The Journal of Finance

Volume 68: Issue 1

February 2013

Short-Selling Bans Around the World: Evidence from the 2007–09 Crisis

Alessandro Beber

Marco Pagano

Abstract

Most regulators around the world reacted to the 2007–09 crisis by imposing bans on short selling. These were imposed and lifted at different dates in different countries, often targeted different sets of stocks, and featured varying degrees of stringency. We exploit this variation in short-sales regimes to identify their effects on liquidity, price discovery, and stock prices. Using panel and matching techniques, we find that bans (i) were detrimental for liquidity, especially for stocks with small capitalization and no listed options; (ii) slowed price discovery, especially in bear markets, and (iii) failed to support prices, except possibly for U.S. financial stocks.

Recommended Citation

Beber, Alessandro and Marco Pagano. "Short-Selling Bans Around the World: Evidence from the 2007-09 Crisis." *The Journal of Finance*, 68, no. 1 (2013): 343-381.