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**Summary:**

Regulators rushed to ban short selling in many countries, but research from Cass Business School shows that the bans were ineffective in 17 countries. Any initial impact was short-lived and the resulting decrease in liquidity increased the bid-ask spread. During the ban, the spread on NYSE financial-sector stocks soared to .92 percentage points versus .45 percentage points for the rest of the market.

The decision to ban short selling arose as markets across the globe struggled to reduce volatility, however the bans varied significantly in degree. In the U.S., the SEC banned shorting shares of nearly a thousand companies from September 15 to October 8. The UK's ban on shorting shares of 34 banks remained in effect much longer. In contrast to these discrete bans, Australia entirely banned the short selling of all shares.

**Link to Original:**

<http://www.financialweek.com/apps/pbcs.dll/article?AID=/20090107/REG/901079987/1023/OTHERVIEWS>

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Impact of Short-Selling Ban? Zilch

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