

David Einhorn and Greenlight Capital Inc fined £7.2m for trading on inside information in Punch Taverns Plc.

The Financial Services Authority (FSA) has decided to fine David Einhorn, owner of the prominent US hedge fund Greenlight Capital Inc (Greenlight), and his fund £7.2 million for engaging in market abuse in relation to an anticipated significant equity fundraising by Punch Taverns Plc (Punch) in June 2009.

On 9 June 2009, Einhorn was a party to a telephone conference in which it was disclosed to him by a corporate broker acting on behalf of Punch Taverns Plc that Punch was at an advanced stage of the process towards a significant equity fundraising. This was inside information and Einhorn should have appreciated this.

A matter of minutes after the telephone conversation had concluded and on the basis of that inside information Einhorn gave instructions to sell all of Greenlight's holding in Punch. At the time these instructions were given Greenlight held 13.3% of Punch's issued equity.

Over the next four days Greenlight sold 11,656,000 Punch shares, thereby reducing its holding in Punch from 13.3% to 8.89%.

On 15 June 2009, Punch announced a fundraising of £375 million. Following the announcement the price of Punch shares fell by 29.9%. Greenlight's trading had thereby avoided losses of approximately £5.8 million for the funds under Greenlight's management.

The FSA accepted that Einhorn's trading was not deliberate because he did not believe that it was inside information. However, this was not a reasonable belief. Investment professionals are expected to handle inside information carefully regardless of whether they have been formally wall-crossed. This was a serious case of market abuse by Einhorn and fell below the standards the FSA expects, particularly due to Einhorn's prominent position as President of Greenlight and given his experience in the market.

Tracey McDermott, acting director of enforcement and financial crime, said:

“Einhorn is an experienced professional with a high profile in the industry. We expect someone in his position to be able to

identify inside information when he receives it and to act appropriately. His failure to do so is a serious breach of the expected standards of market conduct. “It is highly damaging to market confidence when privileged shareholders commit market abuse, and the high penalty reflects the seriousness of his breach.”

David Einhorn’s fine is £3,638,000 including disgorgement of financial benefit and Greenlight’s fine is £3,650,795 including disgorgement of financial benefit. The Punch securities were held in underlying funds managed by Greenlight.

NOTES FOR EDITORS

1. The Decision Notices for [David Einhorn](#) and [Greenlight Capital Inc](#) can be found on the FSA website.
2. The disgorgement of financial benefit from Einhorn was £638,000 and Greenlight £650,795.
3. The FSA regulates the financial services industry and has four objectives under the Financial Services and Markets Act 2000: maintaining market confidence; securing the appropriate degree of protection for consumers; fighting financial crime; and contributing to the protection and enhancement of the stability of the UK financial system.

ENQUIRIES

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