

Short Position Reporting – Frequently Asked Questions

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Important Notes

1. This document should be read together with the Securities and Futures (Short Position Reporting) Rules (**Rules**)¹, the Guidance Note on Short Position Reporting (**Guidance Note**), the Notes to the Reportable Short Position Form (**Notes**) and the Short Position Reporting Service User Guide (**User Guide**), all of which are available on the website of the Securities and Futures Commission (**SFC**)². Unless otherwise specified, the words and phrases used herein have the meanings given by the Rules, as appropriate.

A. Who should report?

1. *Who has the legal responsibility to report?*

In general, the person who has the reportable short position has the duty to notify the SFC.

Trust

In cases where a reportable short position is held on trust, the Rules have provided that the trustee has the duty to notify the SFC of the short position.

Corporate “umbrella” funds

The Rules have provided that in determining whether a corporate umbrella fund has a reportable short position, the position that is attributable to each underlying sub-fund is to be treated separately and is not to be aggregated with the positions of other sub-funds within the same umbrella fund. This means that a corporate umbrella fund will have to report for each of the

¹ To view the Rules, please visit <http://www.legislation.gov.hk/eng/home.htm>. Go to Chapter 571 and look for CAP 571AJ

² <http://www.sfc.hk/web/EN/regulatory-functions/market-infrastructure-and-trading/short-position-reporting/>

underlying sub-funds separately if their respective net short position hits the reporting threshold. Please see question D5 below on how to report.

Partnerships

The Rules have provided that if the partners in a partnership have a reportable short position, then a report submitted by a partner or another person authorized by all the partners of the partnership, on behalf of those partners, is regarded as having complied with the Rules. The Rules have also provided that a person who has a reportable short position as a partner in more than one partnership must report the short position attributable to each partnership separately. For more information on reporting, please see question D1 in the “How to report” section.

However, in cases where a partnership which is legally regarded as a separate legal entity that is distinct from its partners in its domicile jurisdiction, the partnership may report the short position of the partnership. For details on reporting, please refer to question D1 in the “How to report” section.

For all of the above, please refer to the Rules. You may also wish to refer to paragraph 13 to 17 of the Consultation Conclusions and Further Consultation on the Securities and Futures (Short Position Reporting Rules)³ published in October 2011 (**2011 Conclusions**), and paragraph 12 to 15 and 17 of the Conclusions on Further Consultation on the Securities and Futures (Short Position Reporting) Rules⁴ published in February 2012 (**2012 Conclusions**).

³ <http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/conclusion?refNo=11CP3>

⁴ <http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/conclusion?refNo=11CP7>

2. *If a firm's current trading infrastructure has adopted any of the three approaches set out in The Guidance Note on Short Selling Reporting and Stock Lending Record Keeping Requirements⁵ for determining whether it has a presently exercisable and unconditional right to vest the securities in the purchaser of them for the purposes of section 170 and 171 of the Securities and Futures Ordinance, how should the firm determine when it has to report its short position to the SFC?*

The SFC considers that it is appropriate and makes good logical sense that the firm should apply the same approach for the purposes of reporting short positions to maintain overall consistency in the data provided by the firm in relation to its short sales and short positions. Please refer to the Guidance Note for details.

3. *Is agency reporting allowed?*

A person who has the statutory obligation to notify the SFC of a reportable short position under the Rules may authorize another person/party to do so on his *behalf*. Please refer to the User Guide for details and steps on how to report.

⁵ http://en-rules.sfc.hk/net_file_store/new_rulebooks/h/k/HKSFC3527_328_VER10.pdf paragraphs 8.1 and 8.2.

B. What should be reported?

1. *What details of the reportable short positions are required to be reported to the SFC?*

The SFC has prescribed template (in Comma Separated Value “CSV” format) as shown below to submit the relevant information. Please refer to the Notes for instructions on how to complete the template.

Short Position Reporting ID	Name	Stock code of the specified shares	Stock name of the specified shares	Reportable short position (No. of shares)	Net short position value

2. *Where can I find the list of specified shares subject to reporting?*

A list of specified shares with their respective stock code and name, in both PDF format and CSV format, is published on the SFC website⁶. This list may be downloaded for use.

3. *Do I need to report my short positions in Designated Securities specified by the Stock Exchange of Hong Kong (SEHK)?*

Please note that the Rules only require reporting of short position in specified shares defined in Schedule 1 of the Rules. Not all Designated Securities specified by the Stock Exchange of Hong Kong (SEHK) are subject to short position reporting. The current list of specified shares can be found on our website.

⁶ <http://www.sfc.hk/web/EN/regulatory-functions/market-infrastructure-and-trading/short-position-reporting/>

4. *How to find out if there is any change to the list of specified shares?*

The SFC uses its best endeavors to update the list of specified shares (**List**) and publishes the revised List on its website to reflect the latest change. In addition, an email notification regarding such a change will also be sent to subscribers to the Short Position Reporting Related Matters email alert service⁷ (**Email Alert Service**).

While the SFC maintains the List current on a best effort basis to facilitate market participants to prepare for their reporting, market participants should also monitor any changes to the list of specified shares.

5. *How can I find out the number of shares issued by an individual corporation concerned?*

The information is provided by each individual listed corporation which can be found on the HKEx's website⁸. The information is also carried by some information vendors.

6. *Which closing price of the specified share is to be used for calculating the net short position value if the trading at the Stock Exchange of Hong Kong is suspended due to a black rainstorm warning or a tropical cyclone warning signal number 8 or above?*

If due to any of the above situations, the Stock Exchange is not opened for trading for the whole day, the closing price of the previous trading day should be used for calculating the net short position value.

⁷ This service is available for subscription on SFC's website at:

<https://www.sfc.hk/CampaignHelper/campaignForm.jsp?lang=EN>

⁸ http://www.hkex.com.hk/eng/invest/company/profilemenu_page_e.asp

7. *What if a specified share has two stock codes under parallel trading or the Dual Tranche Dual Counter (DTDC) model? Which stock code should be used for reporting?*

The net short positions in specified shares with two stock codes/counters should be aggregated and reported under the stock code specified on the List. In the case of parallel trading with an original counter and a temporary counter, net short positions of the two counters should be aggregated and reported under the original stock counter. Net short positions of the temporary counter should be converted into equivalent positions of the original counter before aggregation.

For specified shares under the DTDC model with a Hong Kong Dollar (HKD) counter and a Renminbi counter, net short positions of the two counters should be aggregated and reported under the HKD counter. Closing price of the HKD counter should be used to calculate the net short position value. Under the DTDC model, positions of the two counters are interchangeable and no currency conversion is required before aggregation.

8. *What if a specified share is denominated in other currencies like Renminbi? Which currency should be used in calculating the position value and for reporting?*

HKD should be used in calculating whether the value of a short position reaches the reporting threshold of HK\$30 million. To avoid the situation that different exchange rates are used for calculation, the Renminbi position value should be converted into HKD by using the exchange rate published on the HKEx website⁹ for stamp duty calculation. Same as the closing price, the exchange rate as of the reporting day (i.e. usually Friday) should be used for the calculation.

⁹ http://www.hkex.com.hk/eng/market/sec_tradinfo/stampfx/stampfx.asp

9. *Which financial instruments are subject to reporting under the Rules? Do they include bonds, over-the-counter derivatives, synthetic exposure to a share obtained through a derivative or exchange traded funds?*

You only need to report short positions in specified shares defined in Schedule 1 of the Rules. Derivatives of such shares are excluded for the purpose of reporting under the Rules.

10. *For shares that are dually listed on a Hong Kong exchange and a non-Hong Kong exchange, what is required to be reported under the Rules?*

Under the Rules, reporting of a “short position” is with respect to a position resulting from a short sale of the specified shares at or through SEHK or by means of an authorized automated trading services (ATS) specified in Schedule 2 of the Rules (currently, no such ATS is specified).

11. *When determining whether I have any reportable short positions, shall I base on the positions on trade day or settlement day?*

For the purpose of short position reporting, a short position is considered as created on the trade day.

12. *When I use market capitalization to determine whether my short position has reached or exceeded the reporting threshold, shall I include shares listed outside the SEHK, e.g. A-shares?*

Please note that the formula provided in Rule 3(2) (b) refers to the “total number of the specified shares issued by the corporation concerned” and “specified shares” means “shares in a corporation which are listed or admitted to trading on the Stock Exchange and specified in Schedule 1”. It

follows that shares that are not listed or admitted to trading on SEHK such as “A” shares should not be taken into account.

13. *I have submitted short positions to the SFC before. Do I need to notify the SFC or make a nil submission when my short positions dropped below the reporting threshold or become zero?*

The Rules only require reporting of short positions that reach or exceed the reporting threshold. There is no statutory obligation to report to the SFC if the positions subsequently fall below the reporting threshold or drop to zero on the next reporting day. However, reporting should resume if the short positions reach or cross the reporting threshold again.

C. When to report?

1. *What is the timing for reporting under normal situation?*

Please refer to the Rules and paragraphs 32-34 of the Consultation on Securities and Futures (Short Position Reporting) Rules published in May 2011¹⁰. In terms of the exact timing for reporting, for example, if the position was determined as at Friday, the reportable short positions must be filed by midnight of the following Tuesday (Hong Kong Time).

2. *What is the timing for reporting in contingency situations?*

Please refer to the Rules. You may also wish to refer to paragraphs 28 and 29 of the 2011 Conclusions and paragraph 22 of the 2012 Conclusions.

3. *How do I know when daily reporting is required?*

Please refer to the Rules. The daily reporting requirement notice will be published in the Gazette at least 24 hours before it comes into effect. The SFC also intends to publish the notice on its website. On top of these, the SFC may use other means to raise public awareness such as an email sent via to subscribers to the Email Alert Service¹¹.

¹⁰ <http://www.sfc.hk/edistributionWeb/gateway/EN/consultation/openFile?refNo=11CP3>

¹¹ <https://www.sfc.hk/CampaignHelper/campaignForm.jsp?lang=EN>

4. *Will the reporting deadline be adjusted if any of the two subsequent business days following the reporting day is affected by either a black rainstorm warning or a tropical cyclone warning signal number 8 or above?*

Under the Rules, a day which is affected by either a black rainstorm warning or a tropical cyclone warning signal number 8 or above will not be regarded as a “business day”. Consequently, the reporting deadline will be adjusted accordingly.

5. *Can I file the short position report later if the reporting deadline happens to be a public holiday in the market where I am based?*

The term “a public holiday” referred to in the definition of “business day” in the Rules means a public holiday in Hong Kong; the reporting deadline does not extend due to overseas public holidays. Filing made after the reporting deadline as required under the Rules will, without reasonable excuse, constitute a breach and failure to file because the reporting deadline falls on an overseas public holiday will not be regarded as a reasonable excuse.

D. How to report?

1. *How should I report my short position?*

First of all, you need to register through the Short Position Reporting Service (**SPRS**) to obtain a unique Short Position Reporting ID (**SPRID**). You can then prepare the short position report by referring to the template for reportable short position particulars in the Notes. Submission must be performed through the SPRS which is a web-based system. To submit the report, you must first need to provide your SPRID and name for authentication and then upload your short position report. Acknowledgement will be provided upon successful submission. Please refer to the User Guide for details.

In the case of reporting for partnership, both the partnership and the partner or person authorized by all the partners of the partnership should have their own SPRID for reporting. It is expected that the SPRID of the partnership and its short position details will be provided in the report template whereas the SPRID and name of the authorized person will be provided when performing the submission.

The Notes have provided for the particulars (name, address and contact information) of all partners in a partnership to be furnished at registration for a SPRID and the requirement to register for a new SPRID if any of the particulars provided at registration changes. The list of partners and their particulars is expected to be kept up-to-date.

Based on recent feedback from some market participants, the SFC was made aware that the requirements to provide the particulars of all the partners (and to update the list regularly) and to obtain a new SPRID as and when there is a change in the partners' list in a timely manner may pose practical difficulties in compliance for partnerships that have a large number of partners.

To address these compliance concerns, henceforth, the SFC will not mandate the list of partners and their particulars to be provided at registration. That said, the SFC would accept if such information is

volunteered. Given that the list of partners is no longer required at registration, it will also mean that the partnership does not have to be concerned with registering for new SPRID due to any changes in the list. However, the partner or the person authorized by the partners to report on their behalf will still be required to register for a new SPRID if any of its particulars provided at registration changes. In terms of reporting, the partner/ authorized person will, at registration for a SPRID, indicate in the “Remarks” box that it will be reporting as the partner or the person authorized to do so, on behalf of the partners in the partnership.

In instances where a partnership (which has a separate legal personality) is reporting its short position, the partnership will have to register for a SPRID. Likewise, it does not have to furnish a list of the partners in the partnership and their particulars at registration. The SFC would however accept the information if the partnership may nevertheless wish to volunteer the list. Similarly, the partnership need not register for a new SPRID following any changes in its constituent partners or any of its partners’ particulars. For reporting, the partnership should indicate, at registration for a SPRID, in the “Remarks” box its place of domicile and state that the partnership will be reporting the short position of the partnership.

It must be emphasized that the above reporting arrangements are subject to the proviso that a full and complete list of partners must be provided upon SFC’s request. It should also be noted that the above arrangements are to address the practical issues in reporting; they do not diminish the legal responsibility of those who are required to report under the Rules.

The SFC will monitor the reporting by partnerships and assess whether the information thus provided is sufficient for our regulatory purposes, and we may reinstate the information requirement in relation to partners in a partnership if our assessment concludes that this is necessary.

2. *Do I need to register if I am an existing SFC licensee?*

All persons with reporting obligations and their reporting agents, including those who are SFC licensees, are required to register through the SPRS to obtain a unique SPRID before submitting any short positions for themselves or on behalf of other parties. Please refer to the User Guide for details.

3. *Can I amend or withdraw the submitted information on reportable short position?*

Once the Reportable Short Position Form (**Form**) is submitted, it cannot be amended or withdrawn. You have to re-submit another Form to correct any inaccurate information. You should provide (i) the reason(s) for re-submission and (ii) the previous submission reference number in the submission remarks of re-submission. Please refer to the User Guide for details.

4. *How do I know if I have successfully submitted my report through the internet? Can I view the details after submission?*

Immediately after a short position form has been successfully submitted through the SPRS, an acknowledgment of receipt will appear on screen which can be downloaded for saving or printed. Besides the on-screen submission acknowledgement, a submission acknowledgement email will be sent to the primary contact person provided at registration and, if applicable, to the primary contact person provided in the Form.

5. *Under the Rules, a corporation that has a short position attributable to more than collective investment scheme (CIS) is required to treat the positions of each CIS separately and report the net short position of each CIS if it hits the threshold level. How should the corporation report in such a scenario?*

For illustration purpose, say, corporate XYZ has three CISs namely, Fund A, Fund B and Fund C, which have the following positions in stock HK123, (stock code xxx).

Fund A – 200 shares net short

Fund B – 100 shares net short

Fund C – 200 shares net long

Under the Rules, XYZ is required to treat and report the positions of Funds A, B and C separately (please refer to the above question A1 – Corporate “umbrella” funds). That is to say, XYZ has the duty to report to the SFC the net short position of Funds A and B if their respective net short position triggers the reporting threshold. However, XYZ is not required to report the long position of Fund C.

Assuming that XYZ has to report the short position of Fund A and Fund B, Fund A and Fund B will have to register separately for a SPRID and corporate XYZ will have to report the positions as two separate entries on the CSV report template as illustrated below (assuming closing price is HK\$10):

Short Position Reporting ID	Name	Stock code of the specified shares	Stock name of the specified shares	Reportable short position (No. of shares)	Net short position value
SPRID of Fund A	Fund A	xxx	HK123	200	2000
SPRID of Fund B	Fund B	xxx	HK123	100	1000

6. *Do I need to inform the SFC if I have changed the contact information provided at registration for a SPRID?*

Yes. As explained in the Notes, if any of the particulars (including contact details) provided at registration for a SPRID changes, the person must update the particulars by re-registering to obtain a new SPRID. **Your old SPRID will be invalidated** and the newly assigned SPRID will have to be cited on the Reportable Short Position Form in place of the old one in future reporting. Please note that under the Securities and Futures Ordinance, to comply with the reporting requirement under the Rules necessitate compliance with the Notes, which are directions and instructions included in the Form.

E. Others

1. *What details of the reported short positions will be published to the public?*

The SFC publishes aggregated short positions for each stock, on an anonymous basis. This data is typically published on the SFC's website three business days after the receipt of the short position reports.

2. *What if SFC's reporting service breaks down and not available for submission?*

If the SFC's reporting service is unavailable, a message will be displayed on the website and notification emails will be sent to all Email Alert Service subscribers as soon as practicable. They will be notified again when the service resumes normal.

3. *Where can I get updated information relating to the short position reporting?*

You can subscribe to our Email Alert Service¹². Through this service, subscribers will receive email alerts of the latest developments in relation to the short position reporting regime

4. *Where can I send my enquiries to if I encounter technical problems with the SPRS?*

Enquiries related to SPRS technical problems may be directed to shortpositions@sfc.hk.

Market participants who have questions regarding requirements under the Rules are strongly encouraged to review the Rules, the past public

¹² <https://www.sfc.hk/CampaignHelper/campaignForm.jsp?lang=EN>

consultation and consultation conclusions papers relating to short position reporting posted on SFC's website and the Guidance Notes, and if necessary, consult their compliance officer or legal adviser.