales

Subject Matter
Covering a short sale and rolling of a repo

Question
In case of a short sale and a same time cover through a repo transaction, Article 5 of the ITS requires this being “for the duration of the short sale”. However, in practise, the duration of the short position resulting from that the short sale is unknown and that position is covered by a repo that is rolled at maturity as long as the short position exists. Would such an extension of the repo be possible and cover the requirement of the Regulation?

ESMA Answer

29-01-2013

Original language

[ESMA70-145-408 SSR Q&A, Q&A 10.2]

According to Article 5(1)(c) of the ITS, the investor has to enter into the repo contract prior or at the same time as the short sale. The repurchase date specified in that repo has to ensures that settlement of the short sale can be effected when due. Therefore, the expiry date of this has to be consistent with the settlement date.

However, the resulting short positions may exist well after the short sale has been settled. In this respect, ESMA considers that nothing in the ITS precludes the rolling of the repo after the short sales have been executed and settled.