



Date: 12 December 2025

EPTA response to the FCA Consultation Paper on the UK Short Selling Regime (CP 25/29)

Introduction	The European Principal Traders Association (EPTA) represents Europe’s leading Principal Trading Firms. Our members are independent market makers and providers of liquidity and risk-transfer for markets and end-investors across Europe. EPTA works constructively with policy-makers, regulators and other market stakeholders to ensure efficient, resilient and trusted financial markets in Europe.
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FCA Questions:

Question:	EPTA Response:
Net Short Position Reporting	
1. Do you agree with our proposals to replicate existing requirements for calculating and reporting NSPs?	Yes
2. Do you agree with our proposals to extend the reporting deadline and	<p>The FCA’s proposals to extend the reporting deadline and change the time for calculation are both reasonable and practical. The additional time allowed under these adjusted deadlines will be particularly useful in situations where reporting firms need to submit exceptional reports, for example in relation to particularly complicated or significant new holdings</p> <p>EPTA members assume reporting firms will continue to be able to access the reporting portal during working hours, should they wish to submit reports in advance of the deadline.</p>

change the time for calculation?	
3. Do you agree with our proposal to provide additional guidance on issued share capital?	<p>EPTA members are disappointed that the FCA is not able to provide a database acting as the “golden source” for information on shares outstanding in relation to instruments in scope for the Net Short Position Reporting requirements. This would have been a significant step forward in alleviating the material operational burden imposed on reporting entities under the Short Selling Regulation, in line with HMT’s objectives behind its review of the UK Short Selling regime.</p> <p>In lieu of a database and to support both burden reduction and improved consistency and quality of reported data, EPTA members strongly recommend that the FCA establish a hierarchy of sources from which to derive information about shares outstanding. This would provide consistency in approach by reporting entities which would result in more accurate and consistent Net Short Position Reports. This is particularly important given that these reports are now to be aggregated for the public disclosures.</p> <p>As the FCA is aware, it often very difficult for firms to obtain accurate and up to date information on shares outstanding. In the event of corporate actions, such as a reverse stock split, issuers do not always make information resulting in a change to shares outstanding public in a timely manner. Missing (often despite best efforts) this information can result in a significant change to the denominator used when calculating a net short position. Whilst existing position holders may be privy to the relevant corporate action and see their numerator and denominator decrease proportionally on the same day, entities taking on a new position after the date of the corporate action and up until the updated information is published by the issuer, would lead them to use the “old” shares outstanding figures, despite using best efforts to check publicly available information. This could result in a material difference in a position. In a recent live example, this could have resulted in a reporting entity failing to disclose up to a 2% net short position believing it to be below 0.2% where an issuer embarked upon a 10-1 reverse stock split. Applying a “reasonable efforts” standard will result in inconsistent outcomes in these scenarios (which are not uncommon).</p> <p>We note that various EU Member States pre-populate the denominator for calculating NSP by sourcing information from readily available sources, such as the companies’ registration office. Whilst sources such as information reported under DTR 5.6.1 and Companies House may not cover the full universe of instruments in scope for the SSR, if the FCA were to aggregate this information for firms it would still cover a very substantial proportion of instruments on the Reportable Shares List and ensure greater consistency and quality of Net Short Position Reports.</p>

	<p>In lieu of creating a database, EPTA members recommend the FCA adopt the following hierarchy of sources, which would operate as a safe harbour in relation to accuracy of net short position reports and drive consistency in denominator calculation:</p> <ol style="list-style-type: none"> 1. DTR 5.6.1 (the vast majority of issuers on the Reportable Shares List will be obliged to disclose relevant information under this rule); 2. Companies House Records; and 3. Third party data providers. <p>Establishing this as a safe harbour would enable firms who currently rely on robust third party data vendors for sourcing relevant information to continue with those arrangements to prevent disruption to systems and commercial arrangements, whilst providing certainty and consistency for those reporting entities who currently adopt more manual processes for sourcing information. EPTA members recognize that the FCA considers there are limitations on its ability to create a standalone database to supply this information. In light of this and in order to properly equip reporting firms to meet their regulatory obligations and provide consistent genuinely meaningful reported data, concrete guidance on appropriate sources is necessary and desirable.</p> <p>Firms would also benefit from guidance making clear that if they are relying on a reputable commonly used data vendor and the data vendor provides inaccurate information, the reporting firm will not be in breach as such action could be considered to be “acting reasonably” to identify issued share capital.</p>
4. Do you agree with our proposed approach to group reporting?	These changes will require some development work to support and will entail a divergence from EU approach, however they are overall positive and worthwhile.
5. Do you agree with our proposal to include the correction notification form in our rules?	Yes, EPTA members agree with this proposal which will bring the rules in line with operational practice.

<p>6. Do you agree with our proposal in relation to ETFs and UCITS? We would welcome views on any further changes relating to how positions in UCITS, ETFs, or similar instruments are calculated by persons or funds?</p>	<p>For the purposes of the calculation of net short positions, a person should exclude any (long or short) position held through an ETF—even if that ETF has a publicly available composition—if the ETF is managed on a discretionary basis by a management entity.</p>
<p>7. Do you agree with our proposed transitional arrangements for position reporting?</p>	<p>EPTA members agree with the FCA’s proposed transitional arrangements but would encourage the FCA to be more ambitious in their implementation timelines, particularly for changes that do not involve any operational or technology adjustments. This would enable firms and the UK financial sector more broadly to benefit sooner from the pragmatic approach reflected in the updated UK short selling regime.</p>
<p>8. Do you agree with our proposed approach to waivers?</p>	<p>EPTA members support the FCA’s steps to formalize its approach to reporting waivers, provided it continues to take a generally pragmatic and flexible approach when firms are unable to meet reporting obligations due to exceptional circumstances.</p>
<p>9. Do you agree with our plan to update the operational arrangements for the</p>	<p>EPTA members agree with plans to update operational arrangements for submission of notifications, noting that block submission will be helpful for firms. However, we would appreciate further information on the format required for reports as this will impact implementation build.</p>

submission of position notifications?	
10. Is there anything else associated with the reporting requirements that you would like to raise?	<p>The level of disclosure in current reporting is sufficient and EPTA members support this remaining consistent. Please don't introduce any changes to include additional data.</p> <p>Whilst EPTA members acknowledge that the FCA has decided not to provide a "golden source" of issuer data for reporting purposes based on cost-benefit analysis, we nevertheless emphasise the significant benefit firms would derive from such a source being available. It would materially reduce the operational burden on firms associated with NSPR, in line with HMT objectives behind revising the UK short selling regime. We note other jurisdictions have taken steps to alleviate the burden on reporting firms and also ensure greater consistency in reporting. For example, the Netherlands and Sweden pre-populate the submission portal with the denominator to eliminate altogether the need for market participants to calculate the denominator themselves. Consistency in denominator calculation takes on greater significance now that the FCA will be aggregating NSPRs to publish ANSP.</p> <p>We would also welcome any steps the FCA could take towards bringing forward implementation of changes to the UK short selling regime, particularly those that do not involve systems changes or tech build. This would enable firms to realise the benefits of burden reduction sooner.</p>
11. Do you agree with our proposals to retain existing covering requirements?	Yes
12. Do you agree with our proposal to replace the guidance on record keeping arrangements with a new rule	Yes

within the Short Selling Sourcebook?	
13. Do you agree with our proposal for subscription rights to add the requirement to ensure that settlement can be effected when due?	<p>EPTA members are broadly in agreement with the FCA's proposals however, it would be helpful for firms to understand what the FCA is seeking (if anything) over and above locating shares pursuant to an agreement meeting the conditions set out in 3.4.2G.</p> <p>In this regard, the drafting of 3.4.2.G seems to create some question as to what level of certainty will suffice. EPTA members would appreciate further clarity on what level of certainty is sufficient (e.g. confirmation that the criteria set out in the guidance are exhaustive). In these circumstances, EPTA members believe a "reasonable efforts" standard should be applied so that there is not a materially higher standard being imposed for subscription rights than for issued shares.</p>
14. Do you agree with our proposal to change the information required in an 'easy-to-borrow or purchase list' for it to be considered an 'easy-to-borrow or purchase confirmation'?	EPTA members observe that this proposal appears to be embedding the concept that a locates list is a confirmation of availability that can be relied on by firms for the purposes of the cover requirements. However, if this is the case, we don't consider the proposal to be problematic as firms are effectively doing this in practice now.
15. Do you have any views on whether the settlement expectations for borrowing and locate arrangements	Firms are effectively aligning settlement expectations for borrowing and locate arrangements in practice today, as it is too difficult to split them out for separate treatment. However, EPTA members strongly warn against any move away from the "reasonable expectation" principle in relation to locates, as a borrower is not in a position to know if a lender has made more than one commitment in relation to the same financial instruments. This standard is well established in European and UK markets and is also enshrined in US Reg SHO, thus representing a broadly accepted standard. Changing it would put the UK at odds with other major global markets. Locates pre-empt allocation and there may be issues outside the borrower's control which ultimately make outcomes in relation to locates less certain despite the borrower taking all reasonable steps to secure. In contrast, a borrow is a firm

should be aligned?	<p>commitment on behalf of the lender. Accordingly, the “reasonable expectations” principle reflects how the securities lending market operates in practice and the complex chain of operations required from lender availability to collateral management to release of borrows. A more stringent requirement could impede short selling, price discovery and the efficient functioning of the market. There is no reason to amend a largely well-functioning locate regime which remains fit for purpose, including in respect of the short selling regime.</p> <p>Creating any more concrete requirement for a firm commitment in relation to locates poses the risk of effectively creating a pre-borrow market which would have knock-on effects on cost, which is a clearly undesirable outcome.</p>
16. Is there anything else associated with covering that you would like to raise?	No
Reportable Shares List	
17. Do you agree with our proposals to change the calculation methodology for determining the principal country?	Yes
18. Do you agree with our proposals to consider new criteria when deciding whether to determine that our reporting and covering	<p>EPTA members are broadly in agreement with these proposals. We note that the new criteria do provide the FCA with broader discretion than they have currently. This would allow them to bring into scope issuers currently excluded based on existing logic, for example FCA authorization of group entities. We understand that the FCA intends to include non-UK issuers on the Reportable Shares List only in limited cases, but it would provide greater comfort and certainty to market participants if this intention were made clear in the guidance.</p>

requirements do not apply?	
19. Do you agree with our proposals for maintaining the RSL (including for maintaining on a monthly and ad hoc basis)?	EPTA members agree with these proposals on the basis that the RSL will be machine readable. The current problem faced by market participants is that the Exempt List is slow to be updated and entails manual processing on behalf of firms.
20. Do you agree with our proposal to publish a draft of the RSL 2 months prior to the main commencement day?	EPTA members agree with this proposal provided the RSL is published in a standard format.
21. Is there anything else associated with the RSL that you would like to raise?	No
Market Maker Exemption	
22. Do you agree with our proposals to streamline the process for using the market maker exemption?	Overall, EPTA members consider the FCA's proposals to streamline processes concerning use of the Market Maker Exemption ("MME") to be very positive. As independent 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 companies throughout Europe. EPTA members play a crucial role in financial markets, providing liquidity to end investors and companies on an ongoing basis including during times of market stress. Short selling brings liquidity and acts as an important risk management tool, particularly in volatile market conditions. Our members have relied on the MME since the Short Selling Regulation came into effect to support this function.

	<p>However, to date, the MME has not operated efficiently and thus does not enable market makers to be responsive to market needs, particularly in times of crisis. The FCA's proposed changes will significantly improve the ability of market makers to offer consistent support to UK secondary markets through liquidity provision and risk management, by removing unnecessary delays and manual processes associated with the MME.</p> <p>We understand that the practical effect of the changes will be that once the bulk upload system is operational in December 2026, our members will be in a position to adopt an automated process for updating the list of ISINs in respect of which they rely on the MME. This is a significant and material improvement on the current state.</p> <p>Whilst we do not have sight of how the FCA's bulk upload system will operate, we recommend that incorporating a feature which would support triggering a file submission by firms via SFTP which could be linked to static instrument changes in those firms' background systems, which would further streamline the automation process.</p> <p>It would further improve efficiency if the FCA were able to adopt a reasonable tolerance for time lags for updating the ISIN list where there is a change in ISIN for an existing financial instrument. Currently, when a share goes through a change in ISIN, a firm relying on the MME must become aware of this then process an update to the scope of its MME, despite the fact the scope of its market making activity has not changed in substance due. The share and the market making activity in respect of it remains the same, only its reference data has changed. This technicality would otherwise prevent liquidity benefits of market making supported by the MME. If the FCA were to make clear in its guidance that it has a reasonable tolerance in respect of updates accounting for data changes and associated lags in timing provided a firm can substantively evidence it has continued its market making activity, this would ensure there is no artificial disruption.</p> <p>In addition, we note that it would substantially reduce the operational burden on firms if the MME were applied at index level rather than ISIN level to remove the need for firms to submit notifications every time the constituents of an index change. Key indices are clearly identifiable and the substance of a firm's market making activity does not change when some constituents of a key index change. Requiring notification merely disrupts a firm's ability to continue market making activity. We understand the FCA's systems are not able to support this at present but encourage you to keep in mind in the event that such an upgrade becomes feasible.</p>
23. Do you agree with the proposed	EPTA members welcome the FCA's proposed changes. As discussed above, these will be a significant improvement to the efficiency of the MME.

changes to our systems for receiving market maker exemption notifications?	
24. Do you agree with our approach to the withdrawal of market maker exemptions?	EPTA members agree with the FCA's proposed approach as a further means of streamlining processes regarding the MME.
25. Do you agree with our approach to the prohibition of market maker exemptions?	It's our understanding that the FCA is not looking to add to the circumstances in which they would prohibit adoption of the MME. Instead, this is a change in process. On this basis, EPTA members agree with the approach.
26. Do you agree with our proposed transitional arrangements for the market maker exemption?	Whilst it's not ideal that firms seeking to rely on the MME will need to wholly resubmit notifications once the new system is operational, EPTA members are generally supportive of the transitional arrangements, particularly given firms will not be required to re-submit supporting evidence (e.g. RTS 8 market making agreements) as part of this process and they will be able to operate under the MME the day after submission.
27. Do you agree with our proposed timeline for implementation?	Subject to our response to Q26, EPTA members agree with the proposed timeline for implementation. EPTA members expect to re-submit notifications at the point the bulk upload system becomes available or very shortly thereafter and thus do not expect to need the full time allowed.
28. Is there anything else associated with the market	Whilst EPTA members acknowledge the scope of the MME is set in primary legislation, we question why it is necessary to operate as an ISIN based exemption rather than applying at activity level, where it can be clearly evidenced that a firm is undertaking wide ranging market making activity on an ongoing basis. In this regard, we

<p>maker exemption that you would like to raise?</p>	<p>note that the SSR 2025 empower the FCA to make rules providing for an exemption in relation to “a transaction...performed due to market making <i>activities</i>” (reg 9(1)(a)) [emphasis added] and further to make rules supplementing the relevant definition as to what constitutes market making activities (reg 9(3)). This empowerment appears broad enough to facilitate framing the exemption at activity level rather than ISIN level.</p> <p>A similarly pragmatic approach was taken by the FCA when adjusting the scope of the Designated Reporter Regime for the purposes of MiFIR post-trade transparency whereby the FCA had originally proposed applying this designation at asset class level but adjusted its final rules based on industry feedback to apply the designation at entity level in order to alleviate the operational burden of reporting on individual firms (see FCA PS 23-4).</p> <p>Retaining the ISIN based application results in ongoing operational burden for both firms seeking to rely on the MME and for the FCA in processing, monitoring and continually updating the scope of the MME for a particular firm to reflect minor changes in activity. For example, if a firm is continuously acting as a market maker in the FTSE100, there is no discernable benefit to either firms relying on the MME, the FCA, nor the market as a whole to require adjustments and additional notifications to be made when there is a change in the constituents of the index. In these circumstances, it can be clearly evidenced that bona fide market making activity is ongoing with no benefit derived from the operational burden associated with providing a notification.</p> <p>Provided a firm can demonstrate it is undertaking market making activity in relation to relevant “transactions” from a substantive perspective, the exemption should be available across this activity rather than necessitating an individual ISIN based notification regime.</p>
<p>29. Do you agree with our proposed approach to late and inaccurate position reports?</p>	<p>EPTA members generally agree with the FCA’s proposed approach. We note that there is a risk that position reports will be inaccurate due to the lack of a “golden source” of information on number of shares outstanding, as discussed above at our response to Q3. These inaccuracies will compromise the quality of aggregated short position disclosures, where firms have used different denominators rendering net short position reports less useful for the FCA and aggregated net short position disclosures potentially misleading to the public.</p>
<p>30. Do you agree with our proposed timing for the</p>	<p>Yes</p>

publication of ANSPs?	
31. Do you agree with the proposed content and format of disclosure?	We recommend adding a field to the reporting template to capture “number of shares outstanding”. This will at least make it obvious to the FCA if there is a different in the denominator one firm has used to calculate a position and therefore whether that inaccuracy will be carried over into the aggregated publicly reported position. EPTA members are otherwise in agreement with the proposed disclosure.
32. Do you agree with our proposed transitional arrangements for the publication of ANSPs?	Yes
33. Is there anything else associated with the disclosure of ANSPs that you would like to raise?	No
34. Do you agree with us retaining our existing approach to the exercise of our emergency powers, including the high bar that we set for their use?	<p>EPTA members believe the Emergency Intervention Powers contribute to market uncertainty and undermine confidence particularly when markets are volatile, as participants anticipate the possibility short sale bans will be imposed, preventing them from engaging in crucial risk management and liquidity provision activities. If the emergency intervention powers had been removed from the UK Short Selling Regulation, this would improve market confidence as there would no longer be the element of uncertainty over potential market intervention by the regulator during times of market turmoil. Market participants could proceed with efficient risk management practices without having to factor in the potential curtailment of a crucial risk management tool.</p> <p>We have found short sale bans to cause increased transaction costs and volatility and reduced liquidity, contrary to their intended effect, and thus argued for the removal of the Emergency Intervention Powers in our response to the HMT Call for Evidence.</p>

	<p>Whilst EPTA members have a clear preference against regulators having emergence intervention powers, we acknowledge that the decision has been made in primary legislation to preserve these for the FCA. Accordingly, we strongly support the FCA continuing to maintain a very high bar for invocation.</p> <p>We note that the FCA has retained a degree of discretion over the nature of the powers it may exercise, including imposing a short selling ban on specific instruments. EPTA members strongly encourage the FCA to ensure that any such short selling ban should only extend to increases of or the creation of new net short positions as requiring firms to unwind existing positions would create more market disruption and risk. We also strongly encourage the FCA to exempt from any short selling bans instruments such as indices, baskets and ETFs to prevent uncertainty over scope and application and reduce operational changes required at short notice.</p> <p>Finally, application of any short selling ban should be subject to a greater uniformity of approach between relevant national competent authorities in order to avoid the creation of chaotic market conditions.</p>
35. Do you agree with us replicating the current approach to adverse events or developments which constitute a serious threat to financial stability or market confidence in the UK?	<p>EPTA members agree it is necessary to incorporate the proportionality test, assessing whether exercise of emergency powers will have a detrimental effect on the efficiency of the financial markets in the UK which is disproportionate to the benefits. If applied appropriately, this test would lead to the conclusion that emergency powers should not be used, based on our members' prior experience of these bans (for example, see here). Accordingly, we stress the importance of the FCA continuing to exercise restraint in its application of these powers.</p>
36. Do you agree with us replicating the	See our response to Q35 above

current approach to limiting the disorderly decline in the price of financial instruments, following a significant fall in their price?	
37. Do you agree with the different exceptions which we could apply to our emergency measures?	<p>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.</p> <p>In relation to the communication template in the draft rules:</p> <ul style="list-style-type: none"> • It would be useful to include a reference field to make it easier to track the status of measures (e.g. whether they are extended or revoked) in the event there are multiple measures imposed at once which are subsequently adjusted over time. • Extensions and revocations <ul style="list-style-type: none"> ○ It's not clear what the notifications for extension and revocation will look like. We would appreciate confirmation of whether it will be a subset of information included within the emergency notification template (updated where necessary to reflect continuation/ending) or issued as a separate notice. ○ We also believe the FCA should provide the reason for the continued intervention as part of an extension decision. Consistent with the high bar set by the FCA concerning circumstances where it would consider intervention is appropriate, it is necessary to ensure the relevant measures remain appropriate over time, rather than relying on the initial notification rationale.
38. Do you agree with how we would communicate the use of our emergency powers?	EPTA members emphasise the importance of clear communication, certainty and predictability in application of emergency intervention powers. This is fundamental to firms' ability to adequately manage risk, particularly in volatile markets. The FCA's proposed approach seems sensible. In particular, we note that a reasonable grace period to allow for necessary internal firm communications and operational adjustments is essential given these powers involve introducing market impacting changes in times when markets are likely to be more volatile and unpredictable. Very short implementation times and unclear communication about the scope of changes introduced are likely to result in disorderly trading.

	EPTA would also welcome publication of a list of instruments in scope for a given ban, to make sure that instruments that are not subject to the ban can continue trading and thereby increase legal certainty.
39. Do you have any additional thoughts on our Statement of Policy that you wish to share?	As discussed above, we strongly warn against the exercise of emergency powers due to the high risk of further market disruption and potential compromising of firms' ability to manage risk in volatile markets. In our members' experience, exercise of these powers result in outcomes contrary to their intended effect.
40. Do you agree with our proposal to extend the policies and procedures in DEPP and the ENFG which relate to the exercise of supervisory, investigative, and enforcement powers to breaches of the short selling requirements? If not, why?	No comment
41. Do you agree with our proposal that decisions to take enforcement action under Part	No comment

<p>14, together with determinations of applications under section 206B(4), should be taken by the RDC? If not, why?</p>	
<p>42. Do you agree with our proposal that Executive Procedures are the right mechanism for making decisions when giving directions under Regulations 10, 21, and 23 of the SSR 2025, or determining an application to vary or revoke a direction? If not, why?</p>	<p>No comment</p>