

Data Quality Engagement Framework

SHORT SELLING REPORTING

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1 Executive Summary

This Data Quality Engagement Framework specifies the allocation of tasks between National Competent Authorities (NCAs) and the European Securities and Markets Authority (ESMA) in relation to the quality work of the information received under the Short Selling Regulation. This document, in conjunction with the technical document, would replace the previous data quality monitoring through MIWG, setting out clear roles, frequency and methodologies of analyses.

This framework is applicable as of 11 February 2025.

2 Introduction

1. The Short Selling Regulation (SSR) plays a crucial role in ensuring the transparency and stability of European financial markets by regulating short selling and certain aspects of credit default swaps (CDS). By requiring investors to notify significant net short positions in shares, the SSR helps mitigate risks that could arise from excessive short positions, especially in volatile market conditions. Accurate and timely data reporting within this framework is essential for regulatory authorities, such as ESMA and national competent authorities, to monitor market activities and respond appropriately to evolving market conditions.
2. The intended audience of this document is ESMA staff in addition to the members of Market Integrity Working Group (MIWG), Reporting Working Group (RWG) and Data Standing Committee (DSC).

2.1 Background

3. The SSR aims at harmonising the rules for short selling and certain aspects of credit default swaps (CDS) to prevent the creation of obstacles to the correct functioning of the internal market. The SSR was published in the Official Journal of 24 March 2012 and entered into force on 1 November 2012, following the adoption by the European Commission of the delegated acts and ESMA implementing and regulatory technical standards.
4. In recent years, the need for enhanced transparency has become even more apparent, as demonstrated by the exceptional measures implemented during the COVID-19 crisis. In response to heightened market instability, ESMA lowered the notification threshold and introduced a temporary daily reporting regime for net short positions. These measures, and the subsequent permanent lowering of the threshold in 2022, underscored the critical importance of reliable data in maintaining market integrity. As a result, ensuring the highest standards of data quality in the SSR database is fundamental to providing regulators with the accurate, consistent, and timely information they need to safeguard the financial system.
5. The objectives of the SSR with EEA relevance are to:
 - increase transparency relating to significant net short positions in shares and sovereign debt;
 - regulate short sales to tackle the risk of settlement failures, price volatility and of adverse effect on the stability of the sovereign debt markets;

- ensure that the CAs and ESMA have, under certain circumstances, powers of intervention to require further transparency or to impose temporary restrictions on short selling;
 - ensure co-ordination between CAs and ESMA in exceptional situations.
6. The work on the SSREP DQEF is driven by the following key provisions and documentation:
- Regulation (EU) No 236/2012 ([link](#)) containing the high-level information on the framework, process and description of the information to be provided to ESMA (Article 11);
 - Regulatory technical standards ([link](#)¹) providing the details of the information to be provided to ESMA;
 - Implementing technical standards ([link](#)²) specifying how information must be reported to ESMA.

2.2 Objectives of the DQEF

7. The DQEF sets out the procedures agreed by NCAs and ESMA to verify and communicate data quality issues pertaining to the information reported and to apply the corrective measures. It outlines the process to share the relevant information and agree on best practices that would improve data quality.
8. To achieve these data quality objectives, the DQEF foresees monitoring the quality of the data as transmitted by CAs to ESMA for several key dimensions / scope selected considering both the relevance for the intended uses and the feasibility of their execution. This monitoring will be executed through the tests to be performed under the DQEF. A detailed description of the tests is available in a separate technical document that will be subject to periodic revision according to the different needs that might rise in the processing of checks or final calculation ahead of the publication, and the overall evolution of the quality of the submitted data.
9. The results of the activities under the DQEF may also inform the following broader activities and processes:

¹ Commission Delegated Regulation (EU) No 826/2012

² Commission Implementing Regulation (EU) No 827/2012

- existing processes to support entities when transmitting the data to ESMA;
- common definition of the reported data across all jurisdictions when this is relevant for the consistent quality as defined in the previous paragraph;
- definition and implementation of data quality actions at member state level and contribute to the definition of best practices;
- setting up of relevant IT infrastructure to support the timely transmission of high-quality data, including the review of validation rules on the data;
- supervisory convergence documents (guidelines, Q&A) and reporting instructions in the area of data reporting; and
- process to review of the regulatory framework and its implementing technical standards in the area of data reporting.

10. Furthermore, this is without prejudice to the possibility for ESMA to follow up on a given data quality problem, on an ad hoc basis, outside this framework, if the issue is deemed as having a high priority and/or a significant impact.

2.3 Principles applicable to the development and implementation of the DQEF

11. **Cooperation:** NCA and ESMA staff cooperate with each other providing information on internal procedures, methods and data supporting the objectives of the DQEF and supports the activities of all other relevant working groups. The tests are performed individually by ESMA staff. The results of the tests are shared with NCAs, to monitor the quality of the data and execute specific corrections.
12. **Protection of sensitive information:** The protection of sensitive information is achieved by avoiding, when possible, the exchange of sensitive information and, if that is needed, by the application of clear rules on access rights and technical protection of the data, as well by strict adherence to the relevant data classification policies. ESMA will not disclose the short selling activity information to the public.
13. **Risk-based approach:** To achieve a balance between benefits and cost and at the same time to minimise the overall workload for ESMA and NCAs, the issues that will bring the most value added will be prioritised. This will have as an effect reducing the number of NCAs that will be captured under each data quality cycle.

14. **Common methodology:** The DQEF is implemented through commonly agreed and defined methodologies to allow its comparability across jurisdictions.

3 Allocation of responsibilities and execution timeline

3.1 Allocation of responsibilities

15. The different tasks are allocated among NCAs and ESMA staff. ESMA staff will aggregate the data and process the tests based on all available information and present the results to the relevant ESMA groups.
16. In particular, ESMA staff execute the data quality tests presented in the technical document, and deliver the outcome to NCAs according to the timeline included in the same document. NCAs will check the data identified as flawed and undertake the necessary actions to correct it. These remedial actions differ depending on the test performed, and are detailed also in the technical document.
17. ESMA staff will execute all analyses with uttermost care, and it will test it alongside with the members of the RWG / DSC, as well as MIWG. Any errors in its results caused, among others, by the existence of false positives due to the agreed methodology, wrong application of the agreed methodology, infrastructure issues and latency in the analyses, will be taken into full consideration for the following iterations.
18. The NCAs shall inform ESMA promptly on the effectiveness of the centrally performed tests and, in particular, on the observed errors in its implementation (in addition to the false positives).
19. The NCAs concerned by failing tests, shall act in such a way to achieve remedial actions for the identified issue(s) for the data in the scope of the DQEF.

3.2 Timeline for test execution

20. The DQEF is applied according to the timeline detailed in the technical documents. This will allow sufficient time to monitor the progress of issues' resolution and to perform and submit the necessary changes.
21. At the same time, the periodic execution allows to operate critical amendments in due time. This is especially relevant when new tests are introduced. Between

iterations, and no later than 2 weeks after the previous iteration, the NCAs will provide ESMA a feedback file with the detected false positives in the agreed format.

22. Given the nature of data quality issues, it is important to reiterate that no other feedback is expected to be provided to ESMA, outside the provision of the false positives detected for any of the analyses, and an overview of the actions that were undertaken to resolve the data quality issues.

4 Governance and review process during the execution

23. After the initial approval of the DQEF, if the NCAs or ESMA observe that a particular approved test is affected by fundamental shortcomings, the following actions can be proposed to the RWG / DSC³:

- a. Exclude the test from the DQEF scope proceeding to inform all relevant parties, or
- b. recalibrate the technical specifications of the test where appropriate.

24. For this purpose, exclusively a revision of the technical document will occur at the end of each year and may include: (i) revisions in methodologies for the current analyses, (ii) addition of tests to be added in the data quality cycle of the following year, (iii) removal of tests that are no longer relevant.

5 Communication between participants and escalation process

25. The NCA and ESMA provide the relevant contact details to ensure the communication needed to execute the DQEF, through the RWG.

26. The members of the RWG and MIWG will be the main point of contact for the NCAs they represent. They should ensure close cooperation in the resolution of issues. In case that an NCA is not represented in the RWG or MIWG, its member in the relevant Standing Committee shall be the main point of contact. In all other cases, ESMA shall contact the NCA to request such information.

27. NCAs are expected to have their own escalation process in place to ensure that the appropriate remedial actions are taken vis a vis the submitting entities that are

³ The issues may also be discussed with the MIWG, where applicable

systematically failing to submit complete and accurate data and/or inadequately cooperating to correct the submitted data in due time.

28. Without prejudice to the different actions established or carried out by the NCAs at the national level, ESMA will monitor certain specific actions, which may need some coordination at EU level in order to improve the quality of the data and increase its usability for the purposes of the transparency regime.
29. The DSC will be kept informed on the status of the data quality tests on a regular basis and the BoS on an annual basis, through a data quality report.
30. The report to BoS and the experience gathered during the execution of the DQEF plan in the previous year will support the possible review of the DQEF for its subsequent execution. In the case that no review is proposed following the DQEF execution, the last version of the DQEF will be applicable by default in the subsequent year.

6 Annual report on quality and use of data

31. The results of the execution of the DQEF will be included in the ESMA annual Report on Quality and Use of Data⁴. This public report will include general metrics of data quality at country level, the observed shortcomings in data quality and will detail the main feedback received from NCAs to overcome these issues and remedial actions put in place.

⁴ See 2023 Report on Quality and Use of Data (https://www.esma.europa.eu/sites/default/files/2024-04/ESMA12-1209242288-852_2023_Report_on_Quality_and_Use_of_Data.pdf)

Annex. Documents relevant for the DQEF

[Regulation \(EU\) No 236/2012 of the European Parliament and of the Council of 14 March 2012 on short selling and certain aspects of credit default swaps](#)

[SSR Article 11 \(information to be reported to ESMA\)](#)

[Commission Delegated Regulation \(EU\) No 826/2012](#)

[Commission Implementing Regulation \(EU\) No 827/2012](#)