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SEC SECRET PROBE OF STOCK DEALINGS BEFORE 9/11

Between August 26 and September 11, 2001, a group of speculators, identified by the American Securities and Exchange Commission as Israeli citizens, sold “short” a list of 38 stocks that could reasonably be expected to fall in value as a result of the pending attacks. These speculators operated out of the Toronto, Canada and Frankfurt, Germany, stock exchanges and their profits were specifically stated to be “in the millions of dollars.”

Short selling of stocks involves the opportunity to gain large profits by passing shares to a friendly third party, then buying them back when the price falls. Historically, if this precedes a traumatic event, it is an indication of foreknowledge. It is widely known that the CIA uses the *Promis* software to routinely monitor stock trades as a possible warning sign of a terrorist attack or suspicious economic behavior. A week after the Sept.11 attacks, the *London Times* reported that the CIA had asked regulators for the Financial Services Authority in London to investigate the suspicious sales of millions of shares of stock just prior to the terrorist acts. It was hoped the business paper trail might lead to the terrorists.

Investigators from numerous government agencies are part of a clandestine but official effort to resolve the market manipulations. There has been a great deal of talk about insider trading of American stocks by certain Israeli groups both in Canada and Germany between August 26 and the Sept.11 attacks on the World Trade Center and the Pentagon.

Lynne Howard, a spokeswoman for the Chicago Board Options Exchange (CBOE), stated that information about who made the trades was available immediately. "We would have been aware of any unusual activity right away. It would have been triggered by any unusual volume. There is an automated system called 'blue sheeting,' or the CBOE Market Surveillance System, that everyone in the business knows about. It provides information on the trades - the name and even the Social Security number on an account - and these surveillance systems are set up specifically to look into insider trading. The system would look at the volume, and then a real person would take over and review it, going back in time and looking at other unusual activity."

Howard continued, "The system is so smart that even if there is a news event that triggers a market event it can go back in time, and even the parameters can be changed depending on what is being looked at. It's a very clever system and it is instantaneous. Even with the system, though, we have very experienced and savvy staff in our market-regulations area who are always looking for things that might be unusual. They're trained to put the pieces of the puzzle together. Even if it's offshore, it might take a little longer, but all offshore accounts have to go through U.S. member firms - members of the CBOE - and it is easily and quickly identifiable who made the trades. The member firm who made the trades has to have identifiable information about the client under the 'Know Your Customer' regulations (and we share all information with the Securities and Exchange Commission.)"

Given all of this, at a minimum the CBOE and government regulators who are conducting the secret investigations have known for some time who made the options puts on a total of 38 stocks that might reasonably be anticipated to have a sharp drop in value because of an attack similar to the 9/11 episode. The silence from the investigating camps could mean several things: Either terrorists are responsible for the puts on the listed stocks or others besides terrorists had foreknowledge of the attack and used this knowledge to reap a nice financial harvest from the tragedy.

Adam Hamilton of Zeal LLC, a North Dakota-based private consulting company that publishes research on markets worldwide, stated that "I heard that \$22 million in profits was made on these put options..."

Federal investigators are continuing to be so closed-mouthed about these stock trades, and it is clear that a much wider net has been cast, apparently looking for bigger international fish involved in dubious financial activity relating to the 9/11 attacks on the world stock markets.

Just a month after the attacks the SEC sent out a list of stocks to various securities firms around the world looking for information. The list includes stocks of *American, United, Continental, Northwest, Southwest and US Airways* airlines, as well as *Martin, Boeing, Lockheed Martin Corp., AIG, American Express Corp, American International Group, AMR Corporation, Axa SA, Bank of America Corp, Bank of New York Corp, Bank One Corp, Cigna Group, CNA Financial, Carnival Corp, Chubb Group, John Hancock Financial Services, Hercules Inc, L-3 Communications Holdings, Inc., LTV Corporation, Marsh & McLennan Cos. Inc., MetLife, Progressive Corp., General Motors, Raytheon, W.R. Grace, Royal Caribbean Cruises, Ltd., Lone Star Technologies, American Express, the Citigroup Inc. ,Royal & Sun Alliance, Lehman Brothers Holdings, Inc., Vornado Reality Trust, Morgan Stanley, Dean Witter & Co., XL Capital Ltd., and Bear Stearns.*

The *Times* said market regulators in Germany, Japan and the US all had received information concerning the short selling of insurance, airlines and arms companies stock, all of which fell sharply in the wake of the attacks.

City of London broker and analyst Richard Crossley noted that someone sold shares in unusually large quantities beginning three weeks before the assault on the WTC and Pentagon.

He said he took this as evidence that someone had insider foreknowledge of the attacks.

"What is more awful than he should aim a stiletto blow at the heart of Western financial markets?" he added. "But to profit from it? Words fail me."

The US Government also admitted it was investigating short selling, which evinced a compellingly strong foreknowledge of the coming Arab attack.

There was unusually heavy trading in airline and insurance stocks several days before Sept.11, which essentially bet on a drop in the worth of the stocks.

It was reported by the Interdisciplinary Center, a counter-terrorism think tank involving former Israeli intelligence officers, that insiders made nearly \$16 million profit by short selling shares in *American* and *United Airlines*, the two airlines that suffered hijacking, and the investment firm of *Morgan Stanley*, which occupied 22 floors of the WTC.

Apparently none of the suspicious transactions could be traced to bin Laden because this news item quietly dropped from sight, leaving many people wondering if it tracked back to American firms or intelligence agencies.

Most of these transactions were handled primarily by *Deutsche Bank-A.B.Brown*, a firm which until 1998 was chaired by A. B."Buzzy" Krongard, who later became executive director of the CIA.

More serious was an article in the Sept. 28, 2001 edition of the *Washington Post* stating that officials with the instant messaging firm of *Odigo* in New York confirmed that two employees in Israel received text messages warning of an attack on the WTC *two hours* before the planes crashed

into the buildings!

The firm's vice president of sales and marketing, Alex Diamandis said it was possible that the warning was sent to other *Odigo* members, but they had not received any reports of such.

The day after, the *Jerusalem Post* claimed two Israelis died on the hijacked airplanes and that 4,000 were missing at the WTC.

A week later, a Beirut television station reported that 4,000 Israeli employees of the WTC were absent the day of the attack.

This information spread across the Internet but was quickly branded a hoax.

On Sept. 19, the *Washington Post* reported about 113 Israelis were missing at the WTC and the next day, President Bush noted more than 130 Israelis were victims.

Finally, on Sept. 22, the *New York Times* stated "There were, in fact, only three Israelis who had been confirmed as dead: two on the planes and another who had been visiting the towers on business and who was identified and buried."

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Government investigators have maintained a diplomatic silence about a Department of Justice (DOJ) probe of possible profiteering by interested parties with advance knowledge of the attack.

On Sept. 6, 2001, the Thursday before the tragedy, **2,075** put options were made on United Airlines and on Sept. 10, the day before the attacks,

2,282 put options were recorded for American Airlines. Given the prices at the time, this could have yielded speculators **between \$2 million and \$4 million in profit.**

The matter still is under investigation and none of the government investigating bodies -including the FBI, the Securities and Exchange Commission (SEC) and DOJ -are speaking to reporters about insider trading. Even so, suspicion of insider trading to profit from the Sept. 11 attacks is not limited to U.S. regulators. Investigations were initiated in a number of places including Japan, Germany, the United Kingdom, France, Luxembourg, Hong Kong, Switzerland and Spain. As in the United States, all are treating these inquiries as if they were state secrets.