AXA firms to pay $242 mn over program glitch

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Three units under AXA Rosenberg, a program-based investing subsidiary of AXA Investment Managers, will pay investors $217 million for their losses and a penalty of $25 million for covering up the code problems of a quantitative investment model program, the Securities and Exchange Commission said.

The SEC charged the three units with securities fraud for hiding the coding glitch, which it said disabled a key component in the program for managing risk.

AXA Rosenberg agreed to pay the compensation and fine to settle the charges, while not admitting guilt in the case.

The SEC said senior managers of the three entities discovered the two-year-old problem in June 2009.

But "instead of disclosing and fixing the error immediately," a senior official of the entities "directed others to keep quiet about the error and declined to fix the error at that time," the SEC said in a statement.

Robert Khuzami, the director of the SEC's enforcement division, said the secretive nature of computer-based investment programs leads to weakened oversight in companies.

"The secretive structure and lack of oversight of quantitative investment models, as this case demonstrates, cannot be used to conceal errors and betray investors," he said.

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