THE MONETARY AUTHORITY OF SINGAPORE

SECURITIES AND FUTURES ACT (CAP. 289)

GUIDELINES ON SHORT SELLING DISCLOSURE

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1 PURPOSE OF THESE GUIDELINES

1.1 These *Guidelines on Short Selling Disclosure* (the “Guidelines”) are issued by the Monetary Authority of Singapore (the “MAS”) pursuant to section 321 of the *Securities and Futures Act (Cap. 289)* (the “SFA”). These Guidelines aim to provide market participants with a better understanding of short selling and to set out MAS’ position on short selling. These Guidelines also seek to remind market participants of the statutory obligation to make true and accurate disclosure of their short selling trading information.

1.2 These Guidelines should be read in conjunction with the provisions of Part II of the SFA and the *Guidelines on the Regulation of Markets* (Guideline No. SFA 02-G01).

2 SHORT SELLING

2.1 Short selling in respect of securities[1] is the sale of securities that the seller does not own at the time of the sale, short selling may either be: ‘covered’ or ‘uncovered’ (also referred to as ‘naked’ short selling). In ‘covered’ short selling, at the time of the sale, the seller has borrowed the securities or has otherwise made arrangements to fulfil his obligation to deliver the securities. In ‘uncovered’ short selling, at the time of the sale, the seller is not in possession of securities or has not otherwise made arrangements to meet his delivery obligation.

2.2 Short selling allows for more efficient price formation, increases market liquidity and facilitates risk management and the development of hedging activities. However, under conditions of 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.

[1] In these Guidelines, “securities” shall have the same meaning as in section 2(1) of the SFA.

2.3 Internationally, many securities markets have measures in place 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 termed 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[2] recommend that jurisdictions adopt enhanced and meaningful short selling reporting.

3.2 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.

3.3 Market participants should exercise care when interpreting information on short selling. For instance, information on short sale volume may not reflect the outstanding short position in those securities. Volume of short sales may include trades which have since been squared off by offsetting buy trades.

[2] See IOSCO's "*Objectives and Principles of Securities Regulation*" released in June 2010.

4 SGX-ST RULES ON MARKING OF SELL ORDERS

4.1 SGX-ST has introduced disclosure requirements to facilitate the marking of sell orders on its securities market. SGX-ST Trading Members may not enter a sell order unless the relevant market participant has informed them whether an order is a short sell order. Market participants are expected to split partial short orders, where they do not own the full quantity of securities to be sold, into two separate orders with the short sale order marked accordingly.

4.2 SGX-ST will publish aggregated short selling information, such as short sales volume and value, on the SGX website by the start of each trading day, based on short sale order data collected on the previous trading day.

4.3 As information on short selling may be taken into account by other market participants when making trading decisions, all market participants are expected to accurately disclose the nature of their sell orders for SGX-ST Trading Members' compliance with SGX's rules on short selling disclosure. SGX-ST will provide its Trading Members with a facility to correct erroneously marked sell orders.

4.4 Section 330(1) of the SFA provides that any person who, with intent to deceive, makes or furnishes, or knowingly and wilfully authorises or permits the making or furnishing of, any false or misleading statement or report to a securities exchange, futures exchange, designated clearing house or any officers thereof relating to dealing in securities shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $50,000 or to imprisonment for a term not exceeding 2 years or to both. In applying section 330(1) of the SFA, MAS will consider whether there was intent to deceive in respect of sell orders that had been inaccurately marked by SGX-ST Trading Members or inaccurately disclosed by market participants.