

Reporting of Short Selling

We wish to inform you that SEBI vide its circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2024/1 dated 05.01.2024 issued fresh framework for Short / Naked selling of Equity Stock in Indian Securities markets.

“Short selling” shall be defined as selling a stock which the seller does not own at the time of trade.

Naked short selling shall not be permitted in the Indian securities market. Accordingly, all investors would be required to mandatorily honour their obligation of delivering the securities at the time of settlement.

To adhere the circular, we need your support and hence we request you to please inform us your short selling, if any, by 5 pm on the same trading day at our email id: compliance@bnkstockline.com

it is a regulatory requirement, so it is requested, to inform us short sale, if any, on daily basis and avoid penalties/charges.

Key Features of SEBI's Short Selling Framework-

Eligibility

Both retail and institutional investors can participate in short selling.

Naked short selling (selling without borrowing the stock) is not permitted.

Investors must honour delivery obligations during settlement.

Trading Rules for Institutional Investors

Institutional investors are not allowed intra-day squaring off; they must settle obligations on a gross basis at the custodian level.

Retail investors, however, can square off positions intra-day.

Securities Eligible for Short Selling

Only stocks traded in the F&O segment are eligible.

SEBI will periodically review and update the list of eligible stocks.

Mandatory Disclosures

Institutional investors must disclose upfront if a trade is a short sale.

Retail investors can disclose short-selling positions by the end of trading hours on the same day.

Stock Exchanges & Broker Responsibilities

Stock exchanges must implement deterrent provisions to ensure timely delivery of securities.

Brokers must collect and report scrip-wise short-sell data to the exchanges daily. The exchanges will then publish this data weekly for transparency.

Securities Lending and Borrowing (SLB) Mechanism

To facilitate short selling, a Securities Lending and Borrowing (SLB) scheme is in place, allowing traders to borrow securities for short selling.

The SLB system ensures that investors who lend their shares earn an additional return while maintaining market liquidity.

Segments Where Short Selling is Allowed

Short selling is permitted in:

- Equity Cash Segment – Only in stocks eligible for the Securities Lending and Borrowing (SLB) mechanism.
- Equity Derivatives (F&O) Segment – Stocks that are part of the Futures & Options (F&O) segment are eligible for short selling.

Segments Where These New Rules Apply/Change

Institutional Investors in the Equity Cash Segment – The updated rules now enforce gross settlement at the custodian level, preventing intra-day squaring off.

Disclosure Requirements for Retail Investors – While retail investors previously had relaxed reporting norms, they now must disclose their short positions by the end of the trading day.

Aspect	Previous Rule	New Rule
Who Can Short Sell?	Retail & Institutional Investors	No change both groups can short sell.
Naked Short Selling	Strictly prohibited	No change naked short selling remains banned.
Institutional Trading	Institutions could square off	Institutions must settle obligations on a gross basis at the custodian level. No intra-day square-off.
	positions intra-day	
Disclosure Rules	Institutional investors had to	Institutional investors still disclose upfront; retail investors must disclose short positions by end of the trading day.
	disclose upfront; retail investors had no strict reporting requirement.	
Short Sell Data Reporting	Data was collected but not	Stock exchanges must publish short sell data weekly for transparency.
	always made public frequently	