

EU states ban short-selling on bank stocks

France, Italy, Spain and Belgium have banned short-selling on the shares of financial companies after speculators forced European bank stocks to their lowest level since the credit crisis began

1 Shareholder – typically an investment fund manager – **lends** shares to share trader who wants to short sell

For example, 100 shares are loaned



2 Hoping price of shares will fall, trader **sells** borrowed shares on stock market at their current market value

100 shares sold at €10 per share, seller makes €1,000



4 Share trader **returns** shares to original shareholder, along with small borrowing fee

Trader makes profit of €200 without ever owning any shares



3 Share price falls – possibly by spread of **false rumours** – trader **buys** back shares at lower value

100 shares bought at €8 each, total spend of €800

