

Frequently Asked Questions (FAQs) on the New Short Selling Regulation

(25 June 2020)

1. How are the regulation changed? When does it take effect?

- SET has tightened short selling regulation, only for the price rule, in which short selling could be transacted only at uptick rule (the price higher than the last trading price), instead of at zero plus tick (the price not lower than the last trading price) as currently used.
- This new rule takes effect no longer than September 30, 2020

2. How will the exchange oversee and monitor the short selling in accordance with the new rule?

- Following the original rule, The Exchange's system automatically monitors short selling prices. However, this new adjustment is a temporary measure, SET, therefore, uses a post-audit method to ensure that all short selling transaction comply with the SET's rule strictly. Verification and request for additional documents to ensure compliance with such regulation may be asked as the Exchange deems fit.

3. How do members handle with the new rule?

- SET requests cooperation for members to communicate with all investors regarding the rule changes and take measures to ensure compliance with the rule. Given the new regulation is imposed temporarily, members, therefore, do not need to modify their systems. However, if any member wishes to modify the system to support the new short selling price rule, the member is required to inform the SET about the plan and timeline.
- Since the new rule became effective immediately, members using automated program trading may not be able to comply with the new rule in a short period. Members should immediately inform SET and file request for a waiver to continue to use the program trading as allowed by SET excluding the short selling function. In this regard, the member is required to take measures in prohibiting the use of the short selling function based on "Zero plus tick" price rule.

4. Can a market maker perform as usual?

- Market makers for Depositor of the Receipt (DR), Derivatives Warrant (DW), Exchange Traded Fund (ETF), and Single Stock Futures, can continue to operate as usual and are not obliged to the new short selling rule.