SFC warns of action against abusive short selling

30 Sep 2008

The Securities and Futures Commission (SFC) today reminded market participants that it would not hesitate to act against abusive short selling, in addition to its decision last Friday to uphold the uptick rule and to double the penalties imposed by the Hong Kong Securities Clearing Co, Ltd on failed settlement of short-selling transactions.

The SFC said it would continue to monitor the market closely, in light of current volatility. Its daily monitoring of the market indicates that short-selling activity remains at levels consistent with those prior to the current financial turmoil (Note 1).

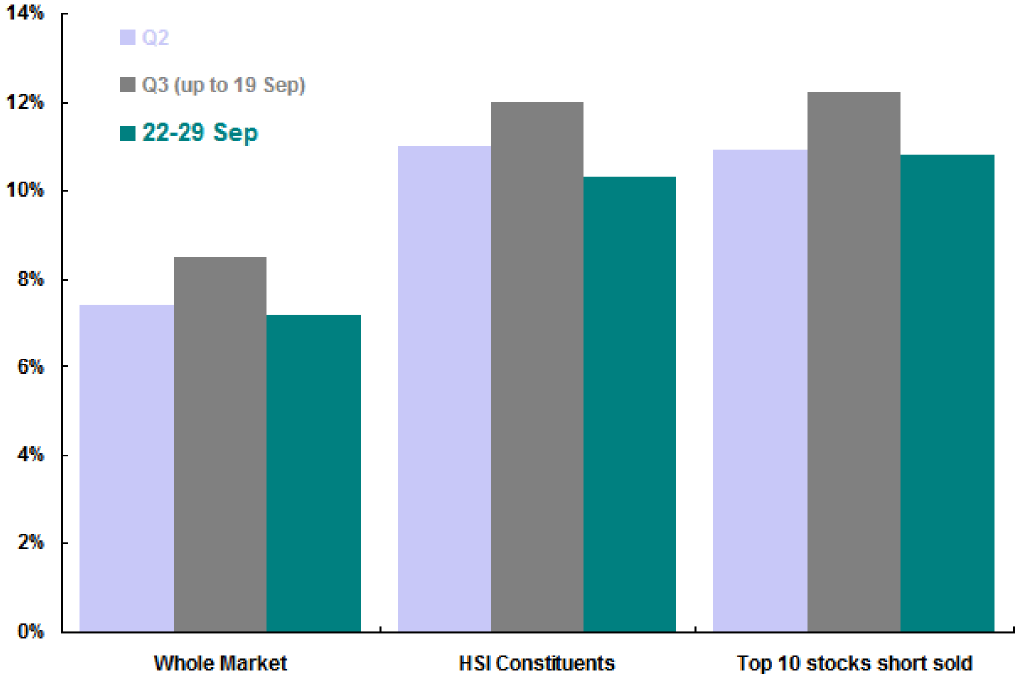
However, the SFC is prepared to implement more aggressive measures in the event that any abusive short selling is identified. Such measures may include market-wide controls and/or targeted action against individual persons or entities involved.

End

Note:

1. Between 22-29 September, the Hong Kong market's short selling turnover was similar to levels recorded earlier in the third quarter and in the whole of the second quarter:
(a) The average daily short-selling turnover amounted to $4.6 billion on 22-29 September (7.2% of the total market turnover), compared to $5.7 billion (or 7.4% of total market turnover) for the second quarter and $5.4 billion (or 8.5%) for the third quarter up to 19 September.
(b) For HSI constituent stocks, the average daily short-selling turnover was HK$3.3 billion (10.3% of their underlying turnover), compared to $3.7 billion (11%) for the second quarter and $3.8 billion (12%) for the third quarter up to 19 September.
(c) For the top 10 stocks short sold, the average daily short-selling turnover was $2.1 billion (10.8% of their underlying turnover). The corresponding figures for the second quarter was $1.9 billion (or 10.9%) and $2.2 billion (or 12.2%) for the third quarter to19 September.

Appendix



Short Selling Trading as Percentage of Underlying Turnover

Source: SFC Research

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