



For Immediate Release

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World Federation of Exchanges Board of Directors Issues Statement on Short Selling Ban

Paris, France (February 9, 2009) – In Paris at its regularly scheduled meeting last week, the Board of Directors of the World Federation of Exchanges (WFE) issued a statement on the short-selling bans implemented on many markets as emergency measures last September.

Various analyses have concluded that the bans did not solve the problem of slowing the fall in securities and contract prices, as was intended¹. Furthermore, the uncertainty created by the implementation of these bans may have had a negative impact on liquidity and the normal functioning of markets. In particular, it appears that spreads in banned stocks widened, depth of market deteriorated, and trading volumes in banned stocks declined more than in other securities not affected by the bans.

The WFE Board of Directors considers short-selling to be a well established market mechanism, which contributes to their liquidity and efficiency. It should be conducted subject to regulations which enhance the public's confidence in exchanges.

Rules governing short-selling should include borrowing and delivery requirements, and should be strictly enforced. All short-selling transactions should comply with rules prohibiting market manipulation.

WFE is the association of 51 regulated exchanges around the world. It develops and promotes standards in markets.

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ABOUT THE WFE:

The World Federation of Exchanges, based in Paris, France, is the trade association of 51 publicly regulated stock, futures and options exchanges. WFE conducts research on issues pertinent to its members and holds workshops and conferences around the world. WFE market operators are responsible for the functioning of key components in the financial world. WFE exchanges are home to over 46,000 listed companies (as of 30 September 2008).

At the end of 2008:

- The total market capitalization listed companies was approximately USD 33 trillion.
- Approximately USD 113 trillion in equities were traded on WFE stock exchanges.
- More than 17 billion future and option contracts were transparently traded on-exchange, with proper post trade risk management and guarantees.

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Boulton, Thomas J. and Braga-Alves, Marcus V., The Skinny on the 2008 Naked Short Sale Restrictions (September 12, 2008). Available at SSRN: <http://ssrn.com/abstract=1267369>

Karpoff, Jonathan M. and Lou, Xiaoxia, Do Short Sellers Detect Overpriced Firms? Evidence from SEC Enforcement Actions (September 6, 2008). AFA 2008 San Francisco Meetings Paper; EFA 2008 Athens Meetings Paper. Available at SSRN: <http://ssrn.com/abstract=1102853>

The independent research commissioned jointly by the International Securities Lending Association, the Alternative Investment Management Association, and the London Investment Banking Association, published on 17 December 2008 is available at <http://www.cass.city.ac.uk/media/stories/resources/the-impact-of-short-sales-restrictions.pdf>.

"The Effect of Short-selling Restrictions on Liquidity: Evidence from the London Stock Exchange," published 19 December 2008 and written by Matthew Clifton and Mark Snape of the University of Technology, Sydney. Available at London Stock Exchange or WFE.