



Client Advisory

FSA Proposes to Lift Ban on Short-Selling

January 6, 2009

On January 5, the UK Financial Services Authority (FSA) announced a consultation on a proposal to allow its ban on short sales of UK financial sector stocks to expire on January 16. The FSA also proposed to extend its temporary disclosure regime for significant net short positions in UK financial sector company stocks to June 30, 2009. The short position disclosure obligations will continue to apply only to UK financial sector companies.

The temporary ban on short selling of financial sector stocks was introduced in September 2008. The FSA has now stated that it considers that the risk posed by short selling in terms of potential market abuse and creating disorderly markets has declined such that it is not appropriate to renew the ban. However, the FSA emphasized that it will monitor the position closely and will reintroduce the short sales ban if it is warranted. If necessary, this will be done without further consultation.

Under the proposals, the FSA will continue the disclosure regime applicable to short sales of UK financial sector stocks until June 30, 2009. The threshold for disclosure would remain unchanged at 0.25%. The thresholds for additional disclosures would change from the current position, under which disclosure of all changes to any net short position must be disclosed. Under the FSA's proposals, further disclosures will be required only as increments of 10 basis points are crossed (i.e., as a net short position reaches 0.35%, 0.45% etc).

The consultation will close on January 9 to enable the new measures to be in place on January 16. Responses to the consultation should be submitted online via the FSA's website (www.fsa.gov.uk).

The FSA has also announced that it will publish a separate consultation paper no later than February 5, 2009, setting out its proposals for a longer term short-selling regime.

www.fsa.gov.uk/pubs/cp/cp09_01.pdf

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