

Questions and Answers (Q&As) related to HCMC's Decision of 17.3.2020 on short selling ban

This document includes responses to questions related to the short selling ban adopted by HCMC on 17 March 2020 (hereinafter the "Decision"), which prohibits short selling transactions or other transactions, which might constitute or increase net short positions on shares admitted to trading on the Athens Exchange.

Updated on 15/4/2020

1 - To which financial instruments does the Decision apply?

The Decision applies to shares admitted to trading on the Athens Exchange regulated market for which the HCMC is the relevant competent authority according to Regulation 236/2012 (see relevant ESMA's register)¹. It also applies to all related instruments included in the calculation of net short position.

Index Derivatives whose underlying basket includes shares covered by the Decision in a percentage over 50% of the index weight, as well as, derivative products whose underlying basket includes shares covered by the Decision shall be taken into account when determining the net short position.

The net short position is the sum of all short positions minus all long positions held by an investor in relation to shares and related instruments covered by the Decision.

2 - Following the publication of the Decision, what does an investor need to check before entering into a transaction?

Before selling any of the shares covered by the Decision, the investor must make sure that the quantity of shares sold does not create, or increase a net short position.

Before entering into a transaction on a derivative whose underlying basket includes shares covered by the Decision or Index Derivatives whose underlying basket includes shares covered by the Decision in a percentage over 50% of the index weight, the investor must make sure that the transaction does not create, or increase a net short position.

3 - Are intraday net short positions allowed?

No, creating, or increasing a net short position during the trading day is prohibited, even if the investor intends to close the position before close of business on that day.

4 - Is an investor allowed to create a net short position in one of the shares covered by the Decision by using derivatives?

¹ link to the ESMA's register:

https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_firds

No, investors are not allowed to use derivatives to create a net short position; they may only use derivatives to hedge, create/extend a net long position

An investor that holds a long position in a portfolio of shares that does not exactly replicate an index such as the FTSE/ASE-25 may hedge its position by establishing a short position through derivatives on the index as long as he can demonstrate that there is no other derivative product that could better hedge his/her portfolio and that there is strong correlation between his/her portfolio and the short derivatives position. The short derivatives position (delta adjusted) must be equal or smaller in nominal value to the long portfolio position when the hedge is initiated.

An investor that currently holds a hedged combined long/short position through a derivative against a short/long portfolio or single stock, is not allowed to close or let expire the long only part of the combined position.

Net short positions taken before the publication of the Decision through derivatives are not affected. In addition, investors whose existing net short position increases solely as a result of the variation in volatility are not required to reduce their exposure.

The retention of a previous net short position unaltered is not prohibited.

The HCMC recognizes that investors holding a net short position in relation to the shares covered by the Decision through expiring derivatives are allowed to keep/roll-over their position, even if such a retention/roll-over results in the creation of a net short position with a subsequent expiration date, provided that the net short position so created does not exceed the one held previously.

5 - What should be done about orders in the order book that are not executed when the Decision is published if executing them would initiate or increase a net short position?

The investor shall cancel those orders.

6 - Could you clarify the exemptions mentioned regarding market making activities?

The exemption covers market-making transactions related to market makers activities as provided in Regulation (EU) 236/2012.

The exemption does not apply to the transactions that a professional market participant conducts on own account and not for market making purposes.

Any professional market participant, who considers that is not covered by the Decision, must, at all times, provide data to the HCMC, if requested, in order to demonstrate its compliance with the above mentioned requirements.

7 - Are trades in index derivatives allowed where the basket of shares includes one or more of the shares covered by the Decision?

The creation or increase of net short positions through index derivatives are excluded from the ban when the index composite does not include shares covered by the Decision in a percentage over 50% of the index weight.

However, taking a net short position in one or more of the shares covered by the Decision, which net short position is the result of combining transactions on index derivatives and other transactions, is prohibited.

Please also be reminded of the reporting obligation to the HCMC of net short positions of the lowered threshold of 0.1% of the share capital, following ESMA's decision of 16 March 2020.

The HCMC also recommends to investors to comment in the relevant field "comments" in the notification form, that the variation in the position has been caused by trading on index derivatives.