

## CAPITAL MARKETS BRIEFING: Special Edition

# Developments in Capital Markets as a Result of Covid-19

This Briefing provides an update on certain urgent measures arising out of Covid-19 and relevant regulatory guidance

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### A. HCMC Renews the Ban on Short-Selling

1. On 15 April 2020, the Hellenic Capital Market Commission (HCMC) decided to renew the temporary preventive measure originally imposed on 18 March 2020 and effective until 24 April 2020, by virtue of which any legal or natural person was banned from entering into:
  - a. short selling; and
  - b. transactions which might constitute or increase net short positions on stocks admitted to trading on the regulated market of the Athens Stock Exchange - where the HCMC is the competent authority - as well as to all related instruments relevant for the calculation of the net short position.
2. ESMA issued a positive opinion in respect to this renewal, which shall be effective from 25 April 2020 until 18 May 2020.
3. The new ban does not apply to:
  - a. the creation of, or increase in, net short positions through index-related instruments or baskets of financial instruments, provided that the shares affected by the ban do not represent more than 50% of the index or basket weight;
  - b. Market Makers performing transactions on:
    - i. the shares affected by the ban;

- ii. the stock derivatives of the above shares;
- iii. warrants of the above shares; and
- iv. ETFs and index derivatives where the above shares are part of their composition.

4. The above exemptions with regard to market making activities are permitted only when the short selling transactions are conducted for hedging purposes.

### B. COVID-19 / New Q&A on APMs

1. On 17 April 2020, ESMA issued a [Q&A](#) to provide guidance to issuers on the application of the ESMA APM Guidelines in the context of the COVID-19 pandemic. The Q&A:
  - a. highlights the main principles of the APM Guidelines;
  - b. encourages issuers to use caution when adjusting APMs and when including new APMs to address the impact of COVID-19; and
  - c. invites issuers to provide:
    - i. narrative information regarding the modifications made, the assumptions used and the impact of COVID-19; and
    - ii. information on measures taken or expected to be taken by issuers to address the impact that the COVID-19 outbreak may have in their operations and performance.

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2. In this respect, ESMA observed that it may not be appropriate to include new APMs or to adjust previously used APMs when the impacts of COVID-19 have a pervasive effect on the overall financial performance, position, and/or cash flows of an issuer as these new or adjusted APMs may not provide reliable and more useful information to the market and may mislead users' understanding of the true and fair view of the issuer's assets, liabilities, financial position and profit or loss.

Therefore, rather than adjusting existing APMs or including new APMs, ESMA urged issuers to improve their disclosures and include narrative

information in their communication documents in order to explain how COVID-19 impacted and/or is expected to impact their operations and performance, the level of uncertainty and the measures adopted or expected to be adopted to address the COVID-19 outbreak. These explanations may include, where applicable, details on how the specific circumstances related to COVID-19 affected the assumptions and estimates used in the determination of inputs to APMs, for example impairment losses, expected lease payment reductions or grants received.

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