

FSA's Questions on the Effects of the Ban on Short-Selling

The FSA would welcome feedback on:

Data on the effects of the ban on short-selling of UK financial stocks

1. data on or an estimate of your direct costs of ensuring compliance with the short-selling ban of stocks on the protected list (i.e. the costs of separating the UK investment universe in stocks where short-selling is allowed or banned);
2. data on or an estimate of (please state which) the indirect costs of the UK ban per month to your firm in terms of profits forgone because you are unable to short-sell stocks on the protected list;
3. your views on what benefits the ban might have had and what risks its termination might pose.

Data on the impact of the temporary disclosure requirements relating to UK financial stocks (if relevant to your firm)

4. data on or an estimate of (please state which) your direct costs of complying with the current disclosure obligations (if applicable to your firm), i.e. the cost of monitoring information on short positions and disseminating it, both in the month after the obligation was imposed (one-off / ongoing costs) and ongoing costs in months since?
5. an estimate of the monthly direct costs of continuing to comply with these temporary disclosure obligations if the current ban on short-selling of financial stocks on the protected list were to be lifted but the disclosure regime remained in place;
6. your views on whether a potential continuation of the disclosure obligation (above the current threshold of 0.25%) beyond the duration of the ban on short-selling of financial stocks on the protected list would also impose any indirect costs on your firm, notably by increasing the risk associated with holding short positions. If so, by how much (in percentage terms) might your short selling activities decrease (compared to a situation where there was no ban and no disclosure requirement) and how much profits (in absolute (£) terms) per month might you forgo as a result? Would you be able to provide any evidence or considerations to back up your estimate?
7. Also, we would be very interested in your views on the possible benefits of such an ongoing disclosure requirement.

Data on the impact of the rights issue disclosure requirements (if relevant to your firm)

8. data on or an estimate of (please state which) your direct costs of complying with the rights issue disclosure obligations (if applicable to your firm), i.e. the cost of monitoring information on qualifying short positions and disseminating it, both in the month after the obligation was imposed (one-off / ongoing costs) and ongoing costs in months since?
9. your views on whether the continuation of the rights issue disclosure obligation would impose any indirect costs on your firm, e.g. if disclosing information to the market about your short positions potentially increases the cost of covering them. If so, by how much (in percentage terms) might your short-selling activities decrease (compared to a situation

where there was no ban and no disclosure requirement) how much profits (in absolute (£) terms) might you forgo as a result for each case where the disclosure requirements apply? What is the basis for your estimate?

10. Also, we would be very interested in your views on the possible benefits of such an ongoing rights issue disclosure requirement.

Please explain the basis of any estimates of costs, direct or indirect, that you provide, supported with evidence wherever possible.