

CSDs: CRESTCo (UK)

Date: 19 Sep 2008

SMI Markets: UK

CMIRR Markets: UK

FSA Statement on Short Positions in Financial Stocks

The Board of the Financial Services Authority (FSA) agreed on 18 September 2008 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, effective from 19 September 2008 at 00.01am.

In addition, the FSA will require from Tuesday 23 September daily disclosure of all net short positions in excess of 0.25% 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 2009.

FAQs are available at: http://www.fsa.gov.uk/pubs/other/short_selling_faqs.pdf

CSD Risk Impact

CRESTCo (UK)

Impacted Risk Type: Liquidity Risk

Current Rating = AA+

Flash Impact = On Watch

The restrictions on short selling on financial sector shares has been enacted to control alledged price manipulation practices against this sector. From a settlement liquidity perspective this will have little impact, except it is unclear how genuine/unintentional short positions will be distinguished from intentional shorts and dealt with to complete settlement. As such, the Liquidity Risk impact has been set 'On Watch'.

Market Information Impact

UK

This information affects the data contained in the Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

UK

Market Rating: AA-

Market Flash Impact: On Watch

Impacted Risk Type: Liquidity Risk

Current Rating = AA

Flash Impact = On Watch

The restrictions on short selling on financial sector shares has been enacted to control alledged price manipulation practices against this sector. From a settlement liquidity perspective this will have little impact, except it is unclear how genuine/unintentional short positions will be distinguished from intentional shorts and dealt with to complete settlement. As such, the Liquidity Risk impact has been set 'On Watch'.

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