

Temporary ban against short selling in financial shares

THE NORWEGIAN FSA HAS INTRODUCED A TEMPORARY BAN ON SHORT SELLING IN SHARES ISSUED BY FINANCIAL INSTITUTIONS

The Financial Supervisory Authority of Norway (Kredittilsynet) has in a press release dated 8 October 2008 communicated that it considers short selling in shares issued by financial institutions to, under the current market conditions, infringe the prohibition on unreasonable business practices in section 3-9 of the Norwegian Securities Trading Act. It should be emphasised that the prohibition against unreasonable business practices in section 3-9 applies generally to all participants in the market, both investors and brokers/investment firms.

The Norwegian FSA also said it would consider whether other financial instruments listed on the Oslo Stock Exchange should be covered by the temporary ban. The press release from the Norwegian FSA reads as follows:

"In connection with the financial market turmoil, Kredittilsynet (the Financial Supervisory Authority of Norway) has observed unusual market movements in some shares quoted on the Oslo Stock Exchange, and cannot rule out the possibility that the volume of short sales in these quoted instruments may be substantial.

In the present market situation, with particularly wide movements in the price of some shares issued by financial institutions, Kredittilsynet is of the view that any investment firms and investors making short sales, covered or uncovered, in such financial shares are acting in contravention of the Securities Trading Act section 3-9 on prohibition of unreasonable business methods. Kredittilsynet emphasises that this is a provisional assessment. Kredittilsynet will monitor the situation with a view to prolonging the ban and, if appropriate, to including in the ban other financial instruments quoted on the Oslo Stock Exchange.

When, in Kredittilsynet's assessment, the situation is once again such that short selling in financial shares is no longer in contravention of the ban, Kredittilsynet will inform the market accordingly. "

The Norwegian FSA has subsequently to its press release, on request from the Oslo Stock Exchange, emphasized following:

- The prohibition is related to shares in the sector banking and insurance. The rule only applies to the following shares; DnB NOR ASA, Voss Veksel og Landmandmandsbank ASA ,Storebrand ASA, Bluewater ASA, Protector ASA.
- Market Makers with agreement for quotation responsibilities in the derivatives market are exempted from the restrictions. The same applies for Market Makers in Warrants listed at Oslo Børs.

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