

# Short Selling Study: The Views of Corporate Issuers

*Conducted for*



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## Background and Methodology

This report includes results for the NYSE Euronext Short Selling study. These results are based on interviews conducted online among corporate issuers with 438 respondents from October 13-16, 2008.

Sample for the study was provided by NYSE Euronext and consisted of CEOs, CFOs and IR executives at NYSE-listed companies, as well as select NASDAQ companies. The response rate among respondents at NYSE-listed companies was 8%, while it was 2% among respondents at companies listed on NASDAQ.

Details about the demographic composition of the participants is included in the Appendix.

## Executive Summary

*Results from the Short Selling study indicate very clearly that a large majority of CEOs, CFOs and IR professionals (75%) favor restrictions on short selling activity during periods of stock price volatility and fully 85% favor re-instituting the 'tick test' rule. An even larger percentage (92%) think investment managers should publicly disclose their short selling activity. While there is some variation in results by job title, country and market cap, there is widespread agreement across the board on these points.*

### Main Points

- Six in ten respondents think short selling is harmful to their company's stock and shareholders, while only 4% think it is helpful; 24% think it is both harmful and helpful, while 13% think short selling is neither.
  - An even larger percentage of CEOs thinks short selling is harmful to their company's stock and shareholders (73%).
  - While majorities of companies of all market cap levels think short selling is harmful, the percentage is highest among companies with market caps under \$750 million.
- Three in four (75%) think short selling should be temporarily prohibited when a stock experiences a certain level of volatility. Of those who think it should, 24% think it should be stopped after less than a 10% decline, while 54% think it should be temporarily prohibited after a decline of 10%-20%. Fewer think a decline of 20%-30% (18%) or greater than 30% (5%) should trigger a temporary prohibition on short selling.
  - Among CEOs, 84% favor a temporary prohibition of short selling under certain circumstances.
- Fully 85% favor re-instituting the 'tick test' rule as soon as practical, along with other options designed to place some constraints around short selling. Eighty-two percent think re-instituting the rule would help instill market confidence.
  - At US-based companies, nearly nine in ten favor re-instituting the rule (89%), and 85% think it would help market confidence.
- Ninety-two percent think investment managers should publicly disclose their short selling activity, including at least nine in ten respondents across the board.

## Executive Summary

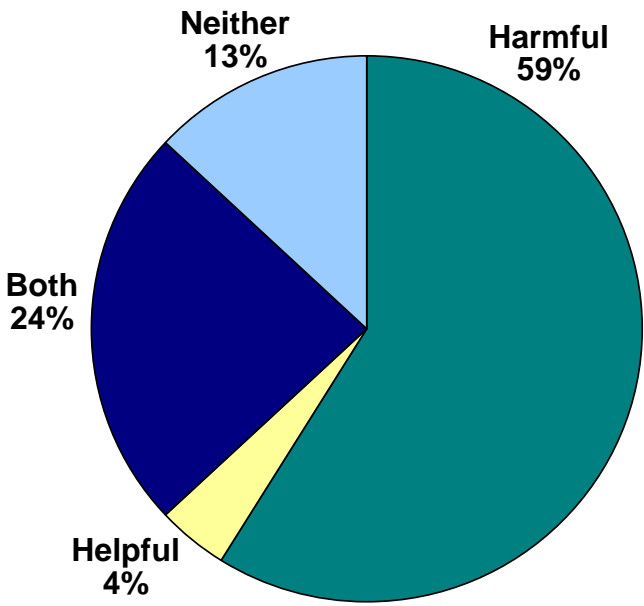
- Open-ended comments by corporate issuers reinforce answers to the closed-ended questions. Virtually all comments included criticism of short selling, particularly “naked” short selling. Many respondents noted the inconsistency of disclosure requirements for issuers compared with those for hedge fund companies and other businesses engaged in short selling. The lack of short selling disclosure requirements, as well as the support received from regulatory entities by some institutions engaged in short selling appears to feed the resentment of some respondents who believe that there are different sets of rules for different businesses. Restrictions advocated for short selling ranged from requiring disclosure of short selling activity, to a blanket prohibition on short selling activity.

# Detailed Results

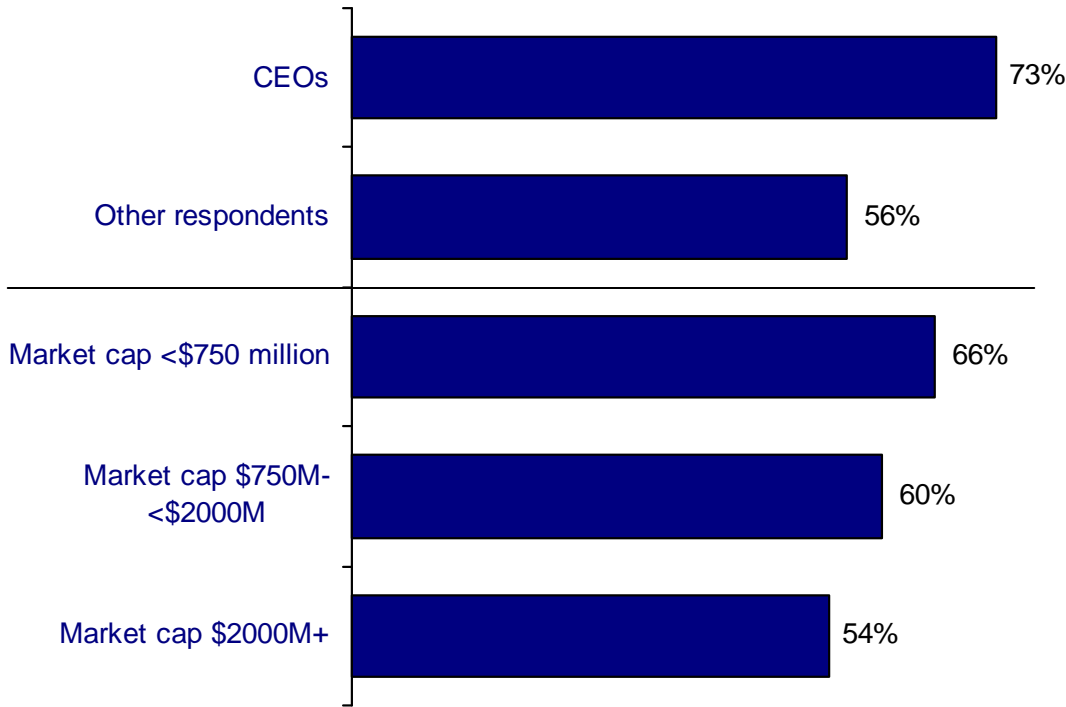
Q1: Is the practice of short selling stock harmful or helpful to your company's stock and shareholders?

Almost six in ten respondents think short selling is harmful to their company's stock and shareholders. CEOs are more likely to think short selling is harmful, as are respondents at smaller cap companies.

### Effect of Short Selling on Stock and Shareholders



### Short Selling Is Harmful

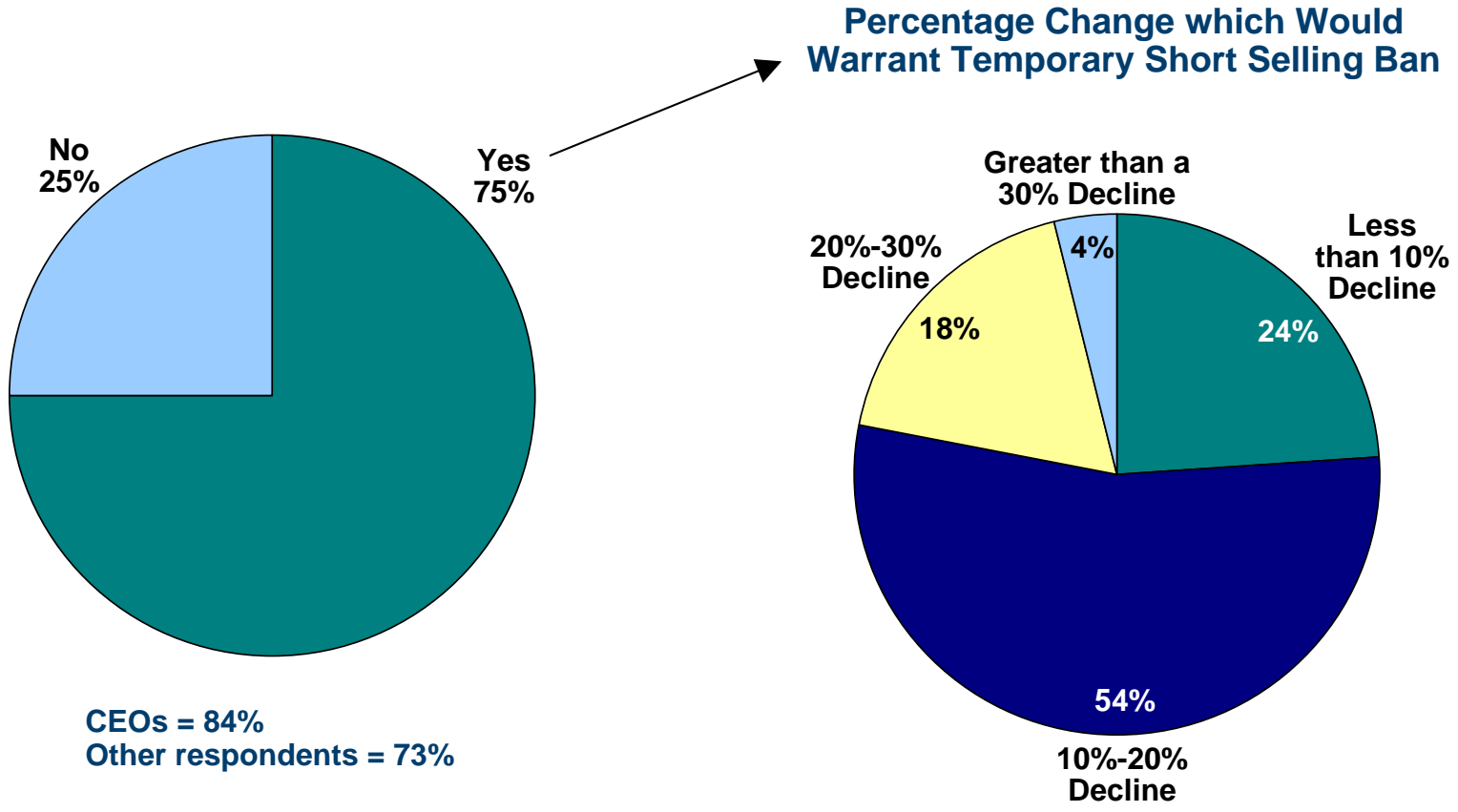


Bases = Total (n=438), CEOs (n=88), Other respondents (n=341), Market cap less than \$750 million (n=134), \$750 million-<\$2 billion (n=95), \$2 billion+ (n=194)

Q2: Should short selling in a stock be temporarily prohibited after it experiences a certain level of volatility?  
Q3: What percentage movement in your company's stock during the day would warrant a temporary ban in short selling?

Three in four respondents think short selling a stock should be temporarily prohibited after it experiences a certain level of volatility; most think a decline of 20% or less should trigger a temporary prohibition on short selling a specific stock. Not surprisingly, 92% of those who think short selling is harmful to their company stock and shareholders support prohibiting short selling.

### Prohibiting Short Selling During Volatility



Bases = Total (n=438), CEOs (n=88), Other respondents (n=341), Think short selling should be temporarily prohibited after certain level of volatility (n=330)

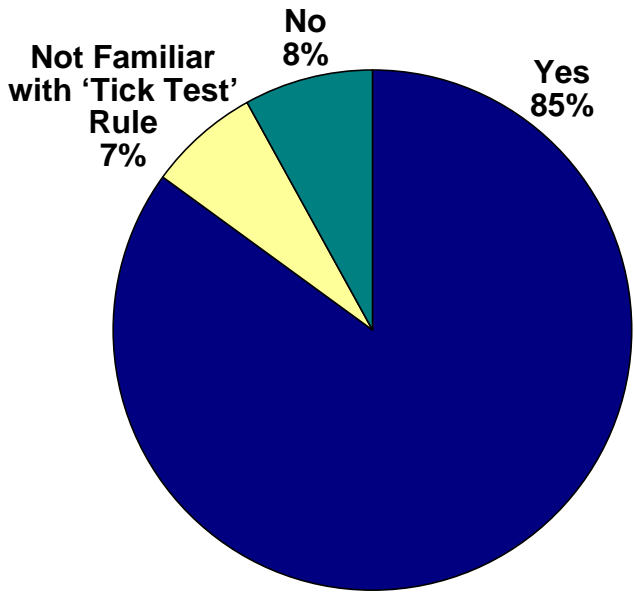


Q4: Should the SEC and financial markets re-institute the "tick test" rule along with other options designed to place some constraints around short-selling as soon a practical?

Q5: Would a "tick test" of some variety help instill market confidence?

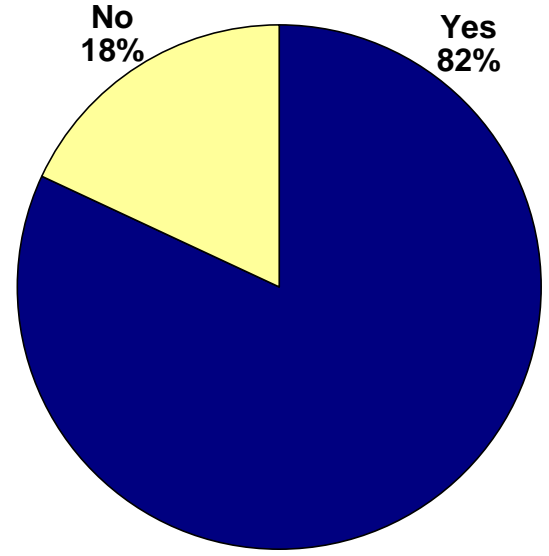
The vast majority of respondents think the SEC and financial markets should re-institute the 'tick test' rule, along with other options designed to place some constraints around short selling. Respondents at US-based companies in particular are in favor of re-instituting the rule and think it would help instill market confidence.

**Re-Instituting 'Tick Test' Rule**



**US = 89%**  
**Non-US = 71%**

**Would Re-Instituting Rule Help Confidence**

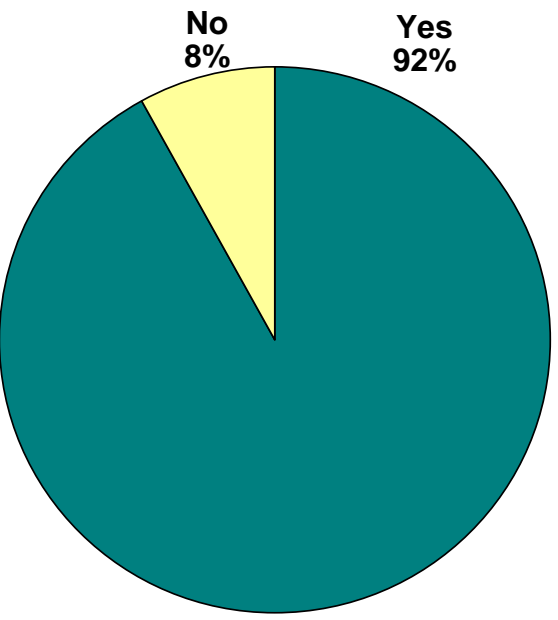


**US = 85%**  
**Non-US = 71%**

Bases = Total (n=438), US (n=366), Non-US (n=65)

Virtually all respondents think investment managers should publicly disclose their short selling activity. Ninety percent or more respondents across the board think short selling activity should be publicly disclosed.

**Should Investment Managers Public Disclose Short Selling Activity?**



**Short Selling Activity Should be Publicly Disclosed**

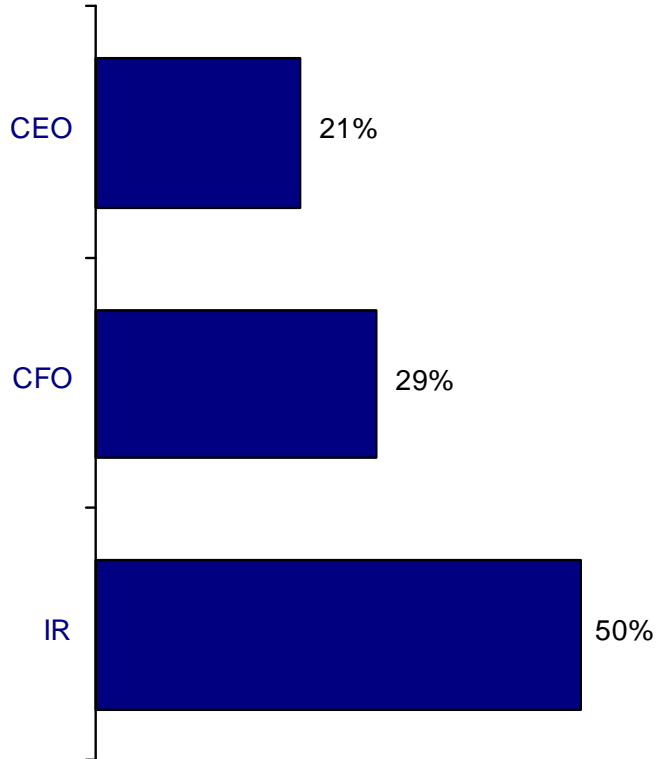


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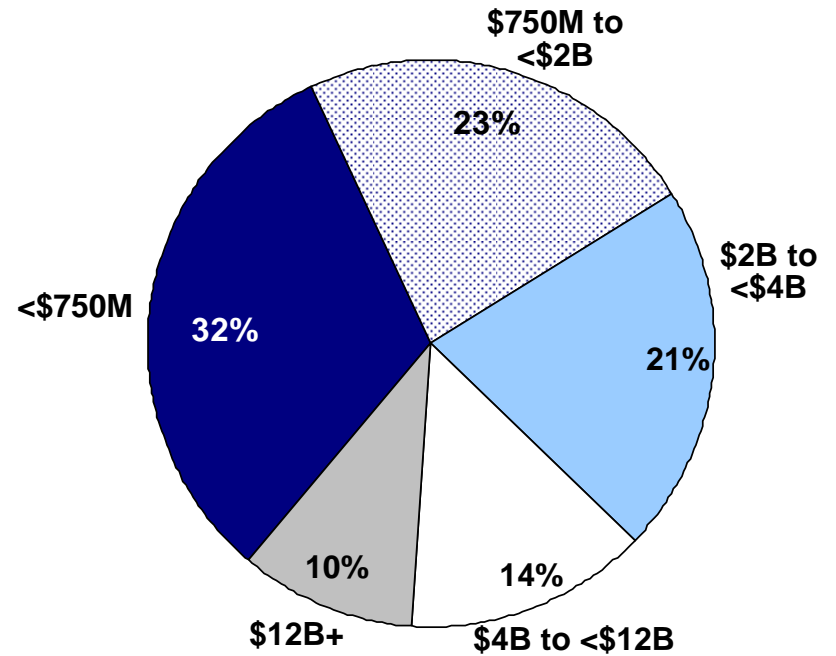
# Appendix

# Profile of Respondents

Job Title



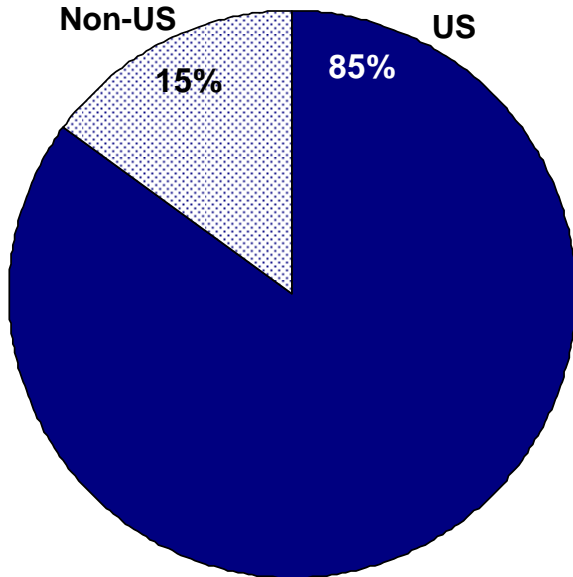
Market Capitalization



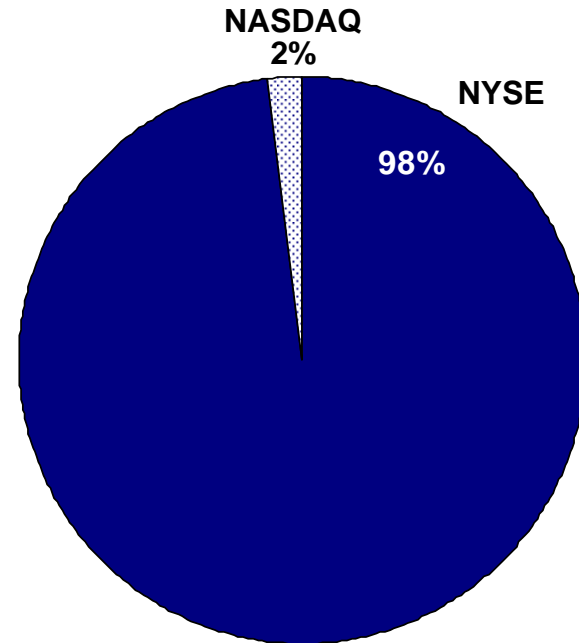
Base = Total (n=438)

# Profile of Respondents

Country



Exchange



Base = Total (n=438)