

OCTOBER 3, 2019

Short Selling in Canada: A New Avenue for Investor Activism

Chapter 4 of Davies Governance Insights 2019

Over the past few years, short-seller activism has grown from a “low profile affair” to a major challenge for securities regulators and governing boards – and Canadian markets are no exception. In many cases, the consequences of a short-selling activism campaign for a company can be profound: a plunge in share price, the diversion of valuable time and resources, the need to rebuild the company’s reputation and, in some instances, the initiation of a formal regulatory investigation based on the allegations made in the campaign. In this chapter, we examine the emergence of short-selling activism, review the legal and regulatory landscape governing its practice in Canada, compare some regulatory approaches in other jurisdictions and explore the potential responses available to boards of targeted companies. We also discuss some trends in short-selling activity in Canada, and spotlight three prominent examples over the past several years.

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This chapter appears in the 2019 edition of *Davies Governance Insights*, our comprehensive annual report on the trends and issues most important to Canadian public companies.

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