

Corporate & Financial Weekly Digest

Posted at 12:33 PM on March 11, 2011 by [Edward Black](#)

EU ECON Committee Votes for CDS Naked Shorting Ban

On March 7, the European Parliament's economic and monetary affairs committee ECON approved a measure which could lead to an EU-wide ban on uncovered shorting of credit default swaps (CDS) on sovereign debt of EU member states. Under the measure as currently drafted, investors would be permitted to short a "naked" sovereign CDS if it held a proxy "asset or portfolio of assets" whose prices have a "high correlation" with government bond prices. The European Securities Markets Authority (ESMA) would also need the permission of the government in question in order to ban naked short selling of sovereign CDS linked to its debt.

The measure requires approval by the European Parliament in plenary session and also by the European Council of Ministers before it can become law. The regulation is expected to be in force by July 2012.

[Read more.](#)

Katten Muchin Rosenman LLP
Charlotte Chicago Irving London Los Angeles New York Washington, DC