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The World Federation of Exchanges' academic review of short-selling concludes that bans are disruptive to markets

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London, Wednesday 29 April 2020 – The World Federation of Exchanges (“WFE”), the global industry group for exchanges and CCPs, has today published a paper that reviews the academic literature on short-selling and short-selling bans, comparing the arguments against banning short-selling with the arguments in favour.

The WFE’s paper - [What does academic research say about short-selling bans?](#) - finds that the academic evidence almost unanimously points towards short-selling bans being disruptive for the orderly functioning of markets, as they are found to reduce liquidity, increase price inefficiency and hamper price discovery. Indeed, the evidence suggests that banning short-selling during periods of heightened uncertainty seems to exacerbate, rather than contain, market volatility.

According to the literature, during periods of price decline and heightened volatility, short-sellers do not behave differently from any other traders, and contribute less to price declines than regular 'long' sellers. As research has shown that short-selling bans are more deleterious to markets characterised by a relatively high amount of small stocks, low levels of fragmentation, and fewer alternatives to short-selling, emerging markets should be particularly wary of bans on short-selling.

Nandini Sukumar, Chief Executive Officer, WFE said: "Based on the existing evidence, the WFE recommends that financial regulators do not introduce short-selling bans, as the academic literature demonstrates not only their lack of effectiveness, but their negative impact on market quality. We would urge jurisdictions that have imposed such bans to reconsider in the light of the evidence."

Today's paper follows the [WFE's recent statement](#) where it criticised current bans on short-selling as damaging to markets and failing to achieve their desired effect.

[Please click here to read the full WFE short-selling academic review paper.](#)

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