

**For Immediate Release
December 3, 2020**

Canadian securities regulators seek comment on activist short selling

Toronto – The Canadian Securities Administrators (CSA) today published a [consultation paper](#) to facilitate discussion about activist short selling.

Activist short selling involves an individual or entity that takes a short position in a security and then publicly shares information that is expected to negatively impact a company's stock price. If the value of the security declines, the short seller realizes a profit.

“In recent years, activist short selling campaigns have received considerably more attention, and stakeholders have raised concerns about the overall impact of this activity on our markets,” said Louis Morisset, CSA Chair and President and CEO of the Autorité des marchés financiers. “To further inform our analysis, we are seeking comment on issues identified through our research.”

The consultation paper summarizes stakeholder concerns about activist short selling, outlines the Canadian and international regulatory frameworks for this activity and sets out CSA Staff's findings regarding the nature and extent of activist short selling in Canada.

The CSA's research and analysis began in 2019 and consisted of an empirical analysis of activist short seller campaigns targeting Canadian issuers based on available data as well as an academic literature review.

Key findings include:

- In general, activist short sellers tend to gravitate towards the securities of issuers and sectors where there is perceived overvaluation.
- Between 2010 and September 2020, a total of 73 Canadian issuers have been the target of 116 activist short seller campaigns. Among them, 16 campaigns (including all 12 campaigns from 2020) are still active.
- While there have been years with increased activity since 2015, annually there have been no more than five Canadian targets for every 1,000 Canadian listed issuers. In comparison, U.S. issuers are more frequently targeted by activist short sellers, seeing an average of 21 U.S. targets annually for every 1,000 U.S. listed issuers.
- Canadian campaigns tended to focus on larger issuers (median market capitalization of \$867 million and average market capitalization of \$4.5 billion).
- Approximately 75 per cent of the Canadian campaigns analyzed experienced a negative price impact on the day of the first campaign announcement and up to one month after the first campaign announcement. However, the extent of the short-term price impact varied across targets and also over time.
- Across all 116 Canadian campaigns, approximately 40 per cent involved allegations of some type of fraud at the issuer, the most common being a stock promotion scheme.

The CSA requests feedback on the consultation paper, which includes a list of consultation questions. Comments should be submitted in writing by March 3, 2021.

[CSA Consultation Paper 25-403 *Activist Short Selling*](#) can be found on [CSA members' websites](#).

The CSA, the council of the securities regulators of Canada's provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

– 30 –

For Investor inquiries, please refer to your respective securities regulator. You can contact them [here](#).

For media inquiries, please refer to the list of provincial and territorial representatives below or contact us at media@acvm-csa.ca.

For more information:

Kristen Rose
Ontario Securities Commission
416-593-2336

Theresa Schroder
Alberta Securities Commission
587-830-4286

Sylvain Théberge
Autorité des marchés financiers
514-940-2176

Jason (Jay) Booth
Manitoba Securities Commission
204-945-1660

Brian Kladko
British Columbia Securities Commission
604-899-6713

Steve Dowling
Superintendent of Securities, Department of
Justice and Public Safety,
Prince Edward Island
902 368-4550

Marissa Sollows
Financial and Consumer Services
Commission, New Brunswick
506-643-7853

David Harrison
Nova Scotia Securities Commission
902-424-8586

Renée Dyer
Office of the Superintendent of Securities,
Service NL
709-729-4909

Rhonda Horte
Office of the Yukon Superintendent of
Securities
867-667-5466

Jeff Mason
Nunavut Securities Office

Matthew Yap
Northwest Territories

867-975-6591

Office of the Superintendent of Securities
867-767-9260

Shannon McMillan
Financial and Consumer Affairs
Authority of Saskatchewan
306-798-4160