



# Controls for Covered Short Selling



#### Article (1)

In the implementation of the provisions of these Controls, the following words and expressions shall have the meaning indicated thereto, unless the context of the text indicates otherwise:

Authority: Financial Services Authority.

Stock Exchange: Muscat Stock Exchange SAOC

Depository: Muscat Clearing & Depository SAOC

Covered Short Selling: Selling of borrowed securities in accordance with the controls for lending and borrowing eligible securities referred to.

Eligible Securities: The securities announced by the Stock Exchange in accordance with the provisions of the aforementioned Market Making Regulation.

Eligible Investor: The borrower in accordance with the provisions of the controls for borrowing and lending eligible securities, who desires to execute a covered short selling in accordance with the provisions of these Controls.

Contract: A contract between a lender and a borrower in accordance with the provisions of the securities lending and borrowing Controls.

#### Article (2)

The eligible Investor may not engage in covered short selling unless he/she has obtained the approval of the Stock Exchange.

#### Article (3)

In order for the eligible Investor to obtain the approval of the Stock Exchange to practice covered short selling, an application shall be submitted to the Stock Exchange, accompanied by the following:

- 1- Evidence demonstrating that he/she possesses the necessary technical and managerial capabilities and resources.
- 2- Evidence demonstrating that he/she has financial solvency in accordance with the standards issued by the authority in this regard.
- 3- Evidence demonstrating that he/she has an Order Management System (OMS) to distinguish covered short selling orders from other orders.
- 4- A report outlining the technical system used for managing covered short selling accounts.
- 5- A report outlining the document keeping system for covered short selling transactions.



6- A report outlining the internal control and auditing systems and principles for covered short selling transactions.

7- Any other information or documents requested by the Stock Exchange.

The Stock Exchange shall review the application and decide on it within (5) five working days starting from the date of completion of all data and information. Failure to respond within this period shall be deemed as a rejection of the application.

#### Article (4)

The eligible Investor who has obtained the approval of the Stock Exchange to practice covered short selling shall commit to the following:

1- To open a separate account in the Order Management System stipulated in Article (3) of these Controls to manage covered short selling operations.

2- To ensure that there are borrowed securities in the account designated for covered short selling operations before executing the sell order.

3- To provide the Stock Exchange with any reports it requests regarding covered short selling operations.

4- To obtain the approval of the Stock Exchange before carrying out any amendment to the Order Management System, and submit a technical report on the amended system's compliance with the Stock Exchange's requirements.

#### Article (5)

The eligible investor shall increase the price of the covered short selling order by one minimum price increment above the last traded price or the price at which the order is entered.

#### Article (6)

The Stock Exchange shall review the eligible securities annually, and publish an updated statement thereof after the end of the last trading session of each year.

#### Article (7)

The Stock Exchange shall not bear any responsibility for any damages or losses resulting from covered short selling operations.

#### Article (8)

In the event that the price of the eligible security subject to the covered short selling decreases by (5%) five percent from the previous day's closing price, the eligible investor shall carry out the following:



- 1- Suspend the covered short selling operations on that security for a period of two (2) trading days.
- 2- Complete the covered short selling operations after the end of the suspension period if there is no additional decrease of (5%) five percent in the price.

#### Article (9)

In the event of significant fluctuations in the trading of securities or if exceptional circumstances arise, either temporarily or permanently, affecting any of the eligible securities for covered short selling, or in other cases requiring the suspension of covered short selling transactions, the Stock Exchange shall notify the Authority to take appropriate action.

#### Article (10)

If the contract is terminated for any reason in accordance with the controls for borrowing and lending eligible securities, the Stock Exchange shall cancel any orders entered by the eligible investor for covered short selling of the security the subject of the terminated contract.

#### Article (11)

For covered short selling positions, the Stock Exchange shall do the following:

- 1- To disclose, every day on its website after the end of the trading session, the positions of securities that were sold on covered short, provided that the disclosure includes the name of the security and the number of each security sold.
- 2- To submit a weekly report to the Authority including the volume of covered short selling positions of liquidity funds, market makers and liquidity providers who have been granted approval for covered short selling.

#### Article (12)

Without prejudice to any administrative penalties or criminal sanctions stipulated in the applicable laws in the Sultanate of Oman, the CEO of the Stock Exchange may, in the event that the eligible investor fails to comply with the provisions of these Controls, take one or more of the following measures:

1. Issue specific mandatory directives to correct the situation within the period specified by the Stock Exchange.
2. Issue a warning.
3. Cancel the covered short selling approval.

In this case, the Stock Exchange shall notify the Authority immediately upon taking any of the measures referred to above. It shall also notify the Authority of the violation to take the



necessary measures in this regard if the violation is of significant severity or seriousness and the measures stipulated in this article are not sufficient.