

FSA statement on short positions in financial stocks



<http://www.fsa.gov.uk/pages/Library/Communication/PR/2008/102.shtml>

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The Board of the Financial Services Authority (FSA) today (Thursday 18 September) agreed to introduce new provisions to the Code of Market Conduct to prohibit the active creation or increase of net short positions in publicly quoted financial companies from midnight tonight.

In addition, the FSA will require from Tuesday 23 September daily disclosure of all net short positions in excess of 0.25 per cent of the ordinary share capital of the relevant companies held at market close on the previous working day. Disclosure of such positions held at close on Friday 19 September will also be required on Tuesday 23 September.

The FSA stands ready to extend this approach to other sectors if it judges it to be necessary.

These provisions will remain in force until 16 January 2009, although they will be reviewed after 30 days. A comprehensive review of the rules on short selling will be published in January.

Hector Sants, chief executive of the FSA, said:

"While we still regard short-selling as a legitimate investment technique in normal market conditions, the current extreme circumstances have given rise to disorderly markets. As a result, we have taken this decisive action, after careful consideration, to protect the fundamental integrity and quality of markets and to guard against further instability in the financial sector."

The detailed changes to the Code of Market Conduct, and a schedule of the companies whose securities are covered by them, will be published before the market opens tomorrow (Friday 19 September).

Notes for editors

1. The FSA regulates the financial services industry and has four objectives under the Financial Services and Markets Act 2000: maintaining market confidence; promoting public understanding of the financial system; securing the appropriate degree of protection for consumers; and fighting financial crime.
2. The FSA aims to promote efficient, orderly and fair markets, help retail consumers achieve a fair deal and improve its business capability and effectiveness.