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## Shackling Short Sellers: The 2008 Shorting Ban

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### **Abstract**

In September 2008, the U.S. Securities and Exchange Commission (SEC) temporarily banned most short sales in nearly 1,000 financial stocks. We examine the ban's effect on market quality, shorting activity, the aggressiveness of short sellers, and stock prices. The ban's effects are concentrated in larger stocks; there is little effect on firms in the lower half of the size distribution. Although shorting activity drops by about 77% in large-cap stocks, stock prices appear unaffected by the ban. All but the smallest quartile of firms subject to the ban suffer a severe degradation in market quality.

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