

IIROC NOTICE

Rules Notice
Guidance Note
UMIR

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Guidance on Short Position Calculation and Reporting

Executive Summary

This Guidance Note sets out the process to calculate and file short position reports in compliance with UMIR Rule 10.10 (**Guidance**)¹.

***This Guidance repeals and replaces Market Integrity Notice 2007-022 – Short Position Calculation and Reporting (October 29, 2007) (Previous Guidance)*². This Guidance also repeals item 4 and question 11 in IIROC Notice 14-0186 – Requirements for Secure Electronic Regulatory Communication (July 24, 2014).**

This Guidance differs from the Previous Guidance in that:

- IIROC is the sole facility to receive short position reports for all listed and quoted securities
- the calculation of the reported short-position is based on the settlement date
- the calculation of the reported short-position includes odd-lots.

¹ UMIR [Rule 10.10](#)

² Market Integrity [Notice 2007-022](#) – Short Position Calculation and Reporting (October 29, 2007)



1. Provisions Respecting Short Position Reporting

Participants and Access Persons are required to calculate and file a report of the short positions in each listed and quoted security as of the 15th day and the last day of each month in a form as required by IIROC (**Short Position Report**). An Access Person is not required to file a report if the short position is in an account maintained by a Participant.

Participants and Access Persons must file a short position report with IIROC within two trading days following the date on which the calculation is to be made.

Participants and Access Persons were required under Previous Guidance to file Short Position Reports with each listing Exchange. IIROC will now be the sole facility to receive Short Position Reports. We expect that the filing of one consolidated report with IIROC will be more efficient for Participants and Access Persons.

2. Calculation of Short Positions

(a) Report Aggregate Short Position of Each Separate Account

Each Participant must:

- report an aggregate short position for each listed or quote security based on the aggregate short positions in each account
- calculate the short position from each account separately
- not net positions from more than one account even where accounts are for the same beneficial owner.

(b) Include Odd-lot Short Positions

Odd-lot positions should be included in the calculation of reported short positions. Previous Guidance excluded odd-lots from the calculation. Some Participants have indicated that additional effort is required to remove odd-lot short positions from the report. We believe including odd-lot short positions will not lessen the value of the Short Position Report. Therefore, we have amended the calculation of short positions to include odd-lot short positions.

(c) Calculate Short Positions Using Settlement Date

Participants and Access Persons must calculate short positions using *settlement date* positions. The Previous Guidance required that the reported short positions be based on trade-date positions. We believe reporting short positions using the settlement date will exclude positions



that are not reflective of true short positions including:

- positions related to the covering of an option exercise that would be “flattened” on settlement day by the exercise of the derivative or other related option
- positions in receive vs. payment accounts where all sales will appear as “short” until the settlement date, regardless of whether the sales are from a short or long position.

(d) Convertible or Exchangeable Securities

A short position in a listed or quoted security which is covered by the holding of a convertible or exchangeable security is still considered to be a short position. This short position must be reported until such time as the convertible or exchangeable security has been tendered or the account holder has issued irrevocable instructions to convert or exchange the security.

We recommend that Participants and Access Persons review their accounts to ensure that the short position is being properly calculated for reporting purposes.

3. Publication of Short Positions

IIROC intends to publish a Consolidated Short Position Report (**CSPR**) on our website as of the 15th day and as of the last day of each calendar month. The CSPR will display:

- aggregate short positions on all listed and quoted securities as of the current reporting date
- the net change in short positions from the previous reporting date, on a per security basis.

Since 2012, IIROC has produced a Short Sale Trading Summary Report³. This report shows the aggregate proportion of short selling in the total trading activity of a particular security. It is produced and published on the IIROC website twice monthly, for the period from the first to the 15th of each month and from the 16th to the end of each month.

Since its introduction, there has been some confusion in the investor community regarding the relationship between the information contained in the Short Sale Trading Summary Report and in the aggregated short position reports published by certain listing Exchanges. The information in one report does not, and is not expected to, reconcile to the information in the other. The Short Sale Trading Summary Report contains trade information rather than position information. We will address some of the confusion by clearly identifying the information contained in each report when they are both available on our website.

³ IIROC [Notice 13-0020](#) – Rules Notice – Technical – *Issuance of Initial Short Sale Trading Summary Report* (January 21, 2013)



4. Impacts

(a) Participants

We expect the most significant impact on Participants will be more efficiency. Participants will file a single report with IIROC instead of separate reports with each listing Exchange.

We note that changing the calculation of reported short positions using the settlement date rather than the trade date and the inclusion of odd-lot short positions will require Participants to make certain operational and systems changes. We expect this effort to be minimal.

In designing the new reporting facility, we have sought to minimize changes that would negatively impact Participants.

(b) Exchanges

The listing Exchanges will no longer be required to receive and process Short Position Reports on behalf of IIROC.

5. Implementation

This Guidance becomes effective when the new reporting facility is launched. We anticipate the new reporting facility to be launched in Fall 2018.

We will publish a technical notice well in advance of the launch date to provide:

- the effective date
- details on the processes a Participant will need to follow in order to file a Short Position Report with IIROC.