

OCTOBER 30, 2025

FCA CONSULTATION ON UK SHORT SELLING REGULATION – WHAT UK AND NON-UK CLIENTS NEED TO KNOW?

On 28 October 2025, the FCA announced a [consultation on proposed new rules and guidance](#) on short selling.

Short selling is the practice of selling a security that is borrowed or not owned by the seller, with the intention to repurchase this security later, at a lower price. Market participants engage in this activity both for speculative and risk management purposes, enabling sellers to hedge the risk of, or profit from, a decline in the price of a financial instrument (in particular, shares).

WHY IS THE FCA CONSULTING?

The UK Short Selling Regulation ("**SSR**") was incorporated into domestic law by the European Union (Withdrawal Act) 2018. This formed the basis of the UK short selling regime. The SSR set out requirements for short selling activity in certain financial instruments admitted to trading on UK trading venues, including exchanges. This included shares, UK sovereign debt and UK sovereign credit default swaps ("**CDS**").

The government published the [Short Selling Regulations 2025](#) ("**SSR 2025**") in January 2025. This established a new legislative framework for the regulation of short selling which largely retained the core features of the current regime, but made some key changes, see below:

1. UK Sovereign Debt – it removed UK sovereign debt and associated CDS from the scope of the regime, including covering and reporting requirements.
2. Public Disclosure – it replaced the current arrangements for publicly disclosing individual net short positions ("**NSPs**"), equal to or above 0.5% of a company's issued share capital with an obligation for the FCA to combine, anonymise and disclose NSPs as an aggregate figure in relation to each company composed of all outstanding NSPs the FCA receives above the 0.2% reporting threshold.
3. The Reportable Shares List – it replaced the UK list of exempt shares with a new obligation on the FCA to publish a list of shares subject to its own position reporting and covering requirements.

The FCA now has certain rulemaking, supervisory, and enforcement powers over non-FCA authorised/licenced entities who carry out certain activities designated by HM Treasury. This includes the designated activities of entering into a short sale of an admitted share or any related transaction (short selling activity) as specified in Regulation 4 of the SSR 2025.

Under this consultation, the FCA proposes to create a new short selling sourcebook, within the FCA Handbook, to contain its rules and guidance for short selling activity. This will largely replicate requirements under the existing regime with certain modifications to rebalance the risks and reduce disproportionate regulatory burdens.

WHO IS IMPACTED BY THE NEW RULES?

The FCA notes the consultation is relevant to:

- Any entities engaged in short selling in the instruments subject to the SSR 2025, whether FCA authorised or not.
- Market makers.
- Securities lenders.
- Companies with shares admitted to trading on UK trading venues.

The SSR and SSR 2025 have always had extraterritorial effect. Non-UK entities who engage in short selling in in-scope instruments which are traded on UK trading venues must comply with the disclosure obligations and restrictions on uncovered short selling under the SSR 2025.

WHAT ARE THE PROPOSED NEW RULES?

Covering

- The existing UK short selling regime currently requires persons who short sell shares admitted to trading on a UK trading venue to "cover" their transactions. This requires persons to have borrowed, agreed to borrow, or received third party confirmation that the shares have been located, and can be borrowed, prior to a short sale taking place. These requirements aim to reduce the risk of settlement failure.
- The FCA has suggested a minor change to ensure that records demonstrating appropriate covering agreements and arrangements are held, by persons short selling, for a minimum of 5 years. This will ensure that entities short selling can demonstrate compliance with the requirements.
- The regulator also proposes to make a minor clarification that, as well as the seller needing to be entitled to receive the shares on or before the settlement of the short sale, they also need to ensure that settlement can be effected when due.

The Reportable Shares List

- The SSR 2025 requires the FCA to publish a list of admitted shares to which its rules apply (the "**RSL**"). This will replace the current list of admitted shares under the SSR which are exempt from its rules (known as the exempt shares). Although the contents of the RSL will differ from the previous UK list of exempt shares, the FCA propose to replicate the existing format to provide the ISIN of the main class of ordinary share, the issuer name, and the date on which each share was included on the RSL.
- The FCA propose to expand the criteria to determine whether its reporting and covering requirements do not apply to an admitted share.
 - First, it would determine where a share is principally traded.
 - Second, the FCA would determine whether the share is of significant importance to the UK market.
 - Finally, in circumstances where the UK is the principal country, but the share is not of significant importance, the FCA will also consider whether the share is subject to similar short selling rules in any third countries in which it is admitted to trading, which may mean the application of the FCA's rules would give rise to unnecessary duplication.

Where this is the case, the FCA may be more likely to exclude such shares from its reporting and covering rules.

The FCA anticipate this will reduce the number of shares on the RSL, reducing the administrative burden on firms.

- The FCA propose to introduce new criteria which it will consider when deciding whether to determine that reporting and covering rules do not apply to an admitted share. Specifically when determining whether a share is of significant importance to the UK market, for the purposes of the SSR 2025, the FCA will consider the following:
 - Whether the company is based in (i.e., headquartered / incorporated) in the UK.
 - Whether the company had a primary listing in the UK.
 - Whether the company is included in the UK FTSE 100 or any other UK main equity index.
 - Whether the company is authorised or regulated by the FCA or any other UK regulator.
 - Whether the admitted share has a significant trading volume on UK trading venues.
 - Whether the company provides services that are important to the UK market and economy.
- The FCA proposes to change the date on which it updates the RSL (every 2 years on 1 April). This will align with the publication of the EU's list under the EU Short Selling Regulation and provide a window for the FCA to review and determine the shares on the RSL following the end of the calculation period on 31 December.
- The FCA intend to publish a live, draft, copy of the RSL on its website, 2 months prior to the main commencement day, which firms can incorporate into their systems should they want to do so. The UK list of exempt shares for the current UK short selling regime will remain in effect during this period.

Position Reporting

- The FCA want to reduce the burden for entities calculating and reporting their NSPs whilst maintaining its ability to effectively monitor short selling activity.
- The FCA propose to extend the deadline by which entities are required to notify a change in their NSPs to 23:59 T+1.
- The FCA also propose additional guidance on the calculation of NSPs to detail how persons can determine a company's issued share capital and when they need to calculate the NSP. The FCA will also clarify the approach to reporting within groups. The FCA do not consider it necessary or proportionate to produce a centralised source of issued share capital for the specific purpose of calculating NSPs.

Market Maker Exemptions

- Under the existing regime, the market maker exemption is offered on an instrument-by-instrument basis. Firms are currently required to notify the FCA of their intention to use the exemption, for a specific financial instrument, 30 calendar days prior to when they first intend to use the exemption for that financial instrument. The FCA may prohibit the use of the exemption if it considers that a firm does not satisfy the conditions for its use.
- Under the new rules, firms applying for an exemption will benefit from a shortened time period of 15 calendar days prior to when they first intend to do so. This reduces the current notification period from the required 30 calendar days.

- Market makers with existing exemptions will be able to extend those exemptions by way of a notification process with the FCA which will take effect upon receipt.
- The new guidance will also clarify the existing approach that firms applying to use the market maker exemption only need to be a member of one UK trading venue to utilise the exemption. A firm may meet this requirement through their membership of an EEA trading venue which continues to remain equivalent under the SSR 2025.
- It also proposes to change the content of notifications. This will enable market makers to utilise exemptions more quickly and easily to support their activities.

Public Disclosure

- The SSR 2025 requires the FCA to combine and publish the NSPs reported to it as aggregate net short positions ("**ANSPs**") in relation to each company. NSPs reported by individual position holders will be anonymised.
- The FCA proposes to issue new guidance detailing how it will calculate, publish, update, and correct the list of ANSPs that it discloses.

WHAT ARE THE NEW ENFORCEMENT POWERS RELATION TO NON-FCA AUTHORISED ENTITIES?

The amendments made by the Financial Services and Markets Act 2000 (Designated Activities) (Supervision and Enforcement) Regulations 2024 (the "**DAR Regulations**") have the effect of enabling the FCA to investigate and take enforcement action in relation to breaches of short selling rules, irrespective of whether the entity is FCA authorised/licenced or not. The DAR Regulations also allow the FCA, where a person has contravened a designated activity requirement (e.g. short selling), to prohibit that person from carrying on a designated activity or to impose such restrictions in relation to the carrying out of that activity as the FCA considers appropriate.

WHAT ARE NEXT STEPS?

The consultation closes on 16 December 2025, following which the FCA will finalise its new rules and guidance. The FCA will publish a draft RSL when the rules are finalised to in-scope entities to start their compliance process.

To allow sufficient time for the FCA and firms to make any changes, the FCA are proposing to implement the changes in two phases.

In Phase 1, the FCA will change its systems to facilitate the calculation and publication of ANSPs and the new RSL. These systems will come into effect when the changes to the new Short Selling Sourcebook are effective. In Phase 2, the FCA will update the systems used to send position reports and market maker exemption notifications. This will come into effect 6 months later.



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