#1-96A

EASY INTERMEDIATE HARD

CFA® SAMPLE QUESTION – LEVEL I

Equity Investments

Q: Which of the following rule is applicable during short selling operations?

CORRECT ANSWER:

Ⓒ **The Uptick Rule**

A former rule established by the SEC that requires that every short sale transaction be entered at a price that is higher than the price of the previous trade. This rule was introduced in the Securities Exchange Act of 1934 as Rule 10a-1 and was implemented in 1938. The uptick rule prevents short sellers from adding to the downward momentum when the price of an asset is already experiencing sharp declines. The uptick rule is also known as the "plus tick rule".

The SEC eliminated the rule on July 6, 2007, but in March of 2009, following a conversation with SEC Chair Mary Schapiro, Rep. Barney Frank of the House Financial Services Committee said that the rule could be restored. Frank's conversations were spurred by a call for the return of the rule by several members of Congress and legislation reintroduced on January 9, 2009, for its reinstatement.

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Candidate Services

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Date of issue:
1 Jan 2024