

Short financial ETFs slide after short-selling ban

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September 19, 2008

NEW YORK, Sept 19 (Reuters) - Short-sale exchange traded funds fell sharply on Friday as the U.S. Securities and Exchange Commission suspended short selling of a select list of financial stocks through Oct. 2.

The 10-day suspension, announced late Thursday, left short sellers no option but to turn to ETFs as a way to bet against certain stocks, though such funds are made up of credit swaps and futures rather than specific stocks.

Short selling involves selling securities that are borrowed, in the hope of repurchasing them later at a lower price.

"ETFs will matter more than they ever have now through Oct 2," said Kevin Mahn, managing director of Hennion & Walsh, a New Jersey-based brokerage. "It gives the investor the ability to short through sector as opposed to a specific stock."

Benchmark ETFs tumbled early Friday until a computer overload caused a brief suspension in trading. The sell-off resumed when systems came back up shortly after midday.

UltraShort Financials ProShares SKF.A closed 13.98 percent lower at \$99.30, the Short Financials Proshare SEF.A fell 11.43 percent to \$62.90, and the Rydex Inverse Select Sector ETF Trust RFN.A fell 22.32 percent to \$57.73.

In a statement, ProShares cited the SEC action as the reason for the temporary trading halt in its funds. It declined to comment further. Rydex declined to comment.

The SEC said its action, effective on Friday, covers 799 financial institutions and may be extended for no longer than 30 calendar days.

(Reporting by Bob Margolis, editing by Richard Chang)