

Swiss Re Unit Pays \$95,000 Fine To Settle Short-Sale Case

by dow-jones

WASHINGTON -(Dow Jones)- Swiss Re Financial Products Corp. will pay a \$95,000 fine and return more than \$380,000 of allegedly illegal profits on short-sales in public companies, the Securities and Exchange Commission announced Tuesday.

New York-based Swiss Re Financial Product, a unit of a holding company owned by Swiss Reinsurance Co. (SWCEY), settled without admitting or denying the claims contained in an SEC lawsuit filed in federal court in Manhattan.

The SEC alleged that in 13 public offerings between mid-2003 until early 2005, the Swiss Re unit sold shares short within five days of pricing of the offering, and covered its short position, in whole or in part, with shares purchased in the offering. All but one of the trades proved profitable, according to the SEC.

The trades in question involved 11 companies, Nextel Partners Inc., Montpelier Re Holdings Ltd. (MRH), Estee Lauder Cos. Inc. (EL), WellChoice Inc., AU Optronics Corp. (AUO), Bucyrus International Inc. (BUCY), Wesco International Inc. (WCC), Owens-Illinois Inc. (OI), and Taiwan Semiconductor Manufacturing Co. Ltd. (TSM).

Short sellers borrow shares to sell, hoping to profit by replacing borrowed shares later at a lower price. The practice is legal, but the SEC said the Swiss Re trading unit violated SEC rules limiting short covering with shares obtained in a public offering.

"The transactions took place a number of years ago and involved persons who are no longer with Swiss Re. Swiss Re has cooperated with the SEC in its inquiries and we are pleased to have the matter resolved," said spokeswoman Alayna Tagariello.

SEC associate director Andrew Calamari said the fine, equal to about 25% of trading profits, reflects the cooperation that the company provided in the investigation, and the fact that the SEC didn't allege that the company knowingly made illegal trades.

By Judith Burns

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