



CYPRUS SECURITIES AND EXCHANGE COMMISSION

TO : Cypriot Investment Firms
FROM : Cyprus Securities and Exchange Commission
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SUBJECT : **Implementation of Regulation (EU) No 236/2012 on short selling and certain aspects of credit default swaps**

The Cyprus Securities and Exchange Commission (the 'Commission') following previous announcements wishes, with the current circular, to inform the Cypriot Investment Firms (the 'CIFs') that the EU Regulation on short selling and certain aspects of credit default swaps (EU No 236/2012) (the 'Regulation') comes into effect on **1 November 2012**.

As a Regulation it will be directly applicable and will have direct effect in Cyprus law with no need for transposition in domestic legislation. The Regulation was published in the Official Journal of the European Union on 24 March 2012 and can be accessed at the following link:

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:086:0001:0024:en:PDF>

The European Commission has adopted a **package of four implementing measures** to specify technical aspects of the Regulation as follows:

1. On 29 June 2012, the European Commission adopted an implementing regulation laying down implementing technical standards – «COMMISSION IMPLEMENTING REGULATION (EU) No 827/2012 of 29 June 2012 laying down implementing technical standards with regard to the means for public disclosure of net position in shares, the format of the information to be provided to the European Securities and Markets Authority in relation to net short positions, the types of agreements, arrangements and measures to adequately ensure that shares or sovereign debt instruments are available for settlement and the dates and period for the determination of the principal venue for a share according to Regulation (EU) No 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps».
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:251:0011:0018:en:PDF>

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2. On 29 June 2012 the European Commission adopted a delegated regulation on regulatory technical standards, based on draft regulatory technical standards submitted by ESMA¹ - «COMMISSION DELEGATED REGULATION (EU) No 826/2012 of 29 June 2012 supplementing Regulation (EU) No 236/2012 of the European Parliament and of the Council with regard to regulatory technical standards on notification and disclosure requirements with regard to net short positions, the details of the information to be provided to the European Securities and Markets Authority in relation to net short positions and the method for calculating turnover to determine exempted shares».
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:251:0001:0010:en:PDF>
3. On 5 July 2012 the European Commission adopted a delegated act which specifies the cases in which sovereign credit default swaps are considered covered, and therefore not banned in accordance with the short selling regulation – «COMMISSION DELEGATED REGULATION (EU) No 918/2012 of 5 July 2012 supplementing Regulation (EU) No 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps with regard to definitions, the calculation of net short positions, covered sovereign credit default swaps, notification thresholds, liquidity thresholds for suspending restrictions, significant falls in the value of financial instruments and adverse events».
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:274:0001:0015:en:PDF>
4. On 5 July 2012 the European Commission also adopted a delegated regulation on regulatory technical standards, based on draft regulatory technical standards submitted by ESMA – «COMMISSION DELEGATED REGULATION (EU) No 919/2012 of 5 July 2012 supplementing Regulation (EU) No 236/2012 of the European Parliament and of the Council on short selling and certain aspects of credit default swaps with regard to regulatory technical standards for the method of calculation of the fall in value for liquid shares and other financial instruments».
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:274:0016:0017:en:PDF>

The Commission would also like to draw the attention of the CIFs on the updated Questions & Answers regarding the implementation of the Regulation. The purpose of the Questions & Answers is to promote common supervisory approaches and practices amongst the EU's national securities markets regulators on the requirements of the Short Selling Regulation once it comes into force on 1 November 2012. It will also provide clarity on the requirements of the new regime to market participants and investors. Additional Q&As relate in particular to the duration adjustment issue for calculating net short positions in sovereign debt, and to the calculation and reporting for the specific situation of group and fund management activities.

<http://www.esma.europa.eu/system/files/2012-666.pdf>

Furthermore, ESMA announced on 11 October 2012 that according to Article 7(2) of the Regulation, it has to publish a list of the thresholds applicable to the sovereign issuers

¹ European Securities and Markets Authority

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for the purpose of the notification to competent authorities of significant net short position in sovereign debt.

<http://www.esma.europa.eu/news/ESMA-publishes-notification-thresholds-sovereign-issuers>

Finally, the Commission would like to call upon the CIFs to take all the necessary steps in order to comply with the said Regulation and its implementing measures.

Yours sincerely,

Demetra Kalogerou
Chairman
Cyprus Securities and Exchange Commission

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