16 December 2025

Via online submission: cp25-29@fca.org.uk

Aaron Smith
Financial Conduct Authority
12 Endeavour Square
London E20 1JN

Re: Changes to the UK Short Selling Regime

Dear Mr Smith,

MFA[1] appreciates the opportunity to represent the views of the global alternative asset management industry in this written response to the Financial Conduct Authority's ("**FCA**") Consultation Paper on Changes to the UK Short Selling Regime (CP25/29).[2]

We commend the FCA for consulting on its proposal to create a new Short Selling Sourcebook, within the FCA Handbook, that contains its rules and guidance for short selling activity, based on feedback to HM Treasury's Call for Evidence[3] and the Short Selling Regulations 2025 (SSR 2025).[4] The Consultation is a critical step toward strengthening the international competitiveness and dynamism of the UK as a global financial centre.

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1 Managed Funds Association ("**MFA**"), based in Washington, D.C., New York City, Brussels, and London, represents the global alternative asset management industry. MFA's mission is to advance the ability of alternative asset managers to raise capital, invest it, and generate returns for their beneficiaries. MFA advocates on behalf of its membership and convenes stakeholders to address global regulatory, operational, and business issues. MFA has more than 180 fund manager members, including traditional hedge funds, private credit funds, and hybrid funds, that employ a diverse set of investment strategies. Member firms help pension plans, university endowments, charitable foundations, and other institutional investors diversify their investments, manage risk, and generate attractive returns throughout the economic cycle.

2 Financial Conduct Authority, Consultation Paper on Changes to the UK Short Selling Regime (CP25/29) (Oct. 2025) ("**FCA Short Selling Consultation**" or "**Consultation**"), available at: CP25/29: Changes to the UK Short Selling Regime

3 See Letter from MFA to HM Treasury (Aug. 7, 2023), available at: https://www.mfaalts.org/wp-content/uploads/2023/08/MFA-Response-to-HMT-Consultation-on-Sovereign-Debt-and-Credit-Default-Swaps-7.8.2023-FINAL-1.pdf

4 Available at: https://www.legislation.gov.uk/uksi/2025/29/made (establishing a new legislative framework for the regulation of short selling that gives the FCA powers to create new firm-facing rules)

MFA supports the FCA's efforts to implement targeted modifications to short selling rules to reinforce the efficiency of the UK capital markets and unlock greater investment across the UK. As MFA has pointed out previously, short selling benefits the market and investors in a number of ways, including by:

- improving efficiency of price formation;
- improving market liquidity and reducing volatility;
- allocating capital more efficiently and unlocking capital investment;
- detecting corporate fraud;
- promoting environmental, social, and governance goals; and
- reducing risk of market bubbles.[5]

Furthermore, short selling plays an important role in supporting the effectiveness of the market. Impairing the ability of fundamentally-driven active investment managers to take and manage short positions has material negative consequences for the wide swath of retail and institutional investors who today benefit from efficient, low-cost index funds and other passive investment vehicles. Active managers, who invest time and resources to identify both under-valued and over-valued securities, play a critical role in driving the informed prices and rational allocation of capital upon which passive investors depend. The successful growth of indexing and other passive investment strategies has been underpinned by active management strategies that drive and maintain the efficient pricing of securities. Compromising the ability of active managers to implement effectively their investment theses, particularly with respect to stocks they believe are over-valued, would cause stock prices to deviate from their fundamental value and capital to be misallocated, to the detriment of all investors.

MFA supports the overall direction that the FCA is proposing to take in the Consultation and believes that these changes will enhance the efficiency of the UK capital markets. We specifically support the proposals relating to:

- position reporting, subject to the discussion below (Chapter 4);
- the reportable shares list (Chapter 5); and
- aggregate net short position disclosure (Chapter 7).

In particular, MFA strongly supports the FCA's proposal in the Consultation to implement the aggregate net short position disclosure of the SSR 2025. As previously discussed, the benefit of short selling to the capital markets is constrained by requirements for individual firm public disclosure ("**IFPD**") of short positions.[6] Accordingly, the Short Selling Regulations 2025 requires the FCA to combine and publish the net short positions ("**NSPs**") reported to the FCA as aggregate net short positions ("**ANSPs**") in relation to each company. NSPs reported by individual position holders will be

[5] *See supra* note 3

[6] *See supra* note 3

anonymised. This will avoid the unwelcome effects and herding behaviour that have previously been identified as consequences of IFPD. The FCA has proposed an effective mechanism to implement these important statutory changes.

MFA's further comments are set out in the responses to a number of the specific questions posed by the FCA, which can be found in the annex.

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We appreciate your consideration of our comments and would be pleased to discuss our letter in further detail. Please do not hesitate to reach out to me on +44 20 3585 2300 or rhailey@mfaalts.org.

Yours sincerely,

/s/ Rob Hailey

Rob Hailey
Managing Director, Head of EMEA Government Affairs
MFA

ANNEX

QUESTIONS AND RESPONSES

Q1. Do you agree with our proposals to replicate existing requirements for calculating and reporting NSPs?

MFA Response

Yes.

Q2. Do you agree with our proposals to extend the reporting deadline and change the time for calculation?

MFA Response

Yes.

Q3. Do you agree with our proposal to provide additional guidance on issued share capital?

MFA Response

The FCA proposes to issue guidance on the sources of information which persons can use to identify the issued share capital of companies. However, the FCA does not consider it necessary or proportionate to produce a centralised source of issued share capital for the specific purpose of calculating NSPs (Proposal 3, Chapter 3), but proposes instead to issue guidance to clarify that firms can act reasonably having regard to publicly available information for the purpose of calculating their NSPs.

We note that the FCA proposes that one source of information for issued share capital is that disclosed by companies under the Disclosure Guidance and Transparency Rules ("**DTR**"). However, this source uses different issued share capital requirements, notably in relation to treasury shares. The recommended sources of total shares outstanding are also not available in machine-readable formats and can be difficult to locate on an issuer's website.

Firms' experience is that third-party data vendors can often scrape incorrect information from issuers' websites, leading to untimely information and/or incorrect calculations (e.g. total shares outstanding plus treasury shares) and inaccurate total shares outstanding figures (e.g. using total voting shares information or incorrectly calculate treasury shares into the issued share capital). This can be particularly problematic during corporate buybacks and other corporate actions affecting an issuer, creating uncertainty for disclosing participants.

Market participants would benefit from being able to consult a central ('golden') source of information regarding issued share capital. This would significantly reduce the cost of

compliance with short sale reporting rules, particularly for firms that short multiple stocks per day.

Furthermore, it would greatly improve the quality and consistency of data that the FCA receives because without a central source of issued share capital, firms will take different approaches, leading to differences in their calculations of NSPs.

As an aside, we note that the EU is moving forward with the European Single Access Point (ESAP) initiative which promises to provide a platform with centralised access to company information, including issued share capital relevant for the Short Selling Regulation. This is anticipated to be implemented by 2027.

If the FCA determines not to take this approach, then we recommend, at a minimum, that it provide clear guidance to: issuers regarding disclosures under the DTRs and/or provide that DTR disclosures be made in a machine-readable format; and to short sale reporters regarding what are acceptable sources of information concerning issued share capital. While a centralised, golden source of issued share capital information would provide the most benefit, standardised, machine-readable DTR disclosures, along with clear guidance to short sale reporters may go part way toward ensuring greater consistency of approaches to calculating NSPs.

Q21. Is there anything else associated with the RSL that you would like to raise?

MFA Response

The SSR 2025 requires the FCA to publish and regularly update a list of shares, admitted to trading on UK trading venues, to which these rules apply (the "**reportable shares list**" or "**RSL**"). This is a positive development which represents a marked improvement on the current approach of using an excluded shares list. MFA supports the FCA's proposal in the Consultation to implement the RSL and believes it will increase the efficiency of the short selling regime in the UK.

MFA would welcome further clarity as to precisely when shares on the RSL come into scope of the reporting requirements. Our recommendation is that it should be the day after admission to the list, so as to avoid the need for intraday ad-hoc updates.

Q39. Do you have any additional thoughts on our Statement of Policy that you wish to share?

MFA Response

MFA generally supports the FCA's proposed Statement of Policy regarding how it intends to use its emergency powers to prohibit, restrict, and request additional information on short

selling activity in exceptional circumstances, or following a significant fall in price, as applicable.

The UK authorities have built a reputation for using their short selling emergency powers judiciously. As a general matter, MFA does not support short sale bans because they have been shown to be ineffective and can produce more harm than benefit (and because other market mechanisms are available to address policy concerns).

Any short selling ban should only extend to increases of, or the creation of new, net short positions. The amended regime should also exempt from any short selling bans instruments such as indices, baskets, and ETFs.