

Client Alert

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For more information, please contact:

Stephanie Magnus
+65 6434 2672
Stephanie.Magnus@bakermckenzie.com

Selwyn Lim
+65 6434 2653
Selwyn.Lim@bakermckenzie.com

New rules to improve transparency on short-selling activities

The Securities and Futures Act (SFA) will be amended on 1 October 2018 to introduce new provisions requiring short position reporting, with the coming into force on the same day of the:

- [Securities and Futures \(Short Selling\) Regulations 2018](#) (Regulations) issued under the new Part VIIA of the SFA; and
- [Guidelines on the Regulation of Short Selling](#) (Guidelines, both Regulations and Guidelines collectively referred to as the "Rules") issued by the Monetary Authority of Singapore (MAS),

which implement, and provide guidance on, the SFA provisions.

The amendments to the SFA and the Rules come after MAS took into account [feedback received](#) during a two-year [consultation by MAS](#) on measures to enhance price discovery and maintain market discipline, after several reports of public short-selling campaigns against listed companies.

The Rules follow similar short selling actions taken by the Hong Kong Securities and Futures Commission and the European Securities and Markets Authority.

How will this affect you

Traders, brokers, fund managers, trustees and all position holders must report, or appoint a reporting agent to report, on position day at MAS' online reporting portal all short position data which exceeds the threshold that are held in specified capital markets products.

This reporting will be additional to the short sell order disclosures currently required by the Singapore Exchange (SGX) listing rules, which will be given statutory effect by the SFA.

Distinction between short position reporting and short sell order disclosures

Unlike short sell order disclosures, which market participants are currently required to mark and submit to SGX, short position data provides positional information, showing the extent of outstanding short interests in a particular security.

Where short order data captures short interests at the point of order submission, short position data provides greater transparency on short selling activities based on information on:





- sustained market sentiments; and
- level of risk involved in shorting a particular stock.

Requirements of short position reporting

The scope of specified capital markets products includes:

- any share (including both ordinary and preference shares) of a corporation that is listed on an approved exchange (including all primary and secondary listings);
- any unit in a business trust (BT) that is listed on an approved exchange; and
- any unit in a real estate investment trust (REIT).

The Rules will apply to position holders who take up short positions in the specified capital markets products above these thresholds:

- 0.2% of total issued shares in the relevant class of shares, or units in the relevant class of units of a BT or REIT; or
- SGD2,000,000 in aggregate value of issued shares or units,

whichever threshold is the lower.

(MAS has indicated that it will assess the need to recalibrate the reporting threshold again after actual short position data is collected.)

The following products will be excluded from the scope of specified capital markets products:

- bonds;
- exchange-traded funds; and
- contracts for difference (Note, however, that short positions taken in the underlying shares that are specified capital markets products will be subject to short selling requirements).

Reporting levels

The Rules require the person with the legal “obligation to deliver” the specified capital markets products to report short sell positions.

However, the Regulations allow reporting at the trading desk level and defines “trading desk” as a distinct unit of the corporation at which buy/sell decisions on any specified capital markets products are ordinarily made.



Although legal responsibility for compliance with the reporting requirement continues to reside with the person with the obligation to deliver, position holders have the option of:

- aggregated or consolidated reporting at the legal entity level; or
- unit reporting at the trading desk level.

The suitability of each option should be determined by the position holder's operational ability to aggregate all short positions, netted-off against long positions, across all trading desks.

In the case of trusts, the obligation to report lies with the trustee and not beneficiaries on behalf the position was taken. However, the trustee may authorise the fund manager as its reporting agent, so long as the trustee provides the reporting agent with timely and relevant information to ensure full compliance with the Rules.

The Rules require reporting entities to adopt a consistent basis of reporting and not switch back and forth between reporting levels, in order to prevent distortion in the informational value in trend analysis of the short position data.

Preparatory steps

Traders, brokers, fund managers, trustees and all market participants should be familiar with the Rules and be operationally ready to report their positions online at MAS' [Short Position Reporting System](#) (SPRS).

www.bakermckenzie.com

Baker McKenzie Wong & Leow
8 Marina Boulevard
#05-01 Marina Bay Financial
Centre Tower 1
Singapore 018981

Tel: +65 6338 1888
Fax: +65 6337 5100

Market participants should [register an SPRS user account](#). SPRS is currently live for users to familiarise themselves with and to submit test reports before 1 October 2018. Any test submissions made will not be published.

After 1 October, MAS will publish aggregated short positions for each security every Wednesday, without disclosing the identities of the short sellers.

If you would like to discuss the Rules or require advice in this regard, please feel free to contact us. We would welcome the opportunity to speak with you.