ESMA_QA_1945

Submission Date
13/09/2012

Status: Answer Published

Additional Information

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

Topic
Uncovered short sales

Subject Matter
Covering of a short sale on sovereign debt with a repo contract

Question
Could a short sale on sovereign debt be considered covered by a repo contract executed in the days following the short sale but with the same settlement date as the short sale (e.g. a spot next repo for a T+3 cash sale)?

ESMA Answer

13-09-2012

Original language

[ESMA70-145-408 SSR Q&A, Q&A 10.8]

Yes, it is possible to cover a short sale by entering into a repo contract afterwards provided that:

1/ prior to the short sale, the short seller entered into one of the arrangements with a third party under Article 13(1)(c) of the Regulation and Article 7 of the ITS (e.g. obtained an “easy to purchase sovereign debt confirmation” according to Article 7(5));

2/ the repo contract has an earlier or the same settlement date as the short sale, so that the delivery of the relevant sovereign debt can be effected when it is due.