

# Short Selling Study: The Views of Corporate Issuers

## *Additional Comments*

*Conducted for*



*Prepared by*



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## Additional Comments Provided

*Q7: Are there any additional comments you would like to make?*

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## Additional Comments

Additional comments provided by survey participants are included on the following pages. Following each comment are notations indicating the exchange where the respondent's company is listed, the country, market capitalization and title of the participant. There has been minor grammatical editing to the comments.

## Additional Comments

- Where large short positions exist, "lenders" should be prohibited from voting shares to clearly prevent mis-voting. When companies go broke, shorting should become a taxable event. *[NYSE, US, \$2B-<\$4B, IR]*
- The practice of short-selling has not disrupted the markets, but the abusing short-selling practices without enforcement of the rules has disrupted the markets. Individual reporting (with public access) would allow for enforcement. *[NYSE, US, \$750M-<\$2B, CEO]*
- It would be beneficial if the prohibition of naked shorting could be better enforced. *[NYSE, US, \$750M-<\$2B, CFO]*
- This practice creates extreme volatility and especially with speculators who only borrow shares to create downward leverage on a stock price for their short-term gain. *[NYSE, US, \$12B+, CEO]*
- As CFO of a public retailer which reports monthly sales, I am aware of the significant impact that hedge funds have on volatility of stocks in our sector. Rumors, attempts to obtain inside information by contacting local store personnel and persistent calls to IR departments are ways in which the "momentum" investors operate to make short term trading decisions. Increased regulation of these funds will surely even the playing field for all investors. *[NYSE, US, \$2B-<\$4B, CFO]*
- I think short-selling and any other investment technique where the investor profits by a company's demise is fundamentally against public policy. If investors don't believe in a company they should leave it alone and put their money in a company they do believe in, in a constructive, not destructive, manner. *[NYSE, US, \$2B-<\$4B, IR]*
- It is important to reform short selling. *[NYSE, US, \$750M-<\$2B, CEO]*

## Additional Comments

- Money managers and brokers should be required to notify stockholders that they loaned shares to third parties. *[NYSE, US, <\$750M, CEO]*
- The tightest possible policing of naked shorting is of paramount importance. *[NYSE, US, \$750M-<\$2B, IR]*
- Blaming the shorts was and is nonsense. *[NYSE, US, \$12B+, CFO]*
- The SEC provided an unfair prohibition in March for 19 financial institutions in the wake of the collapse of Bear Stearns. It signified that those institutions "could not fail" and it exacerbated the short-selling of other financial institutions, creating an economic disadvantage for other publicly-traded financial institutions. Ultimately, this contributed to the failure of some of the 19 protected companies (i.e. Merrill Lynch and Lehman) and added to the hysteria that has severely devalued many of the other 800 financial institutions. So nobody benefited in the long run. Short selling is not a necessary market tool in today's hedge fund driven investment climate and should not be allowed as a "strategy" for long/short funds, especially connected to convertible debt offerings. *[NYSE, US, <\$750M, CFO]*
- Short selling is useful in context of convertible bond placement, equity book builds and corporate M&A, though obviously also can be used to prey on rumor/speculation in a harmful way to shareholder value. *[NYSE, Non-US, \$4B-<\$12B, IR]*
- While I understand that investors are leery of having their short positions disclosed to other investors, it really shouldn't be any different than having to disclose their long positions which they do quarterly. *[NYSE, Non-US, \$4B-<\$12B, IR]*
- Transparency is the key. *[NYSE, US, \$12B+, IR]*
- Short sellers and hedge funds should have more controls over their activities. They are causing way too much volatility in business and discounting performance. *[NYSE, US, \$2B-<\$4B, CEO]*

## Additional Comments

- Transparency in short selling is essential. *[NYSE, US, \$750M-<\$2B, CEO]*
- Short sellers should have the shares that are being sold short. Naked short selling should be prohibited and enforced. *[NYSE, US, \$2B-<\$4B, CFO]*
- Short selling is necessary to fair markets. Unbridled short selling can overwhelm markets and the "plus" tick worked for decades to control the ability of short sellers to overwhelm market sentiment. It should be re-instated but must include both on-exchange trading as well as off-exchange and dark pools. *[NYSE, US, CEO]*
- The uptick rule worked and was valid for years. It should be immediately restored. The best safeguards for all is transparency. The concept that no one should know makes no sense in terms of investment. Let's think about investors for a change rather than traders. *[NYSE, US, \$4B-<\$12B, IR]*
- I don't believe short selling provides any value to the market, it is damaging to shareholders and companies and should be banned. Alternatively, short positions should be "covered" in a short period of time (15 days) with strong penalties for violation (banned from shorting). *[NYSE, US, \$750M-<\$2B, CEO]*
- Shares sold short should be required to be delivered within 48 hours for all companies, not just financial companies. If you hold a stock long, you actually own those specific underlying shares of the issuer in your account. If you sell short, you should be required to specify the actual shares as well. If a broker has "borrowed" shares from your account to facilitate a short sale, that should be disclosed to the long holder. *[NYSE, US, <\$750M, CFO]*
- The most important change (that is absolutely needed) is full disclosure of short positions by money managers. This needs to happen ASAP and be reported on daily closing positions (on a 2 day lag). *[NASDAQ, US, CFO]*

## Additional Comments

- Hedge funds should be regulated. Lack of regulation and disclosure of hedge funds is causing a lot of disruption in the market due to a few of these hedge funds seeking to profit by causing bad events or publicity at operating companies. They are playing poker with the American economy. If they lose they just move on to the next company, while the companies they damage suffer from lost or reduced access to capital and thus cannot employ as many. *[NYSE, US, \$750M-<\$2B, CFO]*
- If a management team must announce when one share is sold or purchased, then the threshold of reporting long and short positions by funds should be lowered. The goal is transparency. Unfortunately, it is probably time for some regulation. *[NYSE, US, \$2B-<\$4B, CFO]*
- You are going to get a very skewed response from your survey if you just survey corporate managements. *[NYSE, US, \$750M-<\$2B, IR]*
- The recent restriction of short selling of financial stocks should apply to the broader market. *[NYSE, US, <\$750M, IR]*
- The uptick rule would not make a tremendous difference since we now trade in pennies rather than eighths, but it would provide a sense to the public that the shorts were not running wild on the market. One more item: Shorts have totally abused the delivery system. There should be a very simple rule with respect to delivery of shares at T+3: If a seller does not deliver the shares he sold, then he must pay to the buyer a fee of 1% of the balance of the undelivered shares. This fee is payable every day that the seller fails to deliver the shares. By going to such a system, there will be no need for a short seller to "locate" shares prior to shorting since he will be paying a tremendous penalty rate if he fails to deliver three days later. *[NYSE, US, \$12B+, CEO]*
- Short selling is a legitimate form of risk management and should not be banned completely. *[NYSE, US, \$12B+, CFO]*

## Additional Comments

- I really question why we need short selling. It seems as if we are allowing people to bet on a demise of a company. *[NYSE, US, <\$750M, CFO]*
- Short selling places an abstract element to trading that has nothing to do with the issuer's actual business. It is as toxic as uncollateralized paper mortgages. It takes advantage of bad market conditions, destabilizing a volatile market. *[NYSE, US, \$2B-<\$4B, IR]*
- Bring back the uptick rule. Investment managers, especially hedge fund managers should have to report short selling (in a more timely fashion than a 13F filing) to bring greater transparency to the market and eliminate perceived abuses. *[NYSE, US, \$4B-<\$12B, IR]*
- It is also important that the shares shorted must actually be borrowed to prevent unlimited shorting. *[NYSE, US, \$750M-<\$2B, IR]*
- Mark to market accounting is causing unjustifiable and irrational pain to companies having to undergo goodwill testing. In this volatile market, publicly-traded equity values are not reliable indicators of fair value and should not be treated as such by "valuation experts". Predatory short selling contributes to market inefficiencies. *[NYSE, US, \$2B-<\$4B, CEO]*
- There is no reason they shouldn't disclose, as anyone who has more than a 5% position must disclose. Management is under much scrutiny and ALL investors should have clear visibility as to any investor, short seller, hedge fund etc. actions. No one segment should be allowed to navigate the investment waters any differently. *[NYSE, US, \$2B-<\$4B, CEO]*
- Selling something that one doesn't own doesn't make sense under any business scenario. When short selling bans, or rule changes, are made, make them universal. When one sector is banned the shorts will go somewhere else. That is their business. Thanks for finally asking for our input. *[NYSE, US, \$2B-<\$4B, IR]*

## Additional Comments

- The exchanges should provide short interest data in a more timely fashion. Moving to twice a month was very useful, getting the info quicker would make it even more so. *[NYSE, US, \$750M-<\$2B, CFO]*
- The practice of "naked" short selling should be curtailed. *[NYSE, US, <\$750M, CFO]*
- Naked short selling should be "policed" by SEC and stamped out. *[NYSE, US, <\$750M, IR]*
- "Naked" short selling is harmful and should not be allowed. *[NYSE, US, \$12B+, IR]*
- For a small company like ours, short selling can be particularly brutal as it does not take too much pressure to drive our shares down meaningfully. *[NYSE, US, <\$750M, CEO]*
- There is no need nor place for shorts, they are generally destructive and ill-intended to the enterprises they "invest" in. Investment needs to be for buy and hold with good wishes and intentions for the "invested in". Eliminating shorts would allow stocks to be valued at market equilibrium based upon anticipated health and prospects for a business, not rumors, speculation and ill-will for customers, employees and other owners. *[NYSE, US, \$750M-<\$2B, CEO]*
- I don't believe short selling is harmful to investors. I do believe the asymmetrical disclosure of information that requires long positions to be disclosed but not short positions is harmful to the market. *[NYSE, US, <\$750M, IR]*
- There should be no distinction between the type of manager, and the rules should apply to all. All managers - mutual fund, pension fund, hedge fund, etc. should be subject to the same short sales reporting - as well as share ownership (13F) reporting. *[NYSE, US, \$4B-<\$12B, IR]*
- Short selling of stocks that depend on investor confidence - such as banks and certain financial institutions - should be banned. *[NYSE, US, \$750M-<\$2B, CFO]*

## Additional Comments

- My company is a publicly-traded partnership with low daily trade volume. When a large block of our stock comes to market, particularly from institutions, the retail demand is not sufficient to support the price. An institutional investor could place a sell order for a large block along with a naked short and profit by manipulating the price downward. *[NYSE, US, \$2B-<\$4B, CEO]*
- Short-selling plays an important role in establishing accurate market prices for securities. *[NYSE, US, \$4B-<\$12B, IR]*
- Shorts should be covered and naked shorts banned. *[NYSE, US, <\$750M, IR]*
- Naked short selling should be outright banned as its financial virtues and ability to be adequately controlled have proven more harmful than positive for the stability of capital markets. *[NYSE, US, \$750M-<\$2B, IR]*
- I think reinstating the uptick rule is most important and also requiring asset managers to disclose their short holding, as they do in the UK, would help transparency. *[NYSE, US, \$4B-<\$12B, IR]*
- I believe disclosure is the most important and most valuable option you have presented. I'd sacrifice the uptick rule and temporary bans if it meant the short sellers have to disclose who they are -- and not just at quarter ends. *[NYSE, US, \$750M-<\$2B, IR]*
- I agree that investment managers should disclose short positions. However it should be disclosed with the same frequency that long positions are disclosed. Although a number of my company's customers were eligible for the short selling restrictions, my company was not eligible. I suspected that some investors shorted my company as a proxy for shorting our key customers. The September data does not support this as our short interest declined. However it is difficult to know what the short levels may have reached between September 15 and September 30 and the October data is not yet available. *[NYSE, US, <\$750M, IR]*

## Additional Comments

- If issuers are to be held to higher standards of transparency, then so too should institutional investors. We need more timely and fuller disclosure as to who is long and short in our securities. *[NYSE, US, \$750M-<\$2B, CFO]*
- Many hedge funds specialize in value destruction, the opposite of capital formation. Their behavior is unaccountable and regulations regarding rumor creation and mongering are never enforced. The playing field is not level for unethical shorts. *[NYSE, US, \$4B-<\$12B, IR]*
- My fundamental belief with regard to "betting" the market will move down is to do options, put your "money" where your belief lies. *[NYSE, US, <\$750M, CFO]*
- I feel strongly that there should be restrictions on the inordinate amount of leverage funds have been allowed to undertake to pursue many financial strategies be it short selling, arbitrage and participation in the CLO markets among others. *[NYSE, US, \$750M-<\$2B, CFO]*
- Short selling is more like gambling than investing in companies and should be sent to Las Vegas. *[NYSE, US, \$750M-<\$2B, CFO]*
- the most important change, would be the disclosure of short interests by institutional managers. *[NYSE, US, \$2B-<\$4B, CEO]*
- Having some way of preventing shorts from jumping on declining stocks will certainly be helpful. The uptick rule seems like a likely place to start. It is self regulating (so cheaper and easier for regulatory control) and prevents massive downside momentum just from the weight of real sellers plus shorts on for the ride. When there is apparently no bottom, it is hard for natural buyers to want to try and catch this falling knife. Having better transparency about short sellers and longs would be very helpful to issuers. Investors get to know increasingly more about issuers but issuers seem to be getting less information about investors. The need for investors to keep holdings private is inconsistent with the rules requiring issuers to reveal their business information to competitors. *[NYSE, US, \$12B+, IR]*

## Additional Comments

- Short selling positions are just as relevant as long positions and should be disclosed accordingly. *[NYSE, US, \$4B-<\$12B, IR]*
- They should not be able to sell naked shorts. *[NYSE, US, <\$750M, CFO]*
- Rules regarding naked short selling should be enforced and disclosure of short positions should absolutely be required. *[NYSE, US, \$12B+, IR]*
- For small cap companies with limited floats, the impact of short selling can have an dramatic intra-day impact on share prices. I believe the uptick rule should be re-instated. *[NYSE, US, <\$750M, IR]*
- I do believe there are some legitimate uses of short selling and would not be in favor of a blanket ban; however, the abuses at this point far outweigh the advantages. I routinely hear people saying that you might as well be placing a bet in a casino if naked shorts are allowed to drive stock prices without limit. *[NYSE, US, \$4B-<\$12B, IR]*
- A greater degree of fairness and transparency is needed in the market to avoid manipulation by large institutions at the expense of small individual shareholders. *[NYSE, US, \$4B-<\$12B+, IR]*
- It is shocking to see how much of our volume is short selling. The long term investor is continually punished for their faithful investment by those who profit from the stock without any true investment or knowledge of the company. We have discontinued road shows to any firms who do not disclose their short sell policy. *[NYSE, US, <\$750M, CEO]*
- My main concern is naked shorts driving down prices to undermine confidence in the fundamentals of the business. I believe that naked shorts should be vigorously policed. *[NYSE, US, <\$750M, IR]*
- I support greater transparency within the investment community and am in support of full disclosure of both long and short positions. *[NYSE, US, \$750M-<\$2B, IR]*

## Additional Comments

- There needs to be as much transparency and disclosure on trades as corporations are required to do. Wall Street needs to open up and stop hiding behind the plethora of electronic trading - especially set up on stock price algorithms. The NYSE needs to pull back on some of its electronic trading and push for more open transparency immediately from both hedge-funds and all others. *[NYSE, US, <\$750M, IR]*
- It is my sincere belief that much short selling is a result of erroneous and misleading rumors purposely released to generate pressure on firms stock. Rumors of pending bankruptcy, totally unfounded is one example. *[NYSE, US, <\$750M, CEO]*
- The market needs more transparency for hedge funds and assets managers using shorts. *[NYSE, US, \$2B-<\$4B, IR]*
- Aggressively enforce naked short selling needs to happen. *[NYSE, US, <\$750M, CFO]*
- It is vital that (hedge) funds' activities in this area be more transparent. For example, driving down a sector's equity values in order to benefit in derivative positions on related commodities should be detectable and prohibited. *[NYSE, US, \$4B-<\$12B, CEO]*
- The three day rule should be strictly enforced. *[NASDAQ, US, CFO]*
- It has always been disturbing that short sellers, under the cloak of anonymity, are able to manipulate stock by spreading false rumors, whereas long holders have to disclose ownership when they make a statement about a stock, and issuers have strict requirements related to disclosure so they are not being overly promotional. It is not a level playing field in this regard. *[NYSE, US, \$4B-<\$12B, IR]*
- Disclosure of short selling activity should be exactly the same as 13-F disclosure of long positions. *[NYSE, US, \$750M-<\$2B, IR]*

## Additional Comments

- Short selling has an important role in the marketplace but like anything, reasonable limits are warranted to prevent speculation from getting out of hand and ruining solid companies and costing jobs. *[NYSE, US, \$2B-<\$4B, IR]*
- Hedge funds need greater regulation and transparency, short positions need transparency just like long positions. *[NYSE, US, \$2B-<\$4B, CEO]*
- It should require delivery - no naked shorts. *[NYSE, US, \$4B-<\$12B, IR]*
- In the theory of modern finance, we have defined risk by using statistics of variability. Anything that can reduce variability is beneficial. *[NYSE, US, <\$750M, IR]*
- I would like to know why the SEC has thus far gone out of its way to protect nefarious hedge funds by not requiring them to disclose shorting activity. I would also like to know how removing the uptick rule has in any way shape or form improved the viability of our financial markets. *[NYSE, US, <\$750M, IR]*
- Short selling should be abolished in total. *[NYSE, US, <\$750M, CEO]*
- There needs to be the ability to monitor naked short selling. *[NYSE, US, \$750M-<\$2B, CFO]*
- Selective short selling by category causes market problems which can be hard to for the market to rationally understand. The accounting rules based on the capital base of financial institutions allow for "coordinated attacks" by aggressive short sellers, to the detriment of all stakeholders (except the short sellers). *[NYSE, US, \$4B-<\$12B, CEO]*
- I believe the problems related to short selling relate more to abuses employed by short sellers in manipulating stock prices down with rumors and negative misinformation spread on message boards and blogs. *[NYSE, US, <\$750M, CEO]*
- 1. The uptick rule should be re-instituted. 2. Short sell disclosure should apply to all institutions including hedge funds, maybe on a quarterly basis. *[NYSE, US, \$12B+, IR]*

## Additional Comments

- I think fund managers (of all types) should be required to report their holdings on a monthly basis or at least have the filing deadline be one week after quarter ends – not 45 days. *[NYSE, US, <\$750M, IR]*
- Short selling didn't cause the issue -- everyone should be addressing the underlying issues and not blame short sellers. *[NYSE, US, <\$750M, IR]*
- We don't agree with restrictions that would only prohibit short selling after a stock has fallen by a certain percentage or experienced a certain level of volatility as much of the damage to long-term shareholders has already been inflicted. Also, traders will learn to "game" these inefficient rules to the detriment of long-term shareholders. We believe short selling needs to be managed on a consistent and ongoing basis by the uptick rule. *[NYSE, US, <\$750M, IR]*
- Temporary (very temporary) restraints on specific stocks under very specific circumstances should be considered but the recent ban was way too broad of a list of companies and actually made matters worse for companies on that list. *[NYSE, US, \$750M-<\$2B, CEO]*
- In theory, the idea of short selling should not be considered good or bad. However, the reality is that an unethical short trader can generate a wholly untrue and negative news item that is "leaked" to the Street knowing what the impact will be. That short investor is poised to take advantage of that volatility and make a quick profit before the truth finally surfaces. Short selling simply invites fraud. *[NYSE, US, <\$750M, IR]*
- The restriction on short-selling killed the convertible bond market during a time when many companies could have used such a vehicle to enhance their liquidity. In order to manage risk effectively, convertible bond investors employ an arbitrage strategy that acts as an actively managed hedge and requires stock shorting at its core. *[NYSE, US, <\$750M, IR]*
- 1. SHO should be enforced. 2. (T+3) failures should not be tolerated. 3. Short sellers should not be allowed to spread 'false statements' designed for their gain. 4. Short sellers must be forced to actually own or formally borrow the stock they sell. *[NYSE, US, \$750M-<\$2B, CEO]*

## Additional Comments

- Hedge funds provide liquidity in the markets and do some of the best detailed research, which allows them to find shorting opportunities. Unfortunately some hedge funds are known to act in packs and spread rumors or other false information, which is the practice that needs to stop. *[NYSE, US, \$2B-<\$4B, IR]*
- Naked short selling should be prohibited and the prohibition enforced. *[NYSE, US, \$2B-<\$4B, CFO]*
- Company management and shareholders alike have a right to know who is shorting the stock. Protecting that information is akin to protecting criminal rights over a victim's rights. *[NYSE, US, \$4B-<\$12B, IR]*
- Permitting naked shorts is just plain stupid. *[NYSE, US, \$2B-<\$4B, CFO]*
- It makes no sense that stock holdings are required to be disclosed but not short selling. Why is this inconsistency not noted and corrected immediately? *[NYSE, US, \$4B-<\$12B, IR]*
- Our company is a small cap stock without available put or call options and low liquidity, therefore short selling is essentially the only way for investors to hedge their positions. We are not against short selling given how it is used in our experience. *[NYSE, US, <\$750M, CFO]*
- I believe unregulated hedge funds use shorts in combination with others and then rumors to create a crisis of confidence. My guess is that was one of the things that killed Lehman. *[NYSE, US, \$2B-<\$4B, IR]*
- Level of disclosure – daily list of short sellers, daily short selling trading volume, cost of short borrowing, percentage of naked shorts. *[NYSE, US, \$4B-<\$12B, IR]*
- Make the rules universal, not just for one industry. Level playing fields are good. *[NYSE, US, \$12B+, CFO]*

## Additional Comments

- It is not short selling alone that is the issue; it is the potential for manipulation that exists from selling stock short and simultaneously buying CDS's to try to create the perception that a company is under stress. *[NYSE, US, \$750M-<\$2B, IR]*
- I find the disclosure around ownership to be totally counter intuitive to the requirements for transparency and speed placed on public companies. In addition to requiring firms to publicly disclose short positions, I believe that investment firms should be required to file ownership within 30 days after buying/selling rather than 45 days after the quarter closes. *[NYSE, US, \$2B-<\$4B, IR]*
- As an issuer of stock, I should have the right to know who is holding my shares, whether long or short. And importantly, that information should be made privately to the stock issuer every 30 days. *[NYSE, US, \$750M-<\$2B, IR]*
- I believe that public disclosure of short positions can be made in a similar fashion to long holdings, ie. with some delay to the reporting, so that the threat of 'shadowing' will not be relevant. *[NYSE, US, <\$750M, IR]*
- The practice of naked short selling very detrimental. Shorts have become a way to engage in the practice of spreading rumors and piling on in an attempt to deliver on their predictions. Reinstatement of the uptick rule won't eliminate the function of shorts in the market place but will make them act more responsibly. *[NYSE, US, \$4B-<\$12B, IR]*
- While short selling serves some market purposes, I believe it could be restricted or eliminated without major issues. *[NYSE, US, \$12B+, IR]*
- I believe the rules to short or long a stock should be the same for disclosure but should also be extended to all other forms of financial transactions as well (puts calls etc). There should be a very clear transparent picture of what position anyone is taking on a stock (cannot know that without full disclosure). It might also help if the SEC would actually enforce some of the rules they already have in place. *[NYSE, US, <\$750M, CFO]*

## Additional Comments

- The removal of the tick test appears to have increased volatility combined with the number of stat arbs relative to when momentum/directional trading wasn't a popular strategy. *[NYSE, US, \$4B-<\$12B, IR]*
- I believe that short selling should be banned as the short sellers have been manipulating the markets. The SEC has been ineffective in enforcing existing laws so the only way to prevent the manipulation of financial companies by short sellers is to prohibit short selling of financial institutions. *[NYSE, US, \$750M-<\$2B, CFO]*
- We need disclosure of short positions. *[NYSE, US, \$750M-<\$2B, CFO]*
- The real problem with short selling is the naked short which is not policed enough and the false rumors spread by short sellers through blogs etc. *[NYSE, US, <\$750M, CEO]*
- Short selling is not good for the long term health of the financial markets. *[NYSE, US, \$4B-<\$12B, IR]*
- Short selling is a viable strategy. We oppose the lack of transparency and lack of hedge fund regulation/parity with long institutional investor reporting. We believe the abusive behavior of some hedge funds has harmed issuers and long term shareholders. We spend too much time on unproductive activities chasing down rumors. We believe smaller hedge funds have tended to start or perpetuate rumors, causing undue harm to SH value. Unfortunately, there are no hedge fund regulations to curb abusive behaviors. The 13F requirement is not enough if applied to the hedge funds, as it does not capture smaller funds. Any hedge fund regulations need to apply to ALL HF's regardless of AUM. Reinstating the tick test would help to restore confidence and prevent raids. I realize that studies are inconclusive and we are in a different trading environment than when the rule was put into place. *[NYSE, US, \$12B+, IR]*
- Short-sellers get many advantages and the SEC needs to take action NOW. *[NASDAQ, US, IR]*

## Additional Comments

- Certainly hedging and short selling have advantageous elements for asset managers. But, in no other economic situation can someone create a nearly unlimited supply of goods and drive down price, such that the seller benefits at the expense of the holder. To buy stock or repurchase shares and shrink supply requires capital. To sell short raises cash and increases supply driving down price because supply has increased. In addition, massive selling can and usually does create a perception of problems, and that generates more selling because investors shoot first and ask questions later. Finally, why are hedge funds, and short sellers the first to clamor for transparency among companies, but the last to provide it? Why are they allowed to have a special advantage over mutual funds or companies? Everyone else has to publicly provide data that indicates their business strategies and financial condition. *[NYSE, US, \$750M-<\$2B, IR]*
- Naked short selling should be prohibited. *[NYSE, US, <\$750M, IR]*
- Short positions should be publicly reported and firms should better regulate so naked short selling is not taking place on trades they execute. *[NYSE, US, \$750M-<\$2B, CFO]*
- Short-selling is an abusive strategy that undermines public confidence in financial markets. It does not "speed price discovery" in an appropriate manner. At a minimum, the uptick rule needs to be re-instituted and public disclosure of short positions needs to be made. However, the combination of bear raid short selling and apparent manipulation of the CDS market has resulted in substantial harm to shareholders of many financial institutions and to our economy. *[NYSE, Non-US, \$750M-<\$2B, CFO]*
- There needs to be more timely reporting of short positions. *[NYSE, US, \$750M-<\$2B, IR]*
- Short selling increases volatility and encourages false rumors. *[NYSE, US, \$2B-<\$4B, CEO]*

## Additional Comments

- Shorting alone is not harmful - illegal activities in conjunction with shorting is. An unscrupulous minority have behaved badly, using means that are manipulative, fraudulent and even criminal to execute their short strategies. The US has a black eye over the behavior it has permitted in its markets. Confidence may never return, as the watchdogs have let the perpetrators escape unpunished. In the US, apparently crime does pay. *[NYSE, Non-US, \$4B-<\$12B, CFO]*
- Naked short selling should be prohibited in all situations. Short selling does provide some liquidity benefit to publicly traded institutions as a whole but not when it's being done to punish particular investors/corporations for reasons beyond market or corporate fundamentals. *[NYSE, US, \$750M-<\$2B, IR]*
- I believe with the current speed of trading and amount of program trading going on, the uptick rule is urgently needed to stabilize the volatility. *[NYSE, US, \$2B-<\$4B, IR]*
- I view the whole short-selling issue as a political means to force de-leveraging by hedge funds that were shorting bank stocks. I also believe pursuing the issue has largely accomplished the intended objective - and probably a little more. *[NYSE, US, <\$750M, CFO]*
- There needs to be daily publication of short selling. *[NYSE, US, \$750M-<\$2B, IR]*
- Short selling is an accepted stock trading activity, but like most techniques it needs some level of regulation to keep markets orderly. *[NYSE, Non-US, <\$750M, CEO]*
- Short selling should not be banned, and it is helpful insofar as it facilitates the price discovery process. The uptick rule and enforcement of no "naked shorting" should place the necessary constraints to prevent an irrational run on a particular company's stock. *[NYSE, US, \$2B-<\$4B, IR]*

## Additional Comments

- Although one can argue that short selling is an proper financial exercise, in reality it is nothing but playing the market sentiment. It facilitates greed and excesses in the marketplace. Often a well-managed company stock is manipulated by short sellers based on market sentiment for a short period of time bringing long term grief for the company. It is absolutely necessary to institute rules to establish responsible trading practices in the stock market! *[NYSE, US, \$750M-,\$2B, CEO]*
- Trade restrictions such as the tick test should be kept minimum, rather the transparency should be better for both buy and sell side. *[NYSE, Non-US, \$4B-,\$12B, IR]*
- Having no reporting requirements around shorting puts the company at a disadvantage. Many short sellers tend to rumor monger and can create havoc. Without knowing if a person is short it's hard to make an informed decision based upon hearsay. *[NYSE, Non-US, <\$750M, IR]*
- Short selling has to be considered in the broader context of prudent controls and regulations that should be placed against the hedge funds and other highly leveraged institutions. It is time for the sheriff to arrive in the Wild Wild West. *[NYSE, US, \$2B-<\$4B, CEO]*
- There needs to be some transparency in regard to short selling and some mechanisms that will temper significant movements caused by the short selling. I'm not sure exactly what those should be. The SEC, exchanges and other parties are in the best position to establish the rules. *[NYSE, Non-US, <\$750M, CFO]*
- Short selling should be allowed as part of a normally operating free market, however, if unchecked, particularly in the financial services industry where confidence is a big factor in ongoing business viability, unabated short selling can become a self fulfilling prophecy, forcing a company to issue securities at inopportune times. *[NYSE, Non-US, \$750M-<\$2B, CFO]*
- The practice of "naked short selling" is, I believe, the most harmful and dangerous type of short selling. I don't think it should be allowed at all, but should certainly have significant constraints. *[NYSE, US, <\$750M, IR]*

## Additional Comments

- We appreciate the NYSE working to champion the uptick rule as the SEC clearly doesn't understand how it is destroying market cap value and wiping out funds. *[NYSE, US, \$4B-<\$12B, IR]*
- All shorts, regardless of size, should be required to disclose their positions monthly. How about a black-out period around earnings for short sellers? *[NYSE, US, \$750M<\$2B, CFO]*
- Whatever changes are proposed they should apply to every listed stock. There should not be special rules for certain stocks. *[NYSE, Non-US, \$4B-<\$12B, CEO]*
- Existing restrictions on short selling, including naked short selling, should be enforced. Prohibitions on market manipulation through libel and slander should be enforced. *[NYSE, US, \$4B-<\$12B, IR]*
- I think that short selling should be banned permanently for all stocks. I recognize that it is not a popular position. At a minimum, short selling should be disclosed each day. *[NYSE, US, \$12B+, CFO]*
- Shorting and shorting-related activities should be subject to the similar levels of disclosure as long investing activities: reporting/disclosure of investment positions, additional timely filing requirements for threshold investment holding percentages and analytical research subject to sell-side research standards, etc. In addition, rules and enforcement thereof to safeguard against abusive naked shorting should be enacted. Also, media-induced stampede effects (both long and short) should be monitored and controls/standards should be adopted to avoid such and/or to provide proper disclosure of motivations. *[NYSE, US, \$2B-<\$4B, IR]*
- Short selling adds liquidity to the market. The uptick rule should be reinstated and a circuit breaker put in place to stop shorts after certain level of volatility. *[NYSE, US, \$12B+, IR]*
- Rules on short selling should apply to all stocks, not just financial ones. There should be a level playing field. *[NYSE, US, <\$750M, CEO]*

## Additional Comments

- The uptick rule is an important element to reinstate into the market. There should also be some accountability for short sellers who spread inaccurate information about a company to artificially move the stock (as there is with management). *[NYSE, US, \$2B-<\$4B, CEO]*
- We are deeply disappointed that the short selling ban on financial institutions was allowed to lapse. “Unregulated” short selling is a dangerous and destructive practice in the hands of manipulative short sellers at a time like this, using cross markets and rumors to shred confidence in institutions that are critical to our financial system. *[NYSE, US, \$750M-<\$2B, CEO]*
- Short selling activity should be better known by issuers. *[NYSE, Non-US, \$4B-<\$12B, IR]*
- Weekly SEC filing of short selling activity should be mandatory for investment managers. This data should be publicly disclosed. *[NYSE, US, \$2B-<\$4B, IR]*
- Stocks were totally ravaged as soon as the NYSE lifted the short-selling ban on the companies that it had placed on the short-selling “protected” list. It is obvious how damaging short selling is. It should be severely restricted if not outright banned at least on all stocks that tend to be exceptionally volatile, that have had a volatile period lasting more than 4 weeks, or on stocks that tend to trade below a certain price or have traded below a certain price for a set period of time. *[NYSE, US, \$2B-<\$4B, IR]*
- The notion of selling an asset that one does not own is perverse. There can be no benefits to long-term shareholder value creation by enabling wild speculation with such trading and securitization schemes. A fundamental decision needs to be made about whether the capital markets are a place where investors and issuers come together or whether it is a casino for the masses. I would not go to Vegas with the intention of investing my life savings! If we continue along the current track, I would expect that a good number of companies will opt for private ownership. The costs associated with public ownership, the regulatory hurdles, and now the inherent volatility caused by speculators make for a highly unattractive brew. *[NYSE, Non-US, \$4B-<\$12B, IR]*

## Additional Comments

- Short sellers are only in stocks for short term gains, more like gambling instead of investing. *[NYSE, US, \$2B-<\$4B, CFO]*
- Short sellers and hedge funds should be required to provide the same level of disclosure and transparency as is required by the listed companies and their shareholders. *[NYSE, US, <\$750M, IR]*
- Stop naked short selling. *[NYSE, US, \$750M-<\$2B, CEO]*
- Naked shortselling rules should be strictly enforced. *[NYSE, US, <\$750M, IR]*
- Short selling in itself is neither good nor evil. It can be useful for market efficiency. Removing the uptick rule in a world of algorithmic trading and decimalization does nothing for market efficiency. It creates an environment for abuse. Short sales as a percentage of total volume has increased 50-100% for our stock (and I suspect for many other stocks) while the reported short position has not moved as significantly. I can only interpret that as abusive short selling, doing nothing for market efficiency in my stock or the overall market. Removal of the uptick rule was done to benefit traders, not the market. *[NYSE, US, \$750M-<\$2B, IR]*
- Standard brokerage account agreements generally provide the account owner the option to add margin borrowings and that if margin is selected, the brokerage firm may lend shares held in the account without the actual account owner's consent. I believe that if the owner knew they were allowing their brokerage firm to lend their shares to parties who are betting against their long-ownership position, they would be unlikely to authorize such transactions. I also believe the typical individual executing these documents does not understand the legal rights being assumed, released or authorized. Accordingly, I suggest that the brokerage community be required to increase transparency by (i) modifying the standard brokerage agreements to provide a clear discussion of risks and consequences, (ii) re-educating the individual owners of implications of investment choices (share lending), and (iii) that brokerage firms needs explicit authorization lend shares. *[NYSE, US, <\$750M, CEO]*

## Additional Comments

- There is little debate over the need to ensure properly regulated short selling in the equity markets. Until recently, adequate policing of the system was not in place to eliminate abusive short selling tactics. The September 17th SEC Amendment Order does tighten the controls around short selling and is a step in the right direction. Further study is necessary to determine if these changes are effective as applied. We would like the SEC to consider further regulatory improvements, including: 1. A full pre-borrow requirement (not just arrangement to borrow) for short sales. 2. Mandatory and automatic close-out of open short positions on the settlement date (if shares aren't delivered). 3. Monthly public disclosure of aggregate short positions providing transparency to the market. Finally, we support the reinstatement of the "uptick rule" price tests. While empirical evidence of its effects on the market is nearly impossible to ascertain, we feel that the rule will serve as a deterrent to manipulative short selling. *[NYSE, US, \$12B+, CEO]*
- Investors should disclose short positions, perhaps quarterly. The uptick rule was helpful in the past. *[NYSE, US, <\$750M, CEO]*
- I think the bigger issue is the lack of regulation of naked shorting. Even recent rule changes fall short (no pun intended) in my opinion. *[NYSE, US, \$2B-<\$4B, IR]*
- Short selling can be a valuable tool in the market to properly reflect risk in a stock price. However, some rules should be in place to reduced excessive speculation that needlessly increases market volatility without reflecting the underlying fundamentals of the value of the related company. *[NYSE, US, <\$750M, CFO]*
- Short selling can be a positive for the market in some instances such as offsetting overnight risks, so don't throw out the baby with the bath water. I think an uptick rule should be reinstated. *[NYSE, US, \$2B-<\$4B, IR]*

## Additional Comments

- The practice of short selling is often argued as a rational offset to buying long. However, this just is not the case. Holding a stock is obviously a long position to which the clear offset is not buying the stock. Selling stock that you don't own is a distortion in a functioning market. There is a lack of transparency in short selling that lends itself to market manipulation. I also think that regulators do not monitor this market with anything like the scrutiny it deserves. *[NYSE, Non-US, <\$750M, IR]*
- "Gang tackling" to manipulate stock by short sellers and driving it low and keeping it low should be prohibited/prevented - and not just in the financial sector. *[NYSE, US, <\$750M, CEO]*
- I believe short selling has a role in the marketplace and shouldn't be demonized. However, I fully believe that institutional investors should have to disclose short positions on a regular basis similar to 13F long disclosures. *[NYSE, US, \$4B-<\$12B, IR]*
- We have seen a tremendous increase in our short position since the tick test rule was done away with. *[NYSE, US, \$750M-<\$2B, IR]*
- The proof is in the putting. The removal of the TICK RULE in June of 2007 set the table for the unprecedented volatility in the market and the decimation of the bank stocks. The test period of the tick rule was done in a period of a bull market with interest rates which were and have been to low. If the SEC and our elected officials are truly interested in restoring public confidence they will re-insitute the tick rule tomorrow. The average investor is looking for stability and long-term growth. The SEC and the politicians need to stop listening to their friends on Wall Street that thrive on this volatility and make loads of money on these wild swings. The market needs to reward those companies that have good fundamentals and those investors who have recognized this. *[NYSE, US, <\$750M, IR]*
- Absolute transparency is a key. Financial markets were hurt by its lack in other products, as we found out the hard way. The same principles must apply to short selling. Disclosure is almost non-existent today. Why? If you want to hide something that tells me you've got a problem. Get this stuff transparent and quickly. *[NYSE, Non-US, \$4B-<\$12B, CEO]*