



**QFMA's Board Decision No. (05) of 2022**

**Concerning the Issuance of**

***Covered Short Selling Rules  
(CSS Rules)***

**The Board of Directors,**

Having considered Law No. 8 of 2012 of Qatar Financial Markets Authority;

QFMA's Board approval at its 1<sup>st</sup> meeting of 2022 on 17<sup>th</sup> of March 2022;

And as required by the public interest,

**We have decided the following:**

**Article (1)**

Covered Short Selling Rules (CSS Rules) annexed to this decision shall come into full force and effect.

## **Article (2)**

All competent authorities, each within its jurisdiction, shall implement this decision. The decision shall be effective from the date of issuance and shall be published in the Official Gazette.

**Bandar Bin Mohammed Bin Saoud Al-Thani**

**Chairman of the Board of Directors**

**Issued on 12/02/1444 H**

**Corresponding to: 08/09/2022**

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*This is a translation of the Official Arabic version.*

*In case of any discrepancies, the Arabic version shall prevail.*

# Covered Short Selling Rules (CSS Rules)

## Article (1)

### Definitions

In the application of the provisions of these Rules, the following words and phrases shall have the meaning given to them hereunder, unless the context requires otherwise:

<b>State:</b>	State of Qatar
<b>Law:</b>	Law No. 8 of 2012, as amended by Decree-Law No. (22) of 2018.
<b>Authority” QFMA”:</b>	Qatar Financial Markets Authority.
<b>Market:</b>	Financial market licensed by the Authority for dealing in securities
<b>Depository:</b>	The company licensed by the Authority to carry out the functions of the depository.
<b>Company:</b>	A financial services company licensed by or registered at the Authority to conduct any of the activities prescribed in Article (4) of Financial Services Rulebook issued by the Authority.

**Covered Short Selling (CSS):**

A sale transaction conducted by any of the authorized persons, stipulated in Article (3) of these rules, of securities either borrowed or entered into their borrowing arrangements. The short selling position of securities shall be covered by the settlement date in accordance with these rules.

**Market Maker:**

A Market member Company licensed by the Authority to conduct market making activity.

**Liquidity Provider:**

A Market member Company licensed by the Authority to conduct liquidity providing activity.

**Qualified Investor:**

An investor who has an efficient experience to invest in Securities by itself and satisfies the following requirements:

1. Financial services companies.
2. Banks, insurance & reinsurance companies, investment & financing, and investment funds licensed by the State.
3. State institutions and companies owned by the State, Qatar Investment Authority and its Subsidiaries.
4. The investment manager acting on its own behalf or on behalf of its clients.
5. Natural person, if meeting the following:
  - a) has worked in one of the entities subject to the Authority's jurisdiction or one of the entities subject to the supervision of other financial sector regulators in a professional function accepted by the Authority for a period of no less than (3) years.
  - b) has traded in the Market with a total value of no less than fifty million riyals during the past twelve months.

c) has specialized and approved international or local certificates in the field of investment in the Financial Markets.

**Corporate Actions:**

Issuers actions related to securities holders, such as cash dividends, distributions of bonus shares, rights issue, merger.... etc.

**Financial Assets:**

Deposits and investment portfolio at banks and securities to which the definition of securities applies by the law.

**Article (2)**

The Securities Lending and Borrowing Rules (SLB Rules) shall apply to securities lending and borrowing transactions for the purpose of CSS, or for the purpose of settling existing short selling positions and shall be considered among the cases mentioned in Article (2) of those rules.

**Article (3)**

**Persons Authorized for CSS**

CSS may be carried out by the following:

1. Market Maker.
2. Liquidity Provider.
3. Qualified Investor.
4. Any other cases approved by the Authority.

## **Article (4)**

### **Coverage of CSS Positions**

The coverage of CSS transactions on the settlement date through borrowed securities, or securities subject to lending and borrowing arrangements and reserved upon sale for delivery on the settlement date, shall be in accordance with the Authority's SLB Rules, and lending and borrowing agreement signed between the lender and the borrower or their agents.

Securities lending and borrowing may be conducted in compliance with Islamic transactions and the agreements governing them.

The Company shall not conduct any CSS transaction without signing an agreement with its authorized client setting out the rights and duties of each of them, the collaterals required by the Company and the procedures to be taken if the authorized client fails to deliver the CSS securities on the settlement date.

In the event that there are lending arrangements and the Company is a lender of securities on its own behalf or in its capacity as a lending agent, the agreement may include the possibility for the client to cover the short selling positions through the Market on the same sale date with the terms and procedures proposed by the Market and approved by the Authority.

## **Article (5)**

### **Terms and Procedures for Covering Short Positions of Securities**

The Company must comply with the following conditions when executing and covering short selling transactions:

1. An agreement shall be concluded between the Company and any of its clients who are authorized to execute short selling of securities as stated in third paragraph of the previous article.

2. Ensure that the security is borrowed pursuant to the Authority's SLB Rules and its ownership has been transferred to the borrower, or that the borrower has entered into borrowing arrangements pursuant to the same rules referred to above and has been reserved for delivery on the settlement date with an undertaking from the lender or lending agent to complete the lending arrangements before the settlement date.
3. The authorized client shall deposit a cash collateral before the short selling transaction of at least 35% of the market value of the securities subject to short selling. The Company, if it lends the borrowing client securities from its own account or in its capacity as a lending agent, shall have the right to acquire the collateral specified in this term, or the collateral specified pursuant to the Authority's SLB Rules, whichever is less.
4. The Company shall retain the short selling proceeds of securities plus the cash collateral until the short-sold securities are covered.
5. The short selling proceeds plus the cash collateral in this case, are considered property of the selling client to which a right attach to the Company that executed the CSS until the short-sold securities are fully covered.
6. If the agreement with the Company includes that the client can buy the short-sold securities during the same session, and the client did not do so, the Company shall complete the lending and borrowing arrangements before the settlement date.
7. If the client or the Company fails to cover the short selling transactions, such transactions shall be settled in accordance with the Delivery Versus Payment (DVP) procedures followed by the Depository, and the Company may use both the short selling proceeds and the collateral deposited by the client in the settlement.
8. The Company shall return the surplus, if any, to the authorized client after settling the short selling transactions and deducting the compensation or any other costs incurred by the Company in this regard from the client's account. The Company may claim the authorized client for any dues in excess of the total value of the selling proceeds of securities and the value of the collateral.

## **Article (6)**

### **Securities Accepted for CSS**

1. The Market shall determine the securities accepted for CSS as per the standards set by the Market and approved by the Authority.
2. The Company shall not conduct CSS transactions on the rights issue of the capital increase shares during the trading period of such rights.
3. The Company shall not conduct CSS transactions before the ordinary and extraordinary general assembly of the listed company for a period equal to the settlement period until the date of the meeting, as well as on the date of the Corporate Actions.
4. A single client shall not sell the covered short securities at a percentage in excess of the percentage specified in the market notice, and the total CSS transactions of a single security shall not exceed the percentage specified in the notice.

## **Article (7)**

### **Obligations of Dealers of Selling Covered Short Securities**

1. The Company shall open a separate trading account for each client, designated to conduct CSS transactions through such account pursuant to the agreement concluded between them.
2. The Company shall not sell short covered securities, unless the sale order price is higher than the last executed transaction price.
3. The CSS securities orders shall not be entered as market orders, and they shall be entered at a specified price.
4. The Company, and any authorized person for CSS who fails to deliver the CSS securities, shall pay compensation according to the DVP procedures.
5. The Company, the Market, and the Depository shall agree on procedures for distinguishing CSS orders and transactions, and procedures for managing the maximum CSS allowed per company.



6. If an authorized investor sells CSS securities in excess of the limit specified in Article (6, item 4), the Company must purchase the securities as soon as it becomes aware of this, and no later than the next day from the date of the sale, and without referring to the account holder, no later than the next day (T+1). All profits made as a result of violating these rules or correcting this violation shall be transferred to the Authority.
7. The Company, the Market Maker, and the Liquidity Provider, who are conducting the CSS transaction, must provide an additional bank collateral, other than the bank collaterals provided for other trading activities. The additional bank collateral is used to put an end to the CSS as per the Market and the Depository procedures approved by the Authority.
8. CSS transactions executed through the Company shall be deducted from the permitted volumes considering other bank collaterals provided by such company.

#### **Article (8)**

### **Disclosure of CSS Positions**

1. The Market shall daily disclose on its website, after the end of the trading session, about the CSS securities. The disclosure shall include the name of the security and the number sold of each one.
2. The Depository and the Market shall daily disclose to the Authority, after the end of the trading session, about the position of the single investor in case exceeding the number of short selling of a single security above a percentage specified on the Market notice.
3. The Market shall submit to the Authority weekly reports including trading value and volume of CSS positions, the Company, the Market Maker, the Liquidity Provider, and the authorized persons.

## **Article (9)**

### **Exception from some Provisions of these Rules**

The Market may exempt the Market Maker and the Liquidity Provider from applying some provisions of these rules, after the Authority's approval.

## **Article (10)**

### **Suspend CSS**

If exceptional circumstances arise, the Authority may, temporarily or permanently, on its own initiative or at the request of the Market, suspend the CSS on all or some of the CSS securities.

## **Article (11)**

### **Violations and Penalties**

In the event of a violation of any provision of these rules, the Authority may impose the prescribed penalties against the violator, under the provisions of the Authority's law, regulations, rules, and decisions issued in pursuance thereof, according to the procedures established by the Authority in this regard.