Market & Investment Banking

EU LAUNCHES NEW SHORT SELLING REGULATION

Since the 2008, amid the financial market turmoil, numerous countries imposed short selling bans to limit market bets on EU listed shares or bonds that caused falling in prizes, thus affecting market stability.

From November, the new EU short selling regulation (236/2012) has come into force harmonizing provisions throughout the EU and soughting to regulate transactions outside its borders. It does not matter where a person entering into a short sale is located because this Regulation applies, broadly speaking, in respect of shares admitted to trading on EU trading venues, sovereign debt issued by EU sovereign issuers and related credit default swaps.

In a nutshell, the key requirement are transparency in relation to short positions in shares or sovereign debt, restrictions on uncovered short sales in shares or sovereign debt or uncovered short positions in sovereign credit default swaps, buy-in procedures and strict monitoring on exemption for market making activities. In this contest, one the major Italian Bank Institution has launched in 2012 an extensive programme aimed to ensure both detective controls to ensure monitoring and compliance adherence to the Regulation, and in 2013 preventive controls to address and monitor trader´s activities as well.

The nature of bank business involving large trading volumes, the coverage of 54 different countries and the gold plating role of local and EU regulators entails a significant level of complexity.

Be, enhancing compliance expertise and capital markets practices, has been asked to provide continuous guidance among the different stakeholders, facing the scale of the international business model and risk mitigation needs, extending contribution from PMO to SME contributions.