

No ban on short-selling in Sweden, watchdog says

Written by Johan Nylander / AFP

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Sweden's financial watchdog has no plans to ban short selling, although four countries in Europe imposed a halt on Friday.

Global stock markets ran a rollercoaster Friday as nervous investors tried to get ahead of the curve but a short-selling ban in key European markets appeared at least to dampen volatility, allowing some gains.

"There is not the same selling pressure on bank shares here as in [other parts of] Europe. We have no intention to introduce such a ban, but we will of course follow the market very closely," Jan Sjödin, head of the securities market at the Swedish Financial Supervisory Authority (Finansinspektionen), told the TT newswire.

France, Italy, Spain and Belgium banned short-selling in bank shares because of misleading rumours about their financial health saw them suffer massive losses in recent days.

Germany on Friday called for a Europe-wide ban on share short-selling after four EU partners outlawed the speculative practice for two weeks to stem wild market volatility.

"The German government has been monitoring the problem of short-selling for some time and thus banned naked short-selling in Germany last year. In addition we are calling for a broad short-selling ban in Europe," a finance ministry spokesman said.

The move echoes steps taken at the height of the global financial crisis sparked by the collapse of Lehman Brothers in 2008 but dealers were sceptical it would have any long lasting effect.

Short-selling is when an investor gambles a share price will fall, agreeing to sell a stock at its existing price even before he actually owns it.

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If the price then falls, the investor can buy the stock at the lower price just before agreed delivery to the buyer and pocket the difference.

Supporters claim the practice allows investors a hedge against risk but critics say it only adds to the downward pressure in falling markets and serves no real purpose beyond speculative trading for short-term profit.

Dealers said that whatever was done on the regulatory side, there was little the authorities could do about the underlying poor economic fundamentals which the debt crisis only makes worse.

Anita Paluch, a trader at etxcapital, noted that the Frankfurt DAX index "has lost over a 1,000 points (so far this month) ... as the fear over world economic growth spreads and confidence in the political leadership suffers massively."

She added that "there is evidence that the cracks in the eurozone are widening even further and it is becoming increasingly harder to find a safe haven."