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Press release | 07.03.2011

EU financial rules

MEPs to vote to curb naked short selling and sovereign debt speculation under new EU rules

The European Parliament's economic and monetary affairs committee will vote this evening on proposed EU legislation aimed at regulating short selling (1) and credit default swaps. Based on compromises negotiated, MEPs are expected to support a Green proposals to seriously curb naked short selling, as well as speculation on sovereign debt in the EU. Ahead of the vote, EP draftsman (rapporteur) and Green MEP **Pascal Canfin** said:

"Sovereign debt speculation has caused and is continuing to cause chaos in the Eurozone and beyond and we urgently need regulatory measures to bring this practise into check. Banning uncovered credit default swaps (CDS), which allow market players to speculate on sovereign debt of European countries, would be a major step forward and I look forward to the support of the ECON committee for such a ban this evening. The proposals in my report would ensure it is no longer possible to buy a CDS, without having any risk to hedge, in order to gamble on a fall in the value of a sovereign bond or on a rise of interest rates of any EU member state.
"There is also a glaring need to curb the damaging volatility and market disruption that naked short selling can cause and I hope the committee supports the proposals to this end this evening. The report includes provisions that would make this practise far more complicated and amounts toeffectively banning naked short selling.
"The ball is now in the court of member state governments and we hope they will take these proposals on board when EU finance ministers meet in council next week."

(1) Naked short selling is a term used to describe a current market practise by which traders sell shares that they do not possess at a fixed price on the basis of a price fall expectation in order to purchase the share at a lower price, and then to deliver the share to the customer who has committed to buy at the price determined initially.

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