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FSMA Announces the Suspension of the Ban on Creating or Increasing Net Short Positions

Belgium: Financial Services and Markets Authority (FSMA)

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On 18 March 2020, the FSMA imposed a ban on creating or increasing net short positions on shares admitted to trading on Belgian trading venues. The FSMA announces today that, as of 19 May 2020, this measure will be suspended.

The ban imposed on 18 March 2020 applies to any transaction which creates, or relates to, a financial instrument and where the effect or one of the effects of that transaction is to confer a financial advantage on a natural or legal person in the event of a decrease in the price or value of another financial instrument, pursuant to Article 20 of Regulation (EU) no. 236/2012. This measure was extended on 15 April 2020.

This exceptional measure was taken because the FSMA observed large price movements in the market. This high market volatility indicated that the market had difficulties in correctly valuing the impact of the COVID-19 crisis on the listed companies due to a lack of visibility and understanding at that time. The measure was aimed at preventing those conditions from deteriorating and potentially having adverse effects on the companies concerned and on market confidence in general.

As announced in mid-April, the current measure expires on 18 May 2020 at 11:59 PM and the FSMA has decided in concertation with ESMA and the different national authorities concerned not to extend it further, based on the following market-specific and general findings:

- Many listed companies now have a better view of the impact of COVID-19 on their activities and have communicated about this to the market;
- Market volatility has fallen sharply since mid-March to pre-COVID-19 crisis levels;
- There has been a steady decline in net short positions since the start of the measure. This gives a good indication that the measure was well adhered to by market participants;
- The market has already made up a large part of the losses incurred during this period;
- A decrease has been noted in the number of people infected and the number of patients admitted to intensive care;
- As a result, government lockdown measures are systematically being phased out. To date, this is going according to plan.

The FSMA is therefore of the opinion that the market situation has stabilized and it sees no need to further extend the ban. The FSMA continues, however, to remain vigilant and to monitor the markets closely in case changing market conditions should deem it necessary to act.

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