Monetary Authority of Singapore

SECURITIES AND FUTURES ACT (CAP. 289)

GUIDELINES ON THE REGULATION OF SHORT SELLING

28 MAY 2018

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1 PURPOSE OF THESE GUIDELINES

1.1 These Guidelines on the Regulation of Short Selling ("Guidelines") are issued by the Monetary Authority of Singapore ("MAS") pursuant to section 321 of the Securities and Futures Act (Cap. 289) ("SFA"). These Guidelines aim to provide market participants with a better understanding of how MAS will administer the legislative provisions relating to short selling disclosure and reporting in Part VIIA of the SFA.

1.2 These Guidelines should be read in conjunction with the provisions of Part VIIA of the SFA and the Securities and Futures (Short Selling) Regulations 2018 ("Regulations"), and where relevant, other provisions of the SFA.

1.3 The Guidelines on Short Selling Disclosure issued on 9 January 2013 are revoked.

1.4 All terms used in these Guidelines shall, except where the context otherwise requires, have the same meaning as defined in the SFA.

2 SHORT SELLING

2.1 Short selling is the sale of capital markets products that the seller does not own at the time of the sale. Short selling may either be ‘covered’ or ‘uncovered’. In ‘covered’ short selling, the seller has borrowed or made arrangements to borrow the capital markets products before the short sale is made. In ‘uncovered’ short selling (also referred to as ‘naked’ short selling), the seller is not in possession of the capital markets products at the time of the sale or has not made borrowing arrangements before the short sale is made.

2.2 Short selling allows for more efficient price discovery, increases market liquidity, and facilitates risk management and the development of hedging activities. However, when there is significant market uncertainty, short selling could result in increased market volatility, potentially leading to disorderly markets. Short selling may also be used as a tool in market abuse, for example where it is accompanied by false rumours designed to encourage others to sell. ‘Uncovered’ short selling may also result in disruptions to the settlement process, when uncovered short sellers are unable to deliver the securities on settlement date.

2.3 Internationally, many securities markets have put in place measures to mitigate the potential negative effects of short selling, such as restricting the price of short sales or requiring short sellers to borrow securities before short selling them.

2.4 In Singapore, the Central Depository (Pte) Limited (“CDP”) mitigates short selling’s potentially disruptive effects on the settlement system, by purchasing securities on behalf of sellers who do not possess securities for delivery on settlement day (commonly referred to as the “buying-in” process). Where CDP carries out buying-in, the cost of purchase and an additional penalty is charged to the seller who failed to deliver the securities. In addition, the Singapore Exchange Securities Trading Limited (“SGX-ST”) conducts surveillance to detect market abuse.

2.5 These measures help mitigate some of the potential negative effects of short selling and ensure that markets continue to function in an orderly and efficient manner.

3 INFORMATION ON SHORT SELLING

3.1 International standards[1] recommend that jurisdictions adopt enhanced and meaningful short selling reporting. Information on short selling activities is relevant to the trading decisions of market participants. For example, information that those securities are under sustained heavy short selling may indicate strong negative price pressure on those securities. Information on short sale transactions also helps to deter market abuse by alerting authorities to activities that may potentially disrupt the orderly functioning of markets, and aids in investigation and enforcement.

4 SHORT SELLING REQUIREMENTS

4.1 In Singapore, **short sell orders** for *specified capital markets products* must be disclosed to an approved exchange and significant **short positions** in *specified capital markets products* must be reported to MAS.

4.2 A *short sell order* arises where the seller does not have an interest in the product at the time the order is made. A *short position* arises where the quantity of the product that a person has an interest in, is less than the quantity of the product that the person has to deliver at some point in the future. For avoidance of doubt, *short position* in this Guidelines refers to the amount that has been netted against a person's long interest in a product, and not the gross amount that the person had short sold as part of a transaction.[2]

4.3 Market participants should exercise care when interpreting short selling information. For instance, information on the volume of *short sell orders* may not reflect the outstanding *short position* in those securities. The volume of *short sell orders* may include trades which have since been squared off by offsetting buy trades. Conversely, information on outstanding *short positions* do not reflect the transactional flow of short selling pressure on a particular trading day.

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[1] See OICV-IOSCO's Final Report on Regulation of Short Selling released in June 2009.

[2] A *short sell order* and a *short position* is determined according to its respective definitions under section 137ZH of the Securities and Futures Act (Cap. 289).

Determining interest in a capital market product

4.4 The interest a person has in a product represents the person's long position. A person is deemed to have an interest in a product[3] if:

(a) the person is the legal owner or beneficial owner of the product, *except* where the person is a borrower under a securities lending arrangement; or

(b) the person will receive the product *before* the time the person is due to deliver the product, through entry into the following agreements:

(i) purchase the product;

(ii) convert or exchange other products into the product;

(iii) exercised an option to subscribe for the product;

(iv) exercised a warrant to subscribe for the product; or

(v) recall the product that was loaned out under a securities lending arrangement.

Example 1a: Determination of a *short sell order*

Person A submits a sell order of 10,000 shares in XYZ Pte Ltd on day T, which would be due for settlement on day T+3. Person A has no other interest in the shares of XYZ Pte Ltd except that, on day T+4, he is due to receive 15,000 shares in XYZ Pte Ltd that he had previously loaned out under a securities lending arrangement. These 15,000 shares do not qualify as an interest because Person A will not receive them before the time he is due to deliver the 10,000 shares. Hence, his sell order is a *short sell order*.

Example 1b: Determination of a *short sell order*

Person B submits a sell order of 10,000 shares in XYZ Pte Ltd on day T, due for settlement on day T+3. Person B has no other interest in the shares of XYZ Pte Ltd except that, on day T+2, he is due to receive 15,000 shares in XYZ Pte Ltd that he had purchased earlier. Person B is deemed to have an interest in the 15,000 shares as he will receive them before the time he is due to deliver the 10,000 shares. Hence, his sell order is not a *short sell order*.

Example 2a: Determination of a *short position*

Person A has holdings of 10,000 shares in XYZ Pte Ltd on day Q. He is also under an obligation to deliver 16,000 shares in XYZ Pte Ltd on the same day. As the quantity of shares that he has an interest in is less than the quantity of shares that he has to deliver, Person A has a *short position* of 6,000 shares in XYZ Pte Ltd on day Q.

[3] In the case of products that are being used as collateral, a person's interest in that product should be similarly considered – in line with section 137ZH of the Securities and Futures Act (Cap. 289).

Example 2b: Determination of a *short position*

Person B has holdings of 10,000 shares in XYZ Pte Ltd on day Q. He is also under an obligation to deliver 9,000 shares in XYZ Pte Ltd on the same day, and another 7,000 shares in XYZ Pte Ltd one month later. As the quantity of shares that he has an interest in is less than the total quantity of shares that he has to deliver, whether on day Q or a pre-determined time in future, Person B has a *short position* of 6,000 shares in XYZ Pte Ltd on day Q.

On the very next day Q+1, Person B purchases 6,000 shares in XYZ Pte Ltd which will be settled before the delivery of 7,000 shares one month later. He would no longer have a *short position* in XYZ shares as of day Q+1.

Specified capital markets products

4.5 *Specified capital markets products* subject to *short sell order* disclosure and *short position* reporting requirements are defined as the following products listed on an *approved exchange*:

(a) any share[4] of a corporation;

(b) any unit in a business trust; and

(c) any unit in a real estate investment trust.

4.6 There may be shares of a corporation that is a secondary listing on an approved exchange. While short selling information on these counters will be made available, market participants should be aware that the information presented may not be representative of total short interests in that share, as it would not include *short sell orders* and *short positions* (if any) held in the primary listing.

4.7 Derivatives (e.g. options and warrants) in *specified capital markets products* are currently excluded from the determination of a *short sell order* or *short position*. However, once they are exercised and obligations are created to deliver or receive the physical delivery of the specified capital markets products, they should be included in the determination of a *short sell order* or *short position* from that point forward.

[4] Ordinary and preference shares. This includes secondary-listed shares on an *approved exchange*.

Disclosure of *short sell orders*

4.8 Section 137ZJ of the SFA requires a person (A) who places a *short sell order* on an *approved exchange* to, before or at the time of the *short sell order*, disclose to the *approved exchange* that the order is a *short sell order*. Where A places a *short sell order* through another person B (e.g. a broker), A should inform B that the order is a *short sell order*. In turn, B must, before or at the time of the *short sell order*, disclose to the *approved exchange* that the order is a *short sell order*.

4.9 For avoidance of doubt, person A is legally responsible for the disclosure of its *short sell orders*. However, if person A has discharged his obligation to inform person B of a *short sell order*, person B is legally responsible for disclosing the *short sell order* to an *approved exchange*.

Example 3: Submitting a *short sell order* through an online trading platform

Person A intends to short sell 1,000 shares in XYZ Pte Ltd through an online trading platform. Person A must inform the platform service provider of the *short sell order* before submitting the order. Trading platforms typically provide a functionality for investors to mark *short sell orders* at submission.

Example 4: Submitting a *short sell order* through voice broking

Person A calls his broker to short sell 1,000 shares in XYZ Pte Ltd. If not already done so, Person A must inform his broker at this time that the sell order is a *short sell order*. The broker must in turn mark Person A's order as a *short sell order* when he submits the sell order to the *approved exchange*.

Sellers with some securities on hand

4.10 Market participants are expected to split partial *short sell orders*, where they own some but not the full quantity of securities to be sold, into two separate orders with the *short sell order* marked accordingly.

Example 5: Splitting of partial *short sell orders*

Person A owns 100 units in XYZ Business Trust but would like to sell 300 units. Person A should submit two sell orders:

(i) a sell order of 100 units, <u>not marked</u> as a *short sell order*; and

(ii) a sell order of 200 units, <u>marked</u> as a *short sell order*.

Exemption from the requirement to mark short sell orders

4.11 Market makers are not required to disclose *short sell orders* in respect of their market making activities. This exemption is granted so as to not impede the efficiency of market makers' submission of continuous bids and offers. [5]

4.12 However, if a market maker submits a *short sell order* that is not intended for the purpose of market making, it is subject to *short sell order* disclosure requirements.

Reporting of *short positions*

Calculation of short position

4.13 Section 137ZK of the SFA, read with regulation 8 of the Regulations, requires a person to report its *short positions* in any *specified capital markets products* to MAS, if the *short position* is equivalent to or exceeds the *short position threshold* on *position day*.

4.14 The *short position threshold* is the **lower** of:

(a) 0.2% of total issued shares in the relevant class of shares or units in the relevant class of units of a business trust or real estate investment trust; or

(b) SGD2,000,000 in aggregate value.

4.15 For the avoidance of doubt, a person may voluntarily choose to report its *short position* in any *specified capital markets products* even if its *short position* is less than the *short position threshold*.

4.16 The percentage threshold of 0.2% is based on the total issued shares or units within each class of the *specified capital markets product*. This means that where a *specified capital markets product* has multiple classes of shares or units, the *short position* should be calculated with respect to the number of issued shares or units for the class[6] to which the *short position* belongs, and not the summation of issued shares or units for all classes.

[5] Market makers, however, are not exempted from the requirement to report *short positions* if their positions reach or exceed the reporting thresholds.

[6] Different share classes are distinguished by different security codes.

Example 6: Calculating the *short position threshold* for a corporation with two classes of shares

XYZ Pte Ltd has 10,000,000 Class A shares and 8,000,000 Class B shares in issue. Person A holds a *short position* of 30,000 Class A shares in XYZ Pte Ltd. Person A's *short position* should be calculated as a percentage of 10,000,000 Class A shares, and not 18,000,000 Class A and B shares in XYZ Pte Ltd. Person A would have to report this position to MAS as it constitutes 0.3% of total Class A shares in issue (i.e. 30,000 of 10,000,000 Class A shares).

4.17 The value threshold of SGD2,000,000 is calculated based on the closing price of the *specified capital markets product* on *position day* published by the *approved exchange*. If the *specified capital markets product* is quoted and traded in a foreign currency, the value threshold is met if its value is equivalent to or more than SGD2,000,000. To determine the SGD value of a *short position*, reporting persons may refer to the exchange rates published by MAS[7] or other reputable sources for exchange rates for the *position day*.

4.18 The *short position*, regardless of whether settlement has occurred by reporting date, should be calculated on *position day*. *Position day* means the last day of each calendar week on which the *approved exchange* is open for trading (typically a Friday) in the relevant class of *specified capital markets product*.

4.19 If trading in a *specified capital markets product* is suspended, *short positions* in that product should still be reported on a given *position day*. The closing price of the last trading day before the suspension, as determined by the rules or practices of the *approved exchange*, should be used to determine whether the *short position* is equivalent to or exceeds the *short position threshold* on *position day*.

Persons with reporting responsibility

4.20 The statutory duty to report *short positions* lies with the persons legally responsible for the delivery of *specified capital markets products* that may result in those *short positions*, and not with persons on whose behalf those *short positions* are taken, or with persons with the authority to direct the sale. This means that, in the case of a trust or unit trust, the obligation to report *short positions* lies with the trustee, and not the manager or the unitholders.

[7] https://secure.mas.gov.sg/msb/ExchangeRates.aspx

For funds structured as companies, the reporting obligation is imposed on the fund.

4.21 There will be no looking through to intermediate or ultimate holding companies, or other entities or individuals related to the *short position* holder. This approach is intended to avoid double counting and to minimise reporting burden.

Delegation

4.22 A person who has an obligation to report *short positions* may appoint a third party reporting agent to report *short positions* on its behalf. Reporting agents can be any individual or corporation.

4.23 For example, an investor may delegate reporting to his account manager who has an overview of the investor's positions for ease of reporting; a trustee of a unit trust may delegate reporting to the fund manager who actively manages the positions of the unit trust.

4.24 Notwithstanding any delegation, the legal responsibility for compliance still rests with persons mentioned in paragraph 4.20.

Reporting timeline and process

4.25 A person with a reportable *short position* must report his *short position* to MAS by lodging a Short Position Reporting Form within two business days after *position day*. This means that if the *position day* is a Friday, the form should be lodged by the following Tuesday; assuming that there are no public holidays in that week.

4.26 The Short Position Reporting Form must be lodged through the Short Position Reporting System ("SPRS"). The SPRS can be accessed through the MAS website or at https://eservices.mas.gov.sg/sprs. There are step-by-step User Guides published on the SPRS.

4.27 A reporting person and his reporting agent (if applicable) must each have a unique SPRS identifier to lodge a Short Position Reporting Form. The SPRS identifier represents the identity of the reporting person or reporting agent, and information relating to the reporting person or reporting agent, e.g. name, business activities.

4.28 In the Short Position Reporting Form, the reporting person would have to indicate:

(a) the *position day* on which the *short position* is determined;
(b) the stock code of the *specified capital markets product*; and
(c) the number of shares in which the reporting person has a *short position*.

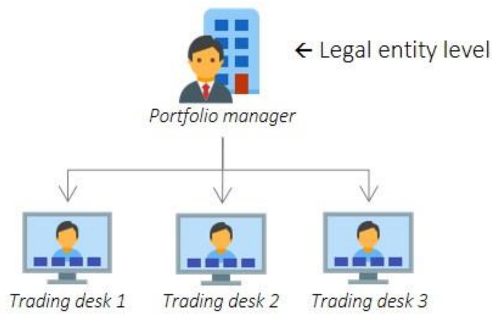
4.29 If the form is lodged by a reporting agent on the reporting person's behalf, the reporting agent should identify the person to whom the *short position* belongs.

5 INSTITUTIONAL PARTICIPANTS WITH MULTIPLE TRADING DESKS

5.1 Institutional participants have varying arrangements and practices for making investment decisions. Investment decisions may be taken on a corporation-wide basis at the legal entity level, or decentralised across different trading desks.

5.2 To cater to different decision-making and operational models, MAS provides institutional participants the flexibility to determine the level (i.e. legal entity or trading desk) at which their orders and positions should be consolidated. While a reporting obligation is imposed only when the *short position* at the legal entity level is equivalent to or more than the *short position threshold* on *position day*, an entity may choose to report *short positions* at the trading desk level regardless. This may be administratively easier for the entity as the entity will then not have to monitor the aggregated position at the legal entity level for the purpose of determining whether or not it has to submit a report to MAS in respect of that *position day*.

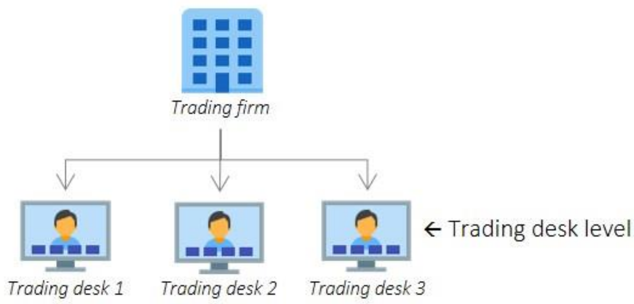
Example 7: Legal entity level



A proprietary trading firm has one portfolio manager responsible for three trading desks. The portfolio manager is the key decision-maker for the firm's investment decisions, which are executed through the three trading desks, and the books and records that it keeps are consolidated across the three trading desks. Hence, the firm assesses that it prefers to have *short sell orders* and *short positions* consolidated at the legal entity level.

- To determine whether an order to be placed is a ***short sell order***, the firm should consider the quantity of *specified capital markets products* in which it has an interest, aggregated across the three trading desks.
- The firm should report its ***short positions*** – that is equivalent to or exceeds the *short position threshold* – aggregated across the three trading desks.

Example 8: Trading desk level



A proprietary trading firm has three trading desks, each with a different portfolio manager and investment mandate. As the trading desks trade independently of each other, the firm would require additional resources to consolidate its orders and positions – which may be unduly onerous. Hence, the firm chooses to disclose *short sell orders* and report *short positions* at the trading desk level.

- To determine whether an order to be placed is a ***short sell order***, each trading desk should consider the quantity of *specified capital markets products* in which the firm has an interest, held through that trading desk.
- The trading desk should report **all *short positions*** of the firm held through that trading desk, even if the *short positions* held at the trading desk are less than the *short position threshold*.

5.3 Generally, the same approach should be taken for both *short sell order* disclosure and *short position* reporting. This is, however, not a strict requirement. There may be participants that choose to disclose *short sell orders* at trading desk level and report *short positions* at legal entity level – according to internal arrangements and operational processes.

5.4 While we allow flexibility for reporting to take place at either entity level or trading desk level, the approach taken must be applied consistently over time so as not to distort the informational value of *short sell order* and *short position* trend data. An exception can be made if the change in approach is driven by a material change in how investment decisions are made within the firm that warrants a change in the level of reporting. For example, an institutional participant should not switch back and forth between reporting at trading desk level and at legal entity level, when trading decisions are consistently made at trading desk level. Further, any change in approach should be effected promptly (i.e. within 3 months) after the material change in investment decision-making.

5.5 Care should be taken to ensure that the considerations for changing the level of reporting are documented, and that orders and positions are not double counted (i.e. disclosures made by one trading desk should not be repeated by the legal entity or another trading desk).

5.6 Examples 9 and 10 illustrate the disclosure of *short sell orders* and reporting of *short positions* at trading desk level.

Example 9: Disclosure of *short sell orders* at trading desk level

Trading Firm A has two trading desks, Trading Desk P and Trading Desk Q.

	Firm A	
	Trading Desk P	**Trading Desk Q**
Shares held in XYZ Pte Ltd	10,000	2,000
Sell order for XYZ Pte Ltd shares	-	5,000

Trading Desk Q should consider its interest in XYZ Pte Ltd (i.e. 2,000 shares), and not the total interests of Trading Firm A (i.e. 12,000 shares). In this example, Trading Desk Q would submit the following sell orders:

(i) a sell order of 2,000 shares, not marked as a *short sell order*; and

(ii) a sell order of 3,000 shares, marked as a *short sell order*.

Example 10: Reporting of *short positions* at trading desk level

On Position Day D, Trading Desk P has a long position of 10,000 shares in XYZ Pte Ltd and Trading Desk Q has a *short position* of 3,000 shares in XYZ Pte Ltd.

If Trading Firm A chooses to report its *short positions* at trading desk level, Trading Desk Q would report a *short position* of 3,000 shares in XYZ Pte Ltd, despite Trading Firm A’s net long interest of 7,000 shares.

5.7 For the purpose of *short position* reporting at trading desk level, trading desks have to report all *short positions*, even if the *short positions* at the trading desk level are less than the *short position threshold* mentioned in paragraph 4.14. It is important that all *short positions* are reported so that the market has transparency to positions that could be equivalent to or exceed the threshold at legal entity level, but are below the threshold at trading desk level. This prevents circumvention of the reporting requirement through splitting of *short positions* across trading desks.

5.8 To report *short positions* at the trading desk level, institutional participants must register and set up separate reporting identities in the SPRS for the entity and each trading desk. The entity can then delegate reporting to each trading desk by adding the trading desk's SPRS ID to its delegation list in the SPRS. If the entity subsequently changes to report at legal entity level (in accordance with paragraph 5.4), the entity can switch to reporting through its own SPRS ID.

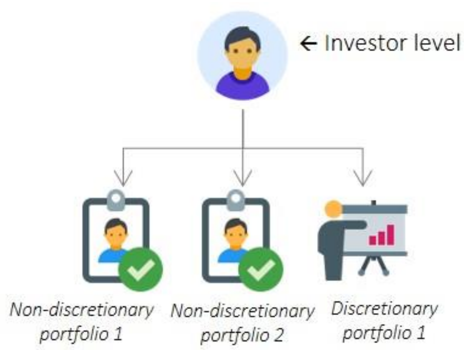
5.9 While institutional participants may delegate reporting of *short positions* to a trading desk or reporting agent, they remain legally responsible for discharging their reporting obligations and for ensuring that the reporting agent has the necessary information to make an accurate report.

6 INVESTORS WITH MULTIPLE FUND MANAGERS WHICH HAVE DISCRETIONARY MANDATES

6.1 Similar to an institutional participant with multiple trading desks, an investor could be in a position of having multiple fund managers managing its portfolios under separate discretionary mandates. A discretionary mandate allows the fund manager to make investment decisions on the investor's behalf, as opposed to a non-discretionary mandate where the investor makes all investment decisions.

6.2 As the legal owner of any *specified capital markets products* held in an investment portfolio, the investor has an obligation to disclose *short sell orders* and report *short positions* arising from the portfolio managed by its fund managers. In the case of a discretionary investment portfolio where the fund manager makes investment decisions on the investor's behalf, MAS provides the investor the flexibility to have its *short sell orders* and *short positions* disclosed at the fund manager level.

Example 11: Investor level

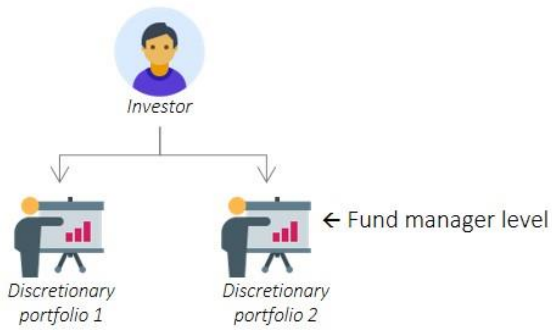


An investor has two non-discretionary investment portfolios and one discretionary investment portfolio. Even though the discretionary portfolio is managed separately by a fund manager, the investor may still choose to consolidate the orders and positions of all three portfolios at his level for disclosure. He would have to put in place arrangements to have sight of the orders and positions which the discretionary fund manager entered into on his behalf.[8]

[8] We note that some investors may not have timely access to the orders and positions which the discretionary fund manager enters into on their behalf. In such cases, the investor may consider delegating his reporting obligations for *specified capital markets products* held in the discretionary investment portfolio to his fund manager.

- To determine whether he has a ***short sell order***, the investor should consider the quantity of *specified capital markets products* in which he has an interest, aggregated across his three portfolios. He would be responsible for disclosing that he is making a *short sell order* to the person who places the *short sell order* on his behalf.
- The investor may choose to report ***short positions*** – that is equivalent to or exceeds the *short position threshold* – aggregated across his three portfolios. He may report his *short positions* directly to MAS through the SPRS.

Example 12: Fund manager level



An investor has two discretionary investment portfolios, each managed by a different fund manager. As the investor does not have sight of the investment decisions made by the fund managers, he may choose to not consolidate the orders and positions at his level. He would have to make arrangements for each fund manager to disclose, on his behalf, any *short sell orders* or *short positions* arising from the respective discretionary portfolios.

- To determine whether an order to be placed on the investor's behalf is a ***short sell order***, the fund manager should consider the quantity of *specified capital markets products* in which the investor has an interest, in respect of the discretionary portfolio that he manages for the investor.
- The fund manager should report **all *short positions*** of the investor in respect of the discretionary portfolio that he manages for the investor, even if these *short positions* are less than the *short position threshold*.

6.3 The approach taken must be applied consistently over time so as not to distort the informational value of *short sell order* and *short position* trend data. For example, an investor should not switch back and forth between reporting at investor level and at fund manager level.

6.4 Care should be taken to ensure that orders and positions are not double counted (i.e. disclosures made by one fund manager should not be repeated by the investor or another person). Where there are different levels of fund managers involved such as a primary manager and sub-managers, the investment firm would have to decide which level is appropriate to make disclosures on behalf of the investor. For example, a fund manager whose primary role is to apportion the portfolio into different sub-portfolios, each managed by its own sub-manager, may decide for reporting to occur at each sub-manager level.[9]

6.5 Examples 13 and 14 illustrate the disclosure of *short sell orders* and reporting of *short positions* at fund manager level.

Example 13: Disclosure of *short sell orders* at fund manager level

Investor A has three discretionary investment portfolios – Fund X, Fund Y and Fund Z. Fund X is managed by Fund Manager B, and Fund Y and Fund Z are managed by Fund Manager C.

	Investor A		
	Fund Manager B	Fund Manager C	
	Fund X	Fund Y	Fund Z
Shares held in XYZ Pte Ltd	5,000	6,000	2,000
Sell order for XYZ Pte Ltd shares	2,000	10,000	-

Fund Manager C would consider Investor A's interest in XYZ Pte Ltd in respect of the portfolio (i.e. Fund Y and Fund Z) that he manages for Investor A (i.e. 8,000 shares). In this example, Fund Manager C should submit the following sell orders:

(i) a sell order of 8,000 shares (comprising 6,000 shares for Fund Y and 2,000 shares for Fund Z) not marked as a *short sell order*; and

(ii) a sell order of 2,000 shares, marked as a *short sell order*.

Example 14: Reporting of *short positions* at fund manager level

On Position Day D, Investor A has a long position of 3,000 shares in XYZ Pte Ltd through Fund Manager B, and a *short position* of 2,000 shares in XYZ Pte Ltd through Fund Manager C.

[9] We will also provide similar flexibility for fund managers that apportion the portfolio into different sub-portfolios, but retains the management of each sub-portfolio in-house, where each sub-portfolio has its own investment mandate, focus and approach. In such a scenario, similar to the trading desk exemption, the manager may report at sub-portfolio level.

If Investor A chooses to report *short positions* at fund manager level, Fund Manager C would report Investor A's *short position* of 2,000 shares in XYZ Pte Ltd, despite Investor A's net long interest of 1,000 shares.

6.6 For the purpose of *short position* reporting at fund manager level, a fund manager has to report all *short positions* that it entered into for the investor, even if the *short positions* at the fund manager level are less than the *short position threshold* mentioned in paragraph 4.15. It is important that all *short positions* are reported so that the market has transparency to positions that could be equivalent to or exceed the threshold at the investor level, but are below the threshold at the fund manager level. This prevents circumvention of the reporting requirement through splitting of *short positions* across different fund managers.

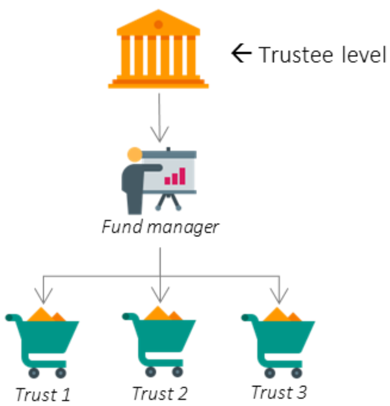
6.7 To report *short positions* at the fund manager level, both the investor and the fund manager must register and set up their own reporting identities in the SPRS. The investor may delegate reporting to its fund manager by adding the fund manager's SPRS ID to its delegation list in the SPRS.

6.8 While investors may delegate reporting of *short sell orders* and *short positions* held in discretionary investment portfolios to their fund manager or reporting agent, they remain legally responsible for discharging their reporting obligations, and for ensuring that the fund manager or reporting agent has the necessary information to make an accurate report.

7 TRUSTEES OF TRUSTS OR UNIT TRUSTS

7.1 As the legal owner of *specified capital markets products* held in a trust or collective investment scheme, the trustee has an obligation to disclose *short sell orders* and report *short positions* arising from the trusts for which it acts as a trustee. As a trustee could act for multiple trusts with different managers, MAS provides trustees the flexibility to determine the level (i.e. trustee or trust) at which their orders and positions should be consolidated.

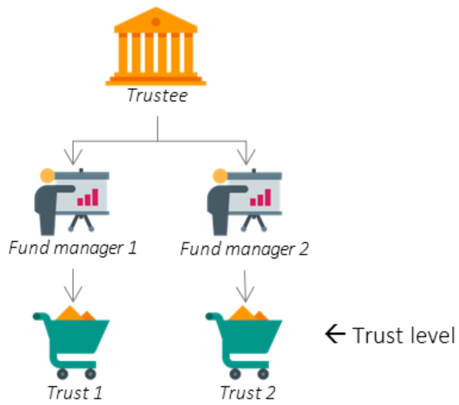
Example 15: Trustee level



A trustee is responsible for three trusts that are managed by the same manager. The trustee may choose to consolidate the orders and positions of the three trusts it acts for. The trustee would have to put in place arrangements to monitor or appoint a third party (e.g. the manager) to consolidate short sell orders and short positions across the three trusts.

- To determine whether an order to be placed is a ***short sell order***, the trustee should consider the quantity of *specified capital markets products* in which it has an interest, aggregated across the three trusts.
- The trustee should report its ***short positions*** – that is equivalent to or exceeds the *short position threshold* – aggregated across the three trusts.

Example 16: Trust level



A trustee is responsible for two trusts, each managed by a different manager. As the trusts are managed independently of each other, it may be operationally challenging for the trustee to consolidate the orders and positions across the two trusts. The trustee may choose to disclose *short sell orders* and report *short positions* at individual trust level, or appoint a third party (e.g. the manager of each trust) to do so for each trust.

- To determine whether an order to be placed for a trust is a ***short sell order***, the trustee should consider the quantity of *specified capital markets products* in which the trustee has an interest, held through that trust.
- The trustee should report **all *short positions*** that is held through each individual trust, even if the *short positions* held at a trust is less than the *short position threshold*.

7.2 The approach taken must be applied consistently over time so as not to distort the informational value of *short sell order* and *short position* trend data. For example, a trustee should not switch back and forth between reporting at trustee level and individual trust level.

7.3 The trustee may not always have timely knowledge of the orders and positions entered into on its behalf. For efficiency and ease of reporting, trustee may appoint the manager of the trust to make disclosures on its behalf at the trust level. Care should be taken to ensure that orders and positions are not double counted (i.e. disclosures made by one manager should not be repeated by the trustee or another person).

7.4 Examples 17 and 18 illustrate the disclosure of *short sell orders* and reporting of *short positions* at trust level.

Example 17: Disclosure of *short sell orders* at trust level

Trustee A acts as a trustee for three unit trusts, Trust P, Trust Q and Trust R. Trust P is managed by Manager B, and Trust Q and Trust R are managed by Manager C.

	Trustee A		
	Manager B	Manager C	
	Trust P	Trust Q	Trust R
Shares held in XYZ Pte Ltd	5,000	6,000	2,000
Sell order for XYZ Pte Ltd shares	2,000	10,000	-

Manager C should consider Trustee A's interest in XYZ Pte Ltd in respect of **each trust** that he manages (i.e. 6,000 shares in Trust Q and 2,000 shares in Trust R). In this example, Manager C would submit the following sell orders for Trust Q:

(i) a sell order of 6,000 shares, <u>not marked</u> as a *short sell order*; and

(ii) a sell order of 4,000 shares, <u>marked</u> as a *short sell order*.

Example 18: Reporting of *short positions* at trust level

On Position Day D, Trustee A has a long position of 3,000 shares in XYZ Pte Ltd through Trust P, a *short position* of 4,000 shares in XYZ Pte Ltd through Trust Q, and a long position of 2,000 shares in XYZ Pte Ltd through Trust R.

If Trustee A chooses to report *short positions* at trust level, Manager C would report a *short position* of 4,000 shares in XYZ Pte Ltd for Trust Q. While Manager C manages both Trusts Q and R, it should not aggregate Trustee A's long interest across trusts (i.e. 8,000 shares). Each trust has to be considered in isolation in order to capture the short interest arising from the mandate of each individual trust.

7.5 For the purpose of *short position* reporting at trust level, the trustee should ensure that <u>all</u> *short positions* that is the property of the trust are reported, even if the *short positions* at trust level are less than the *short position threshold* mentioned in paragraph 4.14. It is important that all *short positions* are reported so that the market has transparency to the positions that could be equivalent to or exceed the threshold at the trustee level, but are below the threshold at individual trust level. This prevents circumvention of the reporting requirement through splitting of *short positions* across trusts.

7.6 To report *short positions* at trust level, the trustee must register and set up separate reporting identities in the SPRS for each trust. The trustee may delegate reporting to the managers of the respective trusts by adding the manager's SPRS ID to each trust's delegation list in the SPRS.

7.7 While the trustee may delegate reporting of *short positions* to a manager or reporting agent, it remains legally responsible for discharging its reporting obligations, and ensuring that the manager or reporting agent has the necessary information to make an accurate report.