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## Shariah Issues on Short Selling Practice in Pakistan Stock Exchange: A Way Forward

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### KEYWORDS

Short Selling, Securities Borrowing and Lending, Shariah Issues, Settlement.

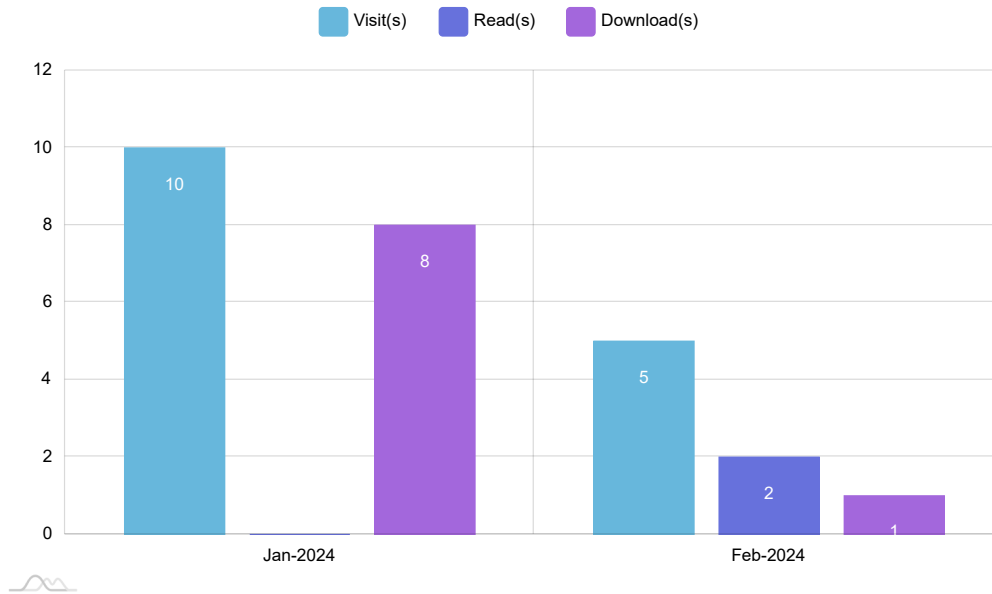
### ABSTRACT [↗](#)

Short selling is an important leveraged product of Pakistan Stock Exchange (PSX). Short selling is governed and regulated by the Securities Act 2015, Regulations for Short Selling under Ready Market 2002, Margin Trading System (MTS) Regulations 2002, Clearing House (Licensing and Operations) Regulations 2016, Securities Lending and Borrowing Regulations 2016, National Clearing Company of Pakistan Limited Regulations 2018, Pakistan Stock Exchange (PSX) Regulations 2022, Brokers and Agents Registration Rules 2001 and Securities (Leveraged Market and Pledging) Rules 2011. Under the prevailing legal regime, the practice of short selling is allowed where the traders and investors sell shares without first owning them at the time of executing trade, borrowing arrangement of shares from some stockbrokers, and delivering of sold shares on settlement date, purchasing of shares from market and paying them to the lender on specified date. Thus, this article intends to investigate whether the current short selling practices are in conformity with Shariah. The study intends to follow mixed methods of research by using analytical and comparative study of the issue. It analyzes the current regime on short selling and its compatibility with Shariah or otherwise. It identifies the Shariah issues involved in short selling practice. The study concludes that the practices concerning short selling have various Shariah issues such as it is a sale without ownership, borrowing involving shares as a subject-matter, borrowing with interest, and borrowing with undue benefit to the lender. The study suggests that to mitigate the Shariah issues the Securities and Exchange Commission of Pakistan (SECP), as regulator should take steps. The SECP should follow and benefit from

Malaysian model of Islamic Securities Selling Borrowing Negotiated Transactions (ISSBNT) introduced by Bursa Malaysia with the approval of Shariah Advisory Council (SAC) of the Security Commission.

## STATISTICS

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