

Via e-mail
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The FIA European Principal Traders Association (FIA EPTA) represents 23 independent European Principal Trading Firms that deal on own account to provide liquidity and immediate risk-transfer in exchange-traded and centrally-cleared markets for a wide range of instruments, including shares, options, futures, ETFs, bonds and OTC derivatives. As market makers and liquidity providers our members contribute to efficient, resilient, and high-quality secondary markets that serve the investment and risk management needs of end-investors and corporates throughout the EU.

FIA EPTA welcomes the opportunity to provide feedback on the HM Treasury July 2023 Consultation on the Short Selling Regulation as it concerns sovereign debt and credit default swaps (the “Consultation”).

FIA EPTA supports the proposals set out in the Consultation.

Whilst we acknowledge that the cover requirements under the Short Selling Regulation support settlement discipline in equities markets, we do not see the same need in the market for sovereign bonds and related CDS given the size and liquidity of these markets.

In respect of the proposal to retain the Emergency Intervention Powers regarding to sovereign bonds and related CDS, we reiterate that FIA EPTA members retain a strong preference for the removal of these powers as they are disruptive and yield no discernible benefit. If retained, we stress the need to exercise these powers only in extremely exceptional circumstances.

Advance warning of any intended short selling ban pursuant to the Emergency Intervention Powers should be provided to the market, along with empirical evidence establishing why the ban is required and the anticipated market impact. Comprehensive guidance regarding scope, treatment of related products and operation of the Market Maker Exemption should be provided in advance of the ban going into effect to enable firms to put in place appropriate controls in order to comply. Ideally, this guidance would stipulate that any applicable short selling ban should only extend to increases of or the creation of new net short positions.

We remain at your disposal to discuss these matters or the Consultation and Call for Evidence more broadly.

FIA EPTA