



News Release

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CONTACT: Steve Hinkson
(202) 367-1140

NEW STUDY SHOWS SHORT POSITION PUBLIC DISCLOSURE REGIMES HARM MAINSTREAM INVESTORS

WASHINGTON, DC – An independent quantitative analysis published today by international management consultancy Oliver Wyman provides the first clear evidence that rules requiring public disclosure of short positions make it more expensive and difficult for all participants to invest in equity markets. The study illustrates how under a public short sale disclosure regime, all investors – including pension funds, endowments, and retail funds – face higher costs to manage their portfolios, resulting in lower rates of return.

The report finds that the current public short sale disclosure regime in effect in the United Kingdom (UK), has caused bid-ask spreads for UK stocks subject to disclosure to widen by over 45% – making purchases and sales of those stocks more expensive for investors. In contrast, spreads for UK stocks exempt from short sale disclosure rules increased by only 2%, and spreads of similar US stocks materially decreased during the UK short disclosure regime (January 17, 2009 – present).

The report also reveals significant findings on the effects of the UK short disclosure rules on liquidity and trading volumes. Total trading volume in UK short sale disclosure stocks – including long trades – decreased by 13% during the disclosure regime. In addition, the UK disclosure regime impaired short selling liquidity by approximately 20%, increased intraday volatility, and decreased price discovery efficiency. Together, these effects limit the ability of businesses to raise capital and create jobs, and raise costs for pension funds, retail funds, and other investors.

“These findings show public short sale disclosure rules have significant negative implications for investors and businesses seeking to raise capital in a challenging global economy,” said Richard Baker, President and CEO of Managed Funds Association (MFA). “This independent study demonstrates that recently adopted public disclosure rules in the UK have impeded equity market liquidity, decreased trading volumes, and interfered with efficient price discovery in affected stocks, driving up transaction costs for mainstream investors and burdening businesses with a higher cost of capital.”

MFA strongly believes that market confidence and stability are best promoted by regulatory measures based on rigorous economic analysis that demonstrates their costs and benefits to markets. The study provides powerful evidence that proposed EU rules requiring public disclosure of short sale positions would impose substantial costs on markets and investors.

As an alternative to public disclosure, MFA believes that policy makers seeking additional information should require investors to report short positions confidentially to regulators. Private reporting would allow regulators to identify and investigate any abusive short selling activity, while avoiding the unintended negative consequences for markets and investors.

A Note on Methodology:

In preparing the report, *The Effects of Short-Selling Public Disclosure Regimes on Equity Markets: A Comparative Analysis of US and European Markets*, Oliver Wyman obtained data from well-known financial databases, proprietary metrics from large financial institutions actively involved in both UK and US equity markets, and leading financial data providers. Oliver Wyman used the data to compare the performance of UK stocks subject to the UK short selling disclosure rules with the performance of stocks not subject to the disclosure rules, both prior to and during the effective date of the rules. The report provides a more detailed discussion of the methodology used in the analysis.

The report can be found at:

http://www.managedfunds.org/downloads/Oliver_Wyman_Financial_Services_Report.pdf

And:

http://www.oliverwyman.com/ow/short_selling.htm

About Managed Funds Association

MFA is the voice of the global alternative investment industry. Its members are professionals in hedge funds, funds of funds and managed futures funds, as well as industry service providers. Established in 1991, MFA is the primary source of information for policy makers and the media and the leading advocate for sound business practices and industry growth. MFA members include the vast majority of the largest hedge fund groups in the world who manage a substantial portion of the approximately \$1.5 trillion invested in absolute return strategies. MFA is headquartered in Washington, D.C., with an office in New York. For more information, please visit: <http://www.managedfunds.org>

About Oliver Wyman

With more than 2,900 professionals in over 40 cities around the globe, Oliver Wyman is an international management consulting firm that combines deep industry knowledge with specialized expertise in strategy, operations, risk management, organizational transformation, and leadership development. The firm helps clients optimize their businesses, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit <http://www.oliverwyman.com>

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