U.S. Securities and Exchange Commission

SEC Halts Short Selling of Financial Stocks to Protect Investors and Markets

Commission Also Takes Steps to Increase Market Transparency and Liquidity

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Washington, D.C., Sept. 19, 2008 — The Securities and Exchange Commission, acting in concert with the U.K. Financial Services Authority, took temporary emergency action to prohibit short selling in financial companies to protect the integrity and quality of the securities market and strengthen investor confidence. The U.K. FSA took similar action yesterday.

Additional Materials

- SEC Order Halting Short Selling in Financial Stocks
- SEC Order Requiring Institutional Money Managers to Report New Short Sales
- SEC Order Easing Restrictions on Issuers to Re-Purchase Their Securities
- Form SH
- Form SH Instructions
- EDGARlink Template for SH

The Commission's action will apply to the securities of 799 financial companies. The action is immediately effective.

SEC Chairman Christopher Cox said, "The Commission is committed to using every weapon in its arsenal to combat market manipulation that threatens investors and capital markets. The emergency order temporarily banning short selling of financial stocks will restore equilibrium to markets. This action, which would not be necessary in a well-functioning market, is temporary in nature and part of the comprehensive set of steps being taken by the Federal Reserve, the Treasury, and the Congress."

This decisive SEC action calls a time-out to aggressive short selling in financial institution stocks, because of the essential link between their stock price and confidence in the institution. The Commission will continue to consider measures to address short selling concerns in other publicly traded companies.

Under normal market conditions, short selling contributes to price efficiency and adds liquidity to the markets. At present, it appears that unbridled short selling is contributing to the recent, sudden price declines in the securities of financial institutions unrelated to true price valuation. Financial institutions are particularly vulnerable to this crisis of confidence and panic selling because they depend on the confidence of their trading counterparties in the conduct of their core business.

Given the importance of confidence in financial markets, the SEC's action halts short selling in 799 financial institutions. The SEC’s emergency order, pursuant to its authority in Section 12(k)(2) of the Securities Exchange Act of 1934, will be immediately effective and will terminate at 11:59 p.m. ET on Oct. 2, 2008. The Commission may extend the order beyond 10 business days if it deems an extension necessary in the public interest and for the protection of investors, but will not extend the order for more than 30 calendar days in total duration.

The Commission notes the similar announcement by the U.K. FSA. The SEC and FSA are consulting on an ongoing basis with regard to short selling matters and will continue to cooperate in carrying out regulatory actions.

The Commission also has taken the following steps to address the recent market conditions:

- Temporarily requiring that institutional money managers report their new short sales of certain publicly traded securities. These money managers are already required to report their long positions in these securities.

- Temporarily easing restrictions on the ability of securities issuers to re-purchase their securities. This change will give issuers more flexibility to buy back their securities, and help restore liquidity during this period of unusual and extraordinary market volatility.

The Commission may consider additional steps as necessary to protect the integrity and quality of the securities markets and strengthen investor confidence.

http://www.sec.gov/news/press/2008/2008-211.htm
