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SHORT-SQUEEZING IN CAPITAL MARKETS: WHAT COMES OF IT?

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Recently, an internet network group called WallStreetBets on Reddit has been fingered for the unusual improved stock market activity of US companies; GameStop Inc and AMC, after they rallied the public to invest in those companies, thereby forcing a push in their stock prices and causing major financial consequences for certain hedge funds and large losses for short sellers.

While some have argued that such short-squeezing was unethical and amounted to sharp practice, others have insisted otherwise.

In the Nigerian context, Rule 269 of the Securities and Exchange Commission Rules and Regulations, 2013 provides that:

> *It shall be unlawful for any person howsoever involved in commodity/futures/options trading to directly or indirectly—*
>
> *a) employ any device, scheme or artifice to defraud or capable of defrauding any person or institutions;*
>
> *(b) make, utter, or present any untrue statement of a material fact;*
>
> *(c) omit to disclose a material fact/information necessary to clarify any statement which may otherwise be misleading in the light of the circumstances under which it was made;*
>
> *(d) engage in any act, practice or course of business which operates or would operate as a fraud or deceit upon any person in connection with the purchase or sale of or dealing in any commodity or futures;*

However, whether or not such activities meet any legal definition of market manipulation, it is clear that activities which prevent participants from operating healthily in the capital market will, in the long run, impact the market adversely.