

TESTIMONY

Origins, Organization and Prevention of Terrorist Finance**Testimony****Jonathan M. Winer****Alston & Bird LLP****Former U.S. Deputy Assistant Secretary of State****International Law Enforcement****U.S. Senate Committee on Governmental Affairs****July 31, 2003**

Mr. Chairman and Distinguished Members of the Committee:

I am honored to testify here today to share my views on terrorist finance, developed during my service as Deputy Assistant U.S. Secretary of State from 1994 through 1999, and most recently, in connection with my service on as a member of the Independent Task Force of the Council on Foreign Relations on Terrorist Finance chaired by Maurice R. Greenberg and directed by William F. Wechsler and Lee S. Wolosky. My testimony has been heavily informed by and is consistent with the report issued by that Task Force in the fall of 2002, whose recommendations I endorse. The views as expressed are my own, but the recommendations I make here parallel in large part those of the Task Force as regrettably few of the recommendations made almost a year ago have yet to become reality.

On the U.S. side, it is essential that the Administration declassify much of the information it may have regarding Saudi terrorist finance, starting with the matters pertaining to the September 11 attacks. With almost two years having passed since the attacks, it can do so without imperiling investigations: the terrorist financiers covered their tracks long ago. I spent years reviewing highly sensitive intelligence information pertaining to illicit finance. I do not find credible the assertions that have been made that declassifying information provided to Congress by the Administration more than a year ago would jeopardize U.S. national security. Sunlight is the best disinfectant. The people have a right to know about the trail of money that made it possible for the September 11 terrorists to murder our people. The material should be declassified.

As a second recommendation, let me emphasize how important it is that the government of Saudi Arabia make public what it knows regarding terrorist finance activities of some key Saudi Arabian businessmen as well as make public what it has done to seize the assets of and punish its terrorist financiers. It is deeply ironic that Saudi Arabia has demanded that the U.S. declassify and release portions of the September 11 report that reportedly discuss Saudi terrorist funding. The Saudi government itself continues to maintain secrecy about what it now knows about past financial support for terrorism on the part of Saudi businessmen. It similarly continues to maintain secrecy about its own actions, if

FOCUS - 7 of 9 DOCUMENTS

Copyright 2001 Times Newspapers Limited
The Times (London)

October 17, 2001, Wednesday

SECTION: Business

LENGTH: 298 words

HEADLINE: Bin Laden did not deal, says City watchdog

BYLINE: James Moore

BODY:

An investigation by the chief City watchdog has failed to uncover evidence of irregular share dealings in London ahead of the September 11 terrorist attacks on New York and Washington.

Sir **Howard Davies**, chairman of the Financial Services Authority, said yesterday there had been no insider trading in the days before the attacks. He was giving evidence to the Treasury Select Committee.

He added that some short-selling transactions in the days leading up to the attack "looked a little odd" but there were plausible reasons for these trades.

In the aftermath of the terrorist attacks Britain, Europe and America launched investigations into short-selling of shares in insurance companies, airlines and aerospace manufacturers. However, these inquiries have failed to establish any connection with Osama bin Laden's al-Qaeda terrorist organisation.

A separate preliminary report presented yesterday by Didier Reynders, the Belgian Finance Minister, also concluded there was no evidence of market abuse by terrorists in any of the European countries.

Sir Howard informed MPs that there had been a significant increase in the number of reports referred to the National Criminal Intelligence Service (NCIS) on suspicious transactions from financial institutions operating in the UK. But he said he did not know whether these had produced clear evidence of criminal activity.

He emphasised that London achieved a higher rating from the international Financial Action Task Force, which focuses on combating money laundering, for its financial health than New York. Sir Howard said regulators were prepared to take a tough line with institutions found to be colluding in aggressive short-selling with the aim of driving down share prices to pick up cheap stock.

LOAD-DATE: October 18, 2001

172 of 184 DOCUMENTS

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September 25, 2001 Tuesday

SECTION: ECONOMIC NEWS; GENERAL; COMPANY NEWS

LENGTH: 321 words

HEADLINE: UK FSA's Davies says no evidence of insider trading ahead of US attacks found

DATELINE: LONDON

BODY:

Howard Davies, executive chairman of the Financial Services Authority, said no evidence has yet been found of **insider trading** in London ahead of the terrorist attacks on New York and Washington on **Sept 11**.

However, Davies told a conference on the new Market Abuse regime in London that the investigations will go on, in particular in the movement of some individual stocks.

"In markets of the variety and depth that are present in London, it is of course no easy task and what I can share with you this morning is very much 'work in progress'", he said. "We will leave no stone unturned in our search."

The FSA is looking at the possibility that the terrorists involved, said to involve Osama Bin Laden, in the events of **Sept 11** may have profited strongly in the financial markets.

So far, he said the FSA's investigations have focused on regulated markets, such as the London Stock Exchange, the futures market Liffe and the International Petroleum Exchange and at over-the-counter transactions.

Though aggregate trading volumes in these markets in the week or so ahead of the outrage were high, Davies said they were "not uncommonly so."

However, the FSA did find that there were a few cases where individual stocks were traded "in unusually sizeable amounts."

"This may have been because funds were positioning themselves ahead of an expected economic downturn," he said. "But we are following up on these cases, establishing the professional counterparty involved and the name of their client."

A number of stock investigations found no wrongdoing, Davies said.

"For example, a sizeable put option in the shares of a British airline turned out to have been on behalf of another airline, as part of an overall hedging strategy," he said.

pp/bam

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LOAD-DATE: September 26, 2001

173 of 184 DOCUMENTS

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Associated Press Worldstream

September 25, 2001 Tuesday

SECTION: INTERNATIONAL NEWS

DISTRIBUTION: Europe; Britain; Scandinavia; England

LENGTH: 216 words

HEADLINE: Suspicion dispelled of **insider trading** in KLM shares before **Sept. 11** attacks

DATELINE: AMSTERDAM, Netherlands

BODY:

The Dutch government dispelled suspicions Tuesday that unusually heavy trading in KLM airlines shares earlier this month could be linked to the terrorist attacks in the United States.

Finance Minister Gerrit Zalm told parliament the sharp drop in share prices of the national airline days before the assaults was not caused by people who knew of the terrorist's plans.

The Securities Board of the Netherlands, the market regulator, investigated the heavy volume of put options in KLM shares, said to be 10 times higher than normal, during a two-day period before the attacks. A put option is a contract that gives a holder the right to sell an asset at a specified price before a certain date.

"We know who bought the contracts and we know why. And fortunately it had nothing to do with terrorism, or insider knowledge about that," Zalm told Dutch television.

Zalm declined to give more details, but he said "everything was OK."

In the three trading days prior to the attacks, KLM shares plunged from 16 euros (dlrs 14.72) to 14.20 euros (dlrs 13.06), a 12 percent fall.

Last week KLM issued a profit warning, anticipating a drop in traffic because of passengers' fears of international terrorism. On Monday, the airline imposed a dlrs 5 security surcharge on every ticket.

LOAD-DATE: September 25, 2001

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October 16, 2001 Tuesday

SECTION: GOVERNMENT; COMPANY NEWS

LENGTH: 84 words

HEADLINE: ECOFIN EU probe finds no sign of **insider trading** before **Sept 11** attacks

DATELINE: LUXEMBOURG

BODY:

Investigators have found no proof of **insider trading** on European financial markets just prior to the **Sept 11** attacks in New York and Washington, according to a preliminary report presented by eurogroup president and Belgian finance minister Didier Reynders.

"There's no evidence, no precise indication of market abuse in one country or another," Reynders told reporters here.

hr/rom/jad

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LOAD-DATE: October 17, 2001

FOCUS - 6 of 6 DOCUMENTS

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The Washington Post

September 23, 2001 Sunday
Final Edition

SECTION: A SECTION; Pg. A25

LENGTH: 940 words

HEADLINE: Germans Probe Likely Links Between Profits and Terrorists

BYLINE: William Drozdiak, Washington Post Foreign Service

DATELINE: BRUSSELS Sept. 22

BODY:

The president of Germany's central bank said today there was mounting evidence that people connected to the attacks in New York and Washington sought to profit from the tragedy by engaging in "terrorism insider trading" on European stock and commodity markets.

Ernst Welteke, head of the Bundesbank, said a preliminary review by German regulators and bank researchers showed there were highly suspicious sales of shares in airlines and insurance companies, along with major trades in gold and oil markets, before Sept. 11 that suggest they were conducted with advance knowledge of the attacks.

Welteke said his researchers came across what he considers almost **irrefutable proof** of insider trading as recently as Thursday, but he refused to release details pending further consultations with regulators in other countries.

"What we found makes us sure that people connected to the terrorists must have been trying to profit from this tragedy," he said at a meeting of European finance ministers and central bankers.

Besides massive short selling of airlines and insurance stocks, Welteke said "there was a fundamentally inexplicable rise" in world oil prices just before the attacks that suggest certain groups or people were buying oil contracts that were then sold for a much higher price. He said German researchers also detected movements in gold markets "which need explaining."

"If you look at the movements in markets before and after the attacks, it really makes your brow furrow," Welteke said. "It is extremely difficult to really verify it, but we are confident we will be able to pinpoint the source in at least one or two cases."

The comments by the central bank chief of Europe's biggest economy were the first public confirmation that regulators were close to proving that groups linked to the U.S. attacks sought to exploit their advance knowledge through trades in international markets.

Welteke's announcement stunned the finance ministers and central bankers, who met in the eastern Belgian city of Liege this weekend to discuss plans to introduce the first notes and coins of the euro, which will go into circulation in 12 European countries at the end of the year. Their agenda was dominated instead by economic fallout from the attacks.

They agreed on an emergency plan to help European airlines pay for insurance, averting a possible shutdown by European airlines on Monday. While ruling out direct government aid, banned under EU rules, finance ministers agreed to allow governments to act as guarantors for the airlines for at least a month, Bloomberg News reported.

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CBS News Transcripts

SHOW: CBS Morning News (6:30 AM ET) - CBS

September 27, 2001 Thursday

TYPE: Newscast

LENGTH: 470 words

HEADLINE: Unusual stock trading and profiting may be linked to the terror attacks

ANCHORS: JULIE CHEN

REPORTERS: SHARYL ATTKISSON

BODY:

JULIE CHEN, anchor:

One part of the terrorist attack investigation is focusing on some unusual activity in the stock market. Sharyl Attkisson is on the money trail.

SHARYL ATTKISSON reporting:

Sources say US investigators are making headway in tracking down suspicious stock trades made just before the attacks. Overseas, some investigators have already concluded that the terrorists, or their supporters who knew what was coming, executed sophisticated, precise financial transactions to profit from the fallout.

Mr. WILLIAM McLUCAS (Former SEC Enforcement Director): It's a horrific notion to conceive of, but it is not at all out-of the question. It sounds like something we'd read in a Ludlum novel, and unfortunately, I think it may well have taken place.

ATTKISSON: In the US, the probe has widened to include trading in Morgan Stanley Dean Witter stock, a brokerage that had 3,500 employees in the World Trade Center.

Also stock in other brokerage firms which stood to suffer losses in the attack: Merrill Lynch, Goldman Sachs and Bear Stearns.

The airlines that had planes hijacked are also a key focus. There was extraordinary trading in stock options betting that American and United stock prices would fall, and soon. For example, United saw a surge five days before the attack involving 200,000 shares; people counting on the stock to plummet. Until then, the total number of such trades was for just 2,700 shares.

(Graphic on screen)

Suspicious Stock Trades Counting on Stock's Fall

United Airlines On Sept. 6 200,000 Shares

Before Sept. 6 2,700 Shares

ATTKISSON: With American, the unexplained rise came the day before the attack.

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MAIL ON SUNDAY

September 30, 2001

SECTION: Pg. 4

LENGTH: 729 words

HEADLINE: Bin Laden 'raid on the markets' doesn't add up

BYLINE: Ben Laurance

BODY:

THIS was the story to match the spirit of the times.

Osama Bin Laden, the evil genius behind the terrorist attacks of September 11, was not content with bringing mayhem to Manhattan and Washington.

He and his allies and note that it is never made clear where the limits of that circle of allies should be drawn also sought to profit from their terrorism.

The cynicism of it all was appalling a willingness to make money out of the death of thousands plus, of course, the chilling prospect that profits would be ploughed back into the coffers of Bin Laden's organisation to finance yet more attacks against the people, buildings and organisations he hated.

Hence, last weekend, newspapers were full of reports about the concerns of authorities on both sides of the Atlantic that there had been suspiciously large amounts of shortselling of shares (in effect, selling shares you don't really own in order to profit from a future fall in their price) ahead of the attacks.

These trades, it was said, were so significant, so cleverly timed that they must have been carried out with inside knowledge. And the only people with the knowledge that the Pentagon and World Trade Centre were going to be attacked that fateful day were the hijackers and their associates.

The FBI let the world know that it certainly believed the theory. **Ernst Welteke**, president of the Bundesbank a man, let's face it, who has pretty limited career prospects with the introduction of the euro gave the story further credibility when he said that, yes, 'the suspicion is that there have been noticeable market movements ahead of the attacks'.

And to add spice to this dish, promoters of the insider-dealing theory pointedly remarked that there had been sudden bursts of activity in the market for options on airline shares ahead of September 11. In particular, there had been an upsurge in sales of 'put' options bets on a fall in share prices.

By the start of last week, authorities in America, Canada, Britain, Germany, Switzerland, France, Italy and Japan were all combing records of deals in shares and options in search of dealers who had known too much.

And what have they come up with?

In London, those splendid folk at the Financial Services Authority have burrowed around in the paperwork to see if there was anything rum going on ahead of September 11.

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The San Francisco Chronicle

SEPTEMBER 29, 2001, SATURDAY, FINAL EDITION

SECTION: NEWS; Pg. A1

LENGTH: 989 words

HEADLINE: Suspicious profits sit uncollected;

Airline investors seem to be lying low

SOURCE: Chronicle Staff Writers

BYLINE: Christian Berthelsen, Scott Winokur

BODY:

Investors have yet to collect more than \$2.5 million in profits they made trading options in the stock of United Airlines before the Sept. 11 terrorist attacks, according to a source familiar with the trades and market data.

The **uncollected money** raises **suspicious** that the investors -- whose identities and nationalities have not been made public -- had **advance knowledge of the strikes**.

"Usually, if someone has a windfall like that, you take the money and run," said the source, who spoke on condition of anonymity. "Whoever did this thought the exchange would not be closed for four days.

"This smells real bad."

The source and others in the financial industry speculate that the purchaser or purchasers -- having initially assumed the money could be picked up without detection -- now fear exposure, or that the account has been frozen. The markets were closed for four days after the attack, giving investigators time to notice the anomalous trades.

Securities regulators and law-enforcement agents throughout the United States and Europe are investigating unusual patterns in short sales and the purchase of "put" options, both of which are financial-market bets that the price of a given stock will fall. Authorities here and abroad have not publicly disclosed any conclusions they have reached and refuse to discuss the case.

There was an unusually large jump in purchases of put options on the stocks of UAL Corp. and AMR Corp. in the three business days before the attack on major options exchanges in the United States. On one day, UAL put option purchases were 25 times greater than the year-to-date average. In the month before the attacks, short sales jumped by 40 percent for UAL and 20 percent for American.

A put option gives the buyer a right to sell the underlying security at a certain price on a certain date; the purchaser profits when the share price drops lower than the agreed sale price. In a short sale, an investor borrows stock from a broker and sells it, hoping to buy it back at a lower price.

October series options for UAL Corp. were purchased in highly unusual volumes three trading days before the terrorist attacks for a total outlay of \$2,070; investors bought the option contracts, each representing 100 shares, for 90 cents each. Those options are now selling at more than \$12 each. There are still 2,313 so-called "put" options outstanding, according to the Options Clearinghouse Corp.



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EXECUTIVE DIRECTOR

Date: 2/12/04

TO: TEAM 4

FROM: Dianna Campagna

The attached correspondence from Wade Hobbs is being forwarded to you for information and consideration. A copy has also been sent to Team(s) for their information. If you have any questions, please call me on 331-4082. Thank you.

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Suppressed Details of Criminal Insider Trading lead directly into the CIA's Highest Ranks

**CIA Executive Director "Buzzy" Krongard managed
Firm that handled "put" Options on UAL**

by Michael C. Ruppert

FTW Publications, 9 October 2001

Centre for Research on Globalisation, globalresearch.ca, 20
October 2001

Although uniformly ignored by the mainstream U.S. media, there is abundant and clear evidence that a number of transactions in financial markets indicated specific (criminal) foreknowledge of the September 11 attacks on

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Bin Laden rigged oil and gold prices - bank chief

By Philip Sherwell
(Filed: 23/09/2001)

OSAMA bin LADEN is believed to have made a massive profit from trading in oil and gold as well as shares on the eve of the suicide attacks blamed on his followers.

Ernst Welteke, president of the Bundesbank, said financial investigators had found strong indications of suspicious dealings in gold and oil, as well as unusual movements in airline and insurance shares, in the days before the September 11 attacks in the United States.

It appears that terrorist leaders capitalised on their "insider knowledge" of the planned atrocities to invest in oil and gold, knowing that the prices would rise after the attacks on the World Trade Centre and the Pentagon. Strange stock-market fluctuations have already been identified.

European Union finance ministers, meeting in Liege, Belgium, ordered national regulators to investigate the alleged market manipulations. Gordon Brown, the Chancellor, said: "Financial institutions in every part of the world should be under an obligation to report suspicious transactions where terrorist money could be in use."

Mr Welteke, speaking during a break in the same meeting yesterday, said: "There are ever clearer signs that there were activities on international financial markets that must have been carried out with the necessary expert knowledge."

He reported an unusual rise in oil prices before the attacks. This could mean that people had bought oil contracts, and later sold them at a higher price. Gold-market movements also "needed explaining".

Gold, a traditional refuge for investors in times of crisis, has risen in price each day since the attack. Oil prices soared 13 per cent within 24 hours of the atrocities.

The money-making operation, thought to have earned millions for terrorist coffers, follows to the word a 1998 exhortation by one of bin Laden's Islamist front

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Copyright 2001 John Fairfax Publications Pty Ltd
Australian Financial Review

September 24, 2001

SECTION: News; Pg.12

LENGTH: 252 words

HEADLINE: Probe Of Insider Trading Widens

BODY:

A study by the German Bundesbank suggested there had been **insider trading**" ahead of the **September 11** terrorist attacks in gold and oil markets as well as in airline and insurance stocks, the bank's president, Mr Ernst Welteke, said at the weekend.

There have been fundamental movements in these markets, and the oil price rise just ahead of the attacks is otherwise inexplicable," Mr Welteke said in the Belgian town of Liege, where a meeting of European finance ministers and central bankers concentrated on calming the markets and formulating an economic and financial response to the escalating ramifications of the attack.

If you look at movements in the markets before and after the attack, it really makes your brow furrow," he said. According to our research it must have been the case, although it is very difficult to verify." He added that in some cases it might be possible to pinpoint the source.

European governments, together with central banks and banking supervisory authorities, will report by October 16 on fears that some of those associated with the attacks used their advance knowledge to reap enormous financial gain on global markets in the preceding days. A similar investigation is under way in the United States.

The finance ministers also endorsed a series of new measures designed to crack down on money laundering, including new European laws, more information sharing between member States and a bigger role for the OECD's financial action task force.

LOAD-DATE: January 28, 2002

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**INBOX: FW: Pre-9/11 Insider Trading & WTC
computer data r... (1 of 235)**

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Date: Mon, 11 Aug 2003 10:10:47 -0400**From:** Philip Zelikow <pzelikow@9-11commission.gov>**To:** "" <team4@9-11commission.gov>**Reply-to:** "" <pzelikow@9-11commission.gov>**Subject:** FW: Pre-9/11 Insider Trading & WTC computer data recovery project?]**Part(s):**  2 Insider Trading article (win).doc application/msword 34.21 KB 

Team 4 --

FYI.

Philip

-----Original Message-----

From: Kyle F. Hence [mailto:kylehence@earthlink.net]**Sent:** Sunday, August 10, 2003 3:49 PM**Subject:** Pre-9/11 Insider Trading & WTC computer data recovery project?]**Importance:** High

Dear 9/11 Commissioners and Staff:

As some of you may recall I raised the question of insider trading at your first press conference in New York City in May. Now I would like to follow-up a little bit more formally with a new lead and a potentially useful background piece I wrote last year. [This I forwarded earlier to Dr. Zelikow.]

In the interest of time and the insider trading inquiry I am forwarding this fine piece of research by Virginia Raines [see below] without extensive CitizenWatch comment or follow-up (at least at this time). My hope is that this be part of your investigation into pre-9/11 insider trading!

I heard recently that FBI Director Mueller has told victim family members that stories of insider trading connected to 9/11 are "misinformation". I had heard the DoJ had taken over the investigation from the SEC? Is this true? If so, is that what the DoJ is telling you regarding their investigation? But still publicly the SEC is mum on the subject?

What Mueller is telling the families is shocking given the well-documented facts and the unprecedented scale of put option spikes on key stocks that were naturally most effected by the 9/11 attacks. If indeed it's misinformation than may I assume it is not of interest to the commission given the FBI 'findings'?

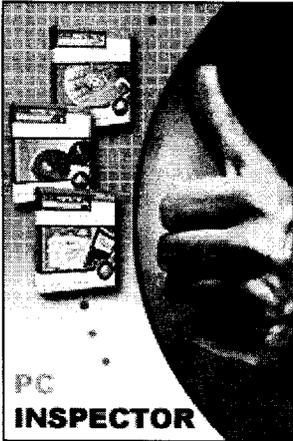
For our part, David Kubiak of 9/11 CitizenWatch has called the San Francisco Chronicle and they are standing by their story regarding the



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Questions? Then give us
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Home Monday, 15. S



Press reports

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Storage devices from the WORLD TRADE CENTER, destroyed on 11 SEPTEMBER 2001, have arrived in germany for data recovery

Pirmasens, 12 November 2001 - At the weekend, the first storage devices from the offices of a US company, located in a building neighbouring the World Trade Center in New York, destroyed on 11 September 2001, arrived in Germany for data recovery.

The storage devices are 18 hard disks from the computing centre of an electronic payment systems company. The hard disks were removed from the computer installations, which had been completely destroyed, and sent to CONVAR's experts in Germany for data recovery.

An employee of the US customer came directly from New York via Frankfurt to Pirmasens on Sunday to deliver the hard disks to the high-security area of the German data recovery experts.



Damaged hard disk from the World Trade Center

There the data are to be recovered from the storage devices. The customer hopes that rapid recovery of the data will enable uncleared cash movements to be quickly settled.

On Wednesday this week, further hard disks from a major US telephone company should arrive in Germany for data recovery by CONVAR.

CONVAR DEUTSCHLAND belongs to the English CONVAR EUROPE group of companies and its Data Recovery Center in Germany is one of the most modern. The German Data Recovery Center at Pirmasens, near the Nato airbase of Ramstein, is one of the few civil data recovery centres to meet the strict requirements for the military classification of "high security area".

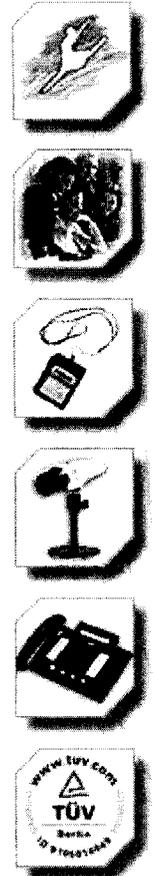
Detailed information on the topic of data recovery can be found on the Internet at www.datarecovery-europe.com



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WSWS : News & Analysis : The US War Drive

Suspicious trading points to advance knowledge by big investors of September 11 attacks

By Barry Grey
5 October 2001

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In the two weeks preceding the September 11 terror attacks on New York and Washington, there was a sudden and unaccountable rush of speculative trades on the US stock and bond markets that indicate some wealthy and well-connected investors had advance knowledge of the impending catastrophe.

Those involved bet large sums on the prospect of a major crisis that would drive down the value of stocks in the airline, tourism and insurance industries, and undermine confidence in the US economy as a whole. Investigations are currently under way by the Securities and Exchange Commission (SEC), the federal watchdog agency for the stock and bond markets, the Secret Service and the FBI. These probes have been given little prominence by the media, in stark contrast to the round-the-clock warnings of new terrorist plots and reports of suspects detained in the US and Europe.

The SEC has issued terse acknowledgements that it is looking into suspicious financial transactions to see if they are connected to terrorist organizations. But the scale of the stock and bond activity under scrutiny belies the notion that it could be the work of Osama bin Laden's guerrilla band, let alone the fanatics who carried out the September 11 atrocities.

Over the past several days the *Wall Street Journal* has carried reports of the SEC and Secret Service probes, and dispatches have been published by the Associated Press and *USA Today*. But the *New York Times* and the *Washington Post* have remained strangely silent, and the network news outlets have said nothing.

The *Wall Street Journal* reported on October 2 that the ongoing investigation by the SEC into suspicious stock trades had been joined by a Secret Service probe into an unusually high volume of five-year US Treasury note purchases prior to the attacks. The

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They don't talk about it on TV anymore, but someone tried to make money with ur trades right before the terrorist attacks of September 11. Who knew to bet that Un would lose money?

Supressed Details of Criminal Insider Trading Lead Directly into the CIA's Ranks

CIA Executive Director "Buzzy" Krongard managed firm that handled "PUT" options on United /

by Michael C. Ruppert

FTW - October 9, 2001 – Although uniformly ignored by the mainstream U.S. media, there is abundant and clear e number of transactions in financial markets indicated specific (criminal) foreknowledge of the September 11 attack Trade Center and the Pentagon. In the case of at least one of these trades -- which has left a \$2.5 million prize unc firm used to place the "put options" on United Airlines stock was, until 1998, managed by the man who is now in th three Executive Director position at the Central Intelligence Agency.

Until 1997 A.B. "Buzzy" Krongard had been Chairman of the investment bank A.B. Brown. A.B. Brown was acquire Trust in 1997. Krongard then became, as part of the merger, Vice Chairman of Banker's Trust-AB Brown, one of 2i banks named by Senator Carl Levin this year as being connected to money laundering. Krongard's last position at (BT) was to oversee "private client relations." In this capacity he had direct hands-on relations with some of the we in the world in a kind of specialized banking operation that has been identified by the U.S. Senate and other invest being closely connected to the laundering of drug money.

Krongard joined the CIA in 1998 as counsel to CIA Director George Tenet. He was promoted to CIA Executive Director by President Bush in March of this year. BT was acquired by Deutsche Bank in 1999. The combined firm is the single largest bank in Europe. And, as we shall see, Deutsche Bank played several key roles in events connected to the September 11 attacks.

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THE SCOPE OF KNOWN INSIDER TRADING

Before looking further into these relationships it is necessary to look at the insider trading information that is being ignored by Reuters, The New York Times and other mass media. It is well documented that the CIA has long monitored such trades – in real time – as potential warnings of terrorist attacks and other economic moves contrary to U.S. interests. Previous stories in *FTW* have specifically highlighted the use of Promis software to monitor such trades.

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It is necessary to understand only two key financial terms to understand the significance of these trades, "selling short" and "put options".

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"Selling Short" is the borrowing of stock, selling it at current market prices, but not being required to actually produce the stock for some time. If the stock falls precipitously after the short contract is entered, the seller can then fulfill the contract by buying the stock after the price has fallen and complete the contract at the pre-crash price. These contracts often have a window of as long as four months.

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"Put Options," are contracts giving the buyer the option to sell stocks at a later date. Purchased at nominal prices of, for example, \$1.00 per share, they are sold in blocks of 100 shares. If exercised, they give the holder the option of selling selected stocks at a future date at a price set when the contract is issued. Thus, for an investment of \$10,000 it might be possible to tie up 10,000 shares of United or American Airlines at \$100 per share, and the seller of the option is then obligated to buy them if the option is executed. If the stock has fallen to \$50 when the contract matures, the holder of the option can purchase the shares for \$50 and immediately sell them for \$100 – regardless of where the market then stands. A call option is the reverse of a put option, which is, in effect, a derivatives bet that the stock price

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Part II -- Billions in Pre-911 Insider Trading Profits Leaves a Hot Trail: How Bush Administration Naysayers May Have Let it go Cold

Part I of *Making a Killing* provided a glimpse of a shadowy, legitimized global financial network that is employed by criminals of all kinds to carry out or manage the profits from all manner of nefarious activity. It documented how the Bush Administration in 2001 undermined, stalled and withdrew from a global effort to clamp down on money laundering. We learned the indirect connection Enron had to intense lobbying efforts which ultimately swayed the Administration. And how following the attacks of 9-11, Bush changed his tune and working with allies in the war on terrorism, seized over \$100 million linked to Al Qaeda and other terrorist groups. Unfortunately, this is likely the tip of the iceberg of drug and terror money that is managed by the highest echelons of double-breasted gucci suited criminals.

In Part II, we will examine closely what is likely the largest, most globalized and heinous case of insider trading in economic history and how it offered authorities a hot money to follow. If successful in tracking the perpetrators, authorities would not only be successful in implicating obvious accomplices in the 9-11 attacks, but also would be able to strike deeply into the infrastructure of a shadow financial network and hundreds of billions of dollars that flow through it.

Massive pre-attack 'insider trading' offer authorities hottest trail to accomplices

As of mid-March, authorities say they have frozen over \$100 million in terrorist assets. But how to strike deeper to prevent future attacks? Some believe the answer lies at the end of the paper trail that investigators are following from huge insider trading placed on carefully selected stocks in the days leading up to 9-11.

According to Phil Erlanger, a former Senior Technical Analyst with *Fidelity*, and founder of a Florida firm that tracks short selling and options trading, insiders made off **with billions** (not mere millions) in profits by betting on the fall of stocks they knew would tumble in the aftermath of the WTC and Pentagon attacks.

[erlangersqueezeplay.com] Andreas von Bulow, a former member of the German Parliament, once responsible for the oversight of the German secret services, estimated that profits by insider traders were \$12-15 billion. CBS offered a far more conservative figure when it reported (Sept 26) that "at least seven countries are dissecting suspicious trades that may have netted more than \$100 million in profits."

Regardless of estimates, to Dylan Ratigan of *Bloomberg Business News*, the evidence was compelling; "This is the worst case of insider trading ever." [Good Morning Texas, Sept. 20, 2001] The sheer scope, size and the uncanny timing of 9-11 insider trading demanded an aggressive investigation. But the stakes involved, with nearly 3000 dead, have never been higher for financial crimes investigators.

Suspicious trading was first identified by Japanese authorities. But soon concerns were raised and a pattern could be discerned in countries around the world including

August 6, 2001 (C): Inside trading based on advanced knowledge of the 9/11 attacks may have begun on this date, if not earlier. Investigators later discover a large number of put option purchases (a speculation that the stock will go down) at the Chicago Board Options Exchange bought on this date that expire on September 30. These would have led to large profits. One analyst says, "From what I'm hearing, it's more than coincidence." [[Reuters, 9/20/01](#)]

Early September 2001 (I): The Securities and Exchange Commission (SEC) later announces that they are investigating the trading of shares of 38 companies in the days just before 9/11. The San Francisco Chronicle states that the New York Stock Exchange sees "unusually heavy trading in airline and related stocks several days before the attacks." All of the 38 companies logically stood to lose from the attacks. They include parent companies of major airlines American, Continental, Delta, Northwest, Southwest, United and USAirways as well as cruise lines Carnival and Royal Caribbean, aircraft maker Boeing and defense contractor Lockheed Martin. The SEC is also looking into suspicious short selling of numerous insurance company stocks. [[AP, 10/2/01](#), [San Francisco Chronicle, 10/3/01](#)]

Early September 2001 (J): There is a sharp increase in short selling of the stocks of American and United airlines on the New York Stock Exchange prior to 9/11. A short sell is a bet that a particular stock will drop. There is an increase of 40 percent of short selling over the previous month for these two airlines, compared to an 11 percent increase for other big airlines and one percent for the exchange overall. A significant profit was to be made: United stock dropped 43 percent and American dropped 39 percent the first day the market reopened after the attack. Short selling of Munich Re, the world's largest reinsurer, is also later noted by German investigators. Inquiries into short selling millions of Munich Re shares were made in France days before the attacks. [[Reuters, 9/20/01](#), [San Francisco Chronicle, 9/22/01](#)] Munich Re stock plummeted after the attacks, as they claimed the attacks would cost them \$2 billion. [[Dow Jones Business News, 9/20/01](#)] There is also a shorts spike on Dutch airline KLM stock three to seven days before 9/11, reaching historically unprecedented levels. [[USA Today, 9/26/01](#)] *Was another attack on a KLM airplane planned?*

Early September 2001 (K): German central bank president Ernst Welteke says a study by his bank indicates, "There are ever clearer signs that there were activities on international financial markets that must have been carried out with the necessary expert knowledge," not only in shares of heavily affected industries such as airlines and insurance companies, but also in gold and oil. [[Telegraph, 9/23/01](#)] His researchers have found "almost irrefutable proof of insider trading." [[Miami Herald, 9/24/01](#)] "If you look at movements in markets before and after the attack, it makes your brow furrow. But it is extremely difficult to really verify it." Nevertheless, he believes that "in one or the other case it will be possible to pinpoint the source." [[Fox News, 9/22/01](#)] Welteke reports "a fundamentally inexplicable rise" rise in oil prices before the attacks [[Miami Herald, 9/24/01](#)] and then a further rise of 13% the day after the attacks. Gold rises nonstop for days after the attacks. [[Telegraph, 9/23/01](#)]

Early September 2001 (L): Numerous other overseas investigations into insider trading before 9/11 are later established. There are investigations in Belgium, France, Switzerland, Luxembourg, Monte Carlo, Cyprus and other countries. There are particularly strong suspicions British markets were manipulated. Italy is investigating suspicious share movements on the day of the attack, as well as the previous day. Japan as well is looking into trading of futures contracts. [[Fox News, 9/22/01](#), [CNN, 9/24/01](#), [BBC, 9/18/01](#)] The British conclude in a remarkable two weeks that their markets were not manipulated (see **October 16, 2001**). *But over one year later, where are the results for all the other countries?*

Early September 2001 (M): After 9/11 both the SEC and the Secret Service announce probes into an unusually high volume trade of five-year US Treasury note purchases around this time. These transactions included a single \$5 billion trade. The Wall Street Journal explains: "Five-year Treasury notes are among the best investments in the event of a world crisis, especially one

FOCUS - 2 of 24 DOCUMENTS

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Australian Financial Review

December 3, 2001

SECTION: News; International News; Pg.10

LENGTH: 307 words

HEADLINE: Probes Find No Sign Of Pre-attack Trading

BODY:

After the September 11 **terrorist** attacks, suspicions grew that the perpetrators had not only carried them out but profited from them by **insider** trading in the days before.

Sources as authoritative as the president of the German Bundesbank, Mr Ernst Welteke, said on September 23 that there were ever clearer signals that such audacious **insider** trading had occurred.

But two months later, exhaustive investigations in Europe have turned up nothing no supporting evidence at all.

Asked yesterday whether British authorities had unearthed any evidence, the managing director for regulatory process at the Financial Services Authority, Ms Carol Sergeant, said: Absolutely nothing.

We have turned over a huge number of transactions, both domestically and at the request of authorities overseas, and we have found nothing at all," she said.

The chairman of the FSA, Sir Howard Davies, said that some transactions had looked a little odd, but there had been plausible reasons for them.

A spokeswoman for the German regulator, the BAWE, said it had found no evidence and had handed the matter to the federal government's general counsel, where the case remained open pending new information. Separate investigations by state authorities had also yielded no information and had been closed, she said.

And the European Union said last month that it too had found no hard evidence of pre-September 11 **insider** trading.

A preliminary report by the Committee of European Securities Regulators said a number of unusual transactions had been identified, but investigations had so far not revealed evidence of **terrorist**-related activity in the markets.

The CESR investigations are continuing.

KEY POINTS

* **Terrorists** supposedly profited from pre-September 11 trading.

* But extensive investigations have found no evidence of this.

LOAD-DATE: January 10, 2002

12 of 35 DOCUMENTS

Copyright 2001 Agence France Presse
Agence France Presse

September 27, 2001 Thursday

SECTION: Financial Pages

LENGTH: 167 words

HEADLINE: Germany finds no evidence yet of insider trading before attacks

DATELINE: FRANKFURT, Sept 27

BODY:

BAWe, the German stock market watchdog, said Thursday it had found no evidence yet that anyone with prior knowledge of the devastating **terrorist** attacks in the United States had used that knowledge to make a killing on the stock exchange.

"There is no evidence at present that anyone who had knowledge of the attacks before they were committed used it to make financial transactions," a spokesman for **BAWe**, Christian Pawlik told AFP.

However, investigations were still continuing apace, he added.

Last week, **BAWe** had said it was investigating potentially suspicious movements on the stock exchange in the days leading up to the attacks.

The theory is that speculators placed so-called "put options", contracts to sell at a fixed price, on stocks, knowing that the market was about to fall sharply.

The investigation was not yet of a formal nature and was not concentrating on specific stocks, but insurance stocks, in particular, were coming under scrutiny, the watchdog had said.

LOAD-DATE: September 27, 2001



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Home > News > Terrorist attacks

Exchange examines odd jump

Before attack: Many put options of hijacked planes' parent companies purchased

Last Modified:
12:58 a.m. 9/18/2001

By **Dave Carpenter**
The Associated Press

CHICAGO -- The Chicago Board Options Exchange, the world's largest options market, said Tuesday it is investigating reports of unusual trading activity before last week's terrorist attacks in New York and Washington.

The statement comes amid widespread international efforts by investigators and regulators to determine whether terrorists tried to profit from stock and option trading ahead of the attacks on the World Trade Center and the Pentagon.

In the days before the attacks, unusually high numbers of put options were purchased for the stocks of AMR Corp. and UAL Corp., the parent companies of American Airlines and United Airlines, which each had two planes hijacked. There was no such trend involving other carriers.

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A put option is a contract that gives a holder the right to sell an asset at a specified price before a certain date.

On Sept. 6-7, when there was no significant news or stock price movement involving United, the Chicago exchange handled 4,744 put options for UAL stock, compared with just 396 call options -- essentially bets that the price will rise. On Sept. 10, an uneventful day for American, the volume was 748 calls and 4,516 puts, based on a check of option trading records.

On Monday, the first day of trading following the attacks, shares of AMR fell 39 percent, and UAL stock plunged 42 percent. Other airline shares also were sharply lower and most rebounded modestly Tuesday.

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September 19, 2001

Black Tuesday:

The World's Largest Insider Trading Scam?

Don Radlauer
ICT Consultant

In the wake of the terrorist attacks which caused the destruction of the Twin Towers of New York's World Trade Center, damaged the Pentagon, and destroyed four large airliners with all aboard, securities-exchange investigators on three continents are poring over trading records to determine whether one or more parties profited by their advance knowledge of the disaster.

Investigations are focusing on the many different ways and places in which profits could be made following the Black Tuesday outrage. A brief introduction to "left-handed trading" will help to clarify what may have happened.

Short Selling

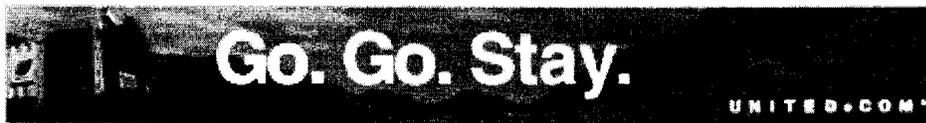
Most investors buy stocks much the way they buy houses: They try to buy cheap and sell dear. Some traders, however, try to accomplish the same thing in reverse order -- when they think a stock will decrease in value, they sell the stock *first*, in the belief that they will be able to buy it back at a lower price later. This is known as *short-selling*. In order to sell a stock short, a trader must work with a stockbroker who will lend him/her the stock to sell; this is a normal service provided by stockbrokers. At least in theory, an investor can wait a long time before buying back the stock that s/he has sold ("*covering the short*").

Short-selling can be a highly successful trading strategy for an investor who knows how to time the market and can recognize overpriced stocks before the general public does. On the other hand, it can be highly risky: Since there is no upper limit to how high the stock being shorted can rise in price, the potential loss to the short-seller is infinite. On the other hand, the investor who shorts a stock with advance knowledge of news that will cause its price to drop precipitously can make a killing.

Derivatives - Options and Futures

"Derivatives" are investments that do not involve buying and selling something that has direct value -- such as shares of stock or boxcars of wheat -- but instead involve buying or selling standardized contracts that give their owner the right (or obligation) to buy or sell a stock or a commodity at a particular time and price. For example, a commodity futures trader may spend all his working life buying and selling contracts to purchase boxcar-loads of pork bellies, but unless he badly botches his trades, he will never actually have to take delivery and see or touch a pork belly.

Derivatives relating to stock markets include *stock options* and *stock-index futures contracts*. Stock options are contracts that give their owner the right (but not the obligation) to buy ("*call*" options) or sell ("*put*" options) stocks at a set price (the "*strike*" price). American stock options can be exercised at any time until their expiration date; European stock options can be exercised only on one particular day. To prevent total anarchy in the options markets, options are written with standardized expiration dates and



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Suspicious profits sit uncollected Airline investors seem to be lying low

Christian Berthelsen, Scott Winokur, Chronicle Staff Writers



Investors have yet to collect more than \$2.5 million in profits they made trading options in the stock of United Airlines before the Sept. 11 terrorist attacks, according to a source familiar with the trades and market data.

The uncollected money raises suspicions that the investors -- whose identities and nationalities have not been made public -- had advance knowledge of the strikes.

"Usually, if someone has a windfall like that, you take the money and run," said the source, who spoke on condition of anonymity. "Whoever did this thought the exchange would not be closed for four days.

"This smells real bad."

The source and others in the financial industry speculate that the purchaser or purchasers -- having initially assumed the money could be picked up without detection -- now fear exposure, or that the account has been frozen.

The markets were closed for four days after the attack, giving investigators time to notice the anomalous trades.

Securities regulators and law-enforcement agents throughout the United States and Europe are investigating unusual patterns in short sales and the purchase of "put" options, both of which are financial-market bets that the price of a given stock will fall. Authorities here and abroad have not publicly disclosed any conclusions they have reached and refuse to discuss the case.

There was an unusually large jump in purchases of put options on the stocks of UAL Corp. and AMR

Saturday, September 29, 2001
San Francisco Chronicle
 CHRONICLE SECTIONS

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WAR ON TERRORISM

THE WAR

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Knight Ridder/Tribune News Service
Fort Worth Star-Telegram

July 1, 2002, Monday

SECTION: DOMESTIC NEWS

KR-ACC-NO: K5650

LENGTH: 1052 words

HEADLINE: Former Texas financier linked to Sept. 11 inquiry

BYLINE: By Maria Recio

BODY:

NEW YORK _ Two years after pleading guilty to mail fraud and promising a Fort Worth federal judge that he was a changed man, financier Amr **Elgindy** is in trouble again.

This time, the stakes are much higher.

Federal prosecutors in New York who secured an indictment in May against the former Colleyville, Texas, resident on charges of masterminding a stock fraud scheme have alleged that **Elgindy** might have known beforehand about the Sept. 11 terrorist attacks and tried to profit from a stock dump the day before.

They persuaded a federal judge Thursday to keep **Elgindy** in a jail in Brooklyn because they consider him a flight risk, despite his attorney's arguments that he is a family man with strong ties to the United States who came to this country when he was 3.

Assistant U.S. Attorney Ken **Breen** declined to comment Thursday about the possibility of Sept. 11 links in the case.

But in May, **Breen** told a federal judge in San Diego, where **Elgindy** lives, that the financier attempted to liquidate his children's trust with holdings of \$300,000 on Sept. 10 and that he predicted to his broker that the market would plunge 3,000 points the next day.

"Perhaps Mr. **Elgindy** had pre-knowledge of the Sept. 11 attacks and, rather than report it, he was attempting to profit from that information," **Breen** said. He told the California court that the investigation into the possibility of links between **Elgindy** and Sept. 11 continues and that the prospect of even more serious charges gives **Elgindy** a motive to flee the country.

In New York last week, U.S. District Judge Raymond Dearie expressed concern about the possibility of Sept. 11 links and said he would consider releasing **Elgindy** only after he had a more complete financial picture of the financier, who owns a house valued at \$2.2 million in San Diego. Dearie insisted that the government secure more than \$600,000 that **Elgindy** had transferred to Lebanon this year.

Elgindy, 34, also known as "Tony" or "Tony Pacific," was transferred by authorities from San Diego to New York in mid-June. The six-count indictment returned in May charges him and four other people with conspiracy, extortion, insider trading and obstruction of justice. If convicted, prosecutors estimate, **Elgindy** could face more than 24 years in prison.

The Associated Press

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May 25, 2002, Saturday, BC cycle

SECTION: Domestic News

LENGTH: 353 words

HEADLINE: Judge "disregards" prosecutor's suggestion accused swindler knew Sept. 11 attacks were coming

BYLINE: By SETH HETTENA, Associated Press Writer

DATELINE: SAN DIEGO

BODY:

A federal judge said he would disregard a prosecutor's suggestion that an Egyptian-born financial analyst charged in a nationwide stock swindle may have known about the Sept. 11 terrorist attacks and tried to profit from them.

Amr I. "Tony" **Elgindy** telephoned his broker on Sept. 10 and asked him to liquidate his children's \$300,000 trust account, Assistant U.S. Attorney Ken **Breen** said Friday at **Elgindy's** detention hearing.

"He made a comment predicting the market would drop to 3,000" at a time when the Dow Jones stock index was at 9,600, **Breen** said. "Perhaps Mr. **Elgindy** had pre-knowledge of the Sept. 11 attacks. Instead of trying to report it, he tried to profit from it."

Breen made his accusations as prosecutors tried to convince the judge that **Elgindy** was a flight risk and should be denied bail.

Magistrate Judge John Houston said he was going to "disregard" the suggestion that **Elgindy** had anything to do with the terror attacks.

Elgindy, 34, of Encinitas, was ordered held without bond on charges of racketeering, extortion and obstruction of justice.

Elgindy did not speak during the hourlong hearing.

His attorney, Jeanne Knight, said **Elgindy** did call his broker to make a trade, but the timing was coincidental and the market had been dropping for months. The broker was unable to liquidate the trust account until Sept. 18, she added.

"It seems like the government, for lack of factual evidence, has decided to smear my client with terrorist innuendoes," Knight said. "This is smacking of racial profiling."

Elgindy, one of five defendants in the case, was arrested May 22 on an indictment issued by a grand jury in New York.

In exchange for money, two FBI agents used confidential databases to provide **Elgindy** and other co-conspirators with information on publicly traded companies, the indictment said.

Elgindy allegedly spread negative information about the companies on his Web site and to subscribers of his e-mail newsletter, InsideTruth.com, while betting that the companies' stock would go down.

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Copley News Service

September 11, 2002 Wednesday

SECTION: WASHINGTON WIRE

LENGTH: 600 words

HEADLINE: Stock trader Elgindy out of jail, will be under house arrest

BYLINE: Dean Calbreath Copley News Service

DATELINE: SAN DIEGO

BODY:

Stock trader Anthony Elgindy was released from a New York jail Tuesday after spending more than three months in pretrial custody.

Elgindy, who was charged in May with securities fraud and racketeering, posted a \$2.5 million bond for his release, secured by five properties.

Even though he is out of jail, Elgindy will not be totally free.

Under the terms of his release, he will be allowed to return to his home in San Diego on Wednesday. But he will be under house arrest, wearing an electronic bracelet that will allow the government to track his movements using global positioning satellites. He will be returned to New York for trial.

Elgindy's treatment contrasts with that of the other defendants in the trial: stock traders Derrick Cleveland and Troy Peters and former FBI agents Jeff Royer and Lynn Wingate.

The others were released on bail shortly after their arrest, after posting bonds of \$100,000 to \$500,000. They were not subjected to house arrest. Cleveland, who pleaded guilty in July, is now cooperating with authorities, but the others maintain their innocence.

San Diego attorney Jeanne Knight - who represented Elgindy at the time of his arrest - accused the government of "racial profiling" against Elgindy, who was born in Egypt but has been living in the United States since the age of 3.

The government initially suggested **Elgindy** had advance knowledge of the **Sept. 11** terrorist attacks, since he tried to sell a chunk of stock on **Sept. 10**.

Prosecutors quickly dropped that claim. In fact, Internet records show **Elgindy** spent **Sept. 11** tracking suspicious stock trades and passing the information on to the local office of the Federal Bureau of Investigation, which thanked him for his help.

Nevertheless, prosecutors continued to argue against bail for Elgindy, saying he constituted a flight risk. They said he had secretly purchased a home near Beirut and was shifting his assets to Lebanon.

But Elgindy's attorney, Gerald Lefcourt, argued there was nothing secretive about the Lebanon purchase - a vacation home that Elgindy boasted about on the Internet. Elgindy began buying the home before a grand jury investigated the securities charges, he said.

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FDCH Political Transcripts

January 29, 2002 Tuesday

TYPE: COMMITTEE HEARING

LENGTH: 20217 words

COMMITTEE: HOUSING AND URBAN AFFAIRS COMMITTEE

SUBCOMMITTEE: SENATE BANKING

HEADLINE: U.S. SENATOR PAUL SARBANES (D-MD) HOLDS HEARING TO EXAMINE THE FINANCIAL WAR ON TERRORISM

SPEAKER:

U.S. SENATOR PAUL SARBANES (D-MD), CHAIRMAN

LOCATION: WASHINGTON, D.C.

WITNESSES:

U.S. SENATOR CARL LEVIN (D-MI)

U.S. SENATOR CHARLES GRASSLEY (R-IA)

U.S. REPRESENTATIVE MICHAEL OXLEY (R-OH)

U.S. REPRESENTATIVE JOHN LAFALCE (D-NY)

KENNETH DAM, DEPUTY SECRETARY, DEPARTMENT OF TREASURY

MICHAEL CHERTOFF, ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION - DEPARTMENT OF JUSTICE

RICHARD SPILLENKOTHEN, DIRECTOR, BANKING SUPERVISION AND REGULATION DIVISION, FEDERAL RESERVE SYSTEM

ANNETTE NAZARETH, DIRECTOR, DIVISION OF MARKET REGULATORS, SECURITIES AND EXCHANGE COMMISSION

BODY:

U.S. SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS HOLDS A HEARING ON THE FINANCIAL WAR ON TERRORISM

JANUARY 29, 2002

SPEAKERS:

U.S. SENATOR PAUL S. SARBANES (D-MD)

CHAIRMAN

U.S. SENATOR CHRISTOPHER J. DODD (D-CT)

U.S. SENATOR TIM JOHNSON (D-SD)

January 17, 2002, Thursday

SECTION: All Editions; Pg. 031

LENGTH: 324 words

HEADLINE: BUSINESS BRIEFS

BODY:

Hewlett letter

Dissident Hewlett-Packard Co. director Walter Hewlett sent letters to more than 750,000 stockholders, asking them to veto the \$24 billion acquisition of Compaq Computer Corp. Hewlett, who plans a proxy fight with HP management over the deal, believes Compaq would increase HP's exposure to the weak PC and low-end server businesses in a risky, difficult integration effort.

Merrill lease

Merrill Lynch & Co. has started looking for tenants to take over 11 floors the firm rents at 2 World Financial Center. Merrill had planned to vacate the space before the September terrorist attacks. Merrill wants to rent the space for \$55 a square foot.

Closing Gates

Microsoft Chairman Bill Gates announced to employees a major strategy shift across all its products, including its flagship Windows software, to emphasize security and privacy over new capabilities.

Airline suit

The Bush administration asked an appeals court to revive the government's lawsuit charging American Airlines with illegally adding flights to drive discount carriers from Dallas-Fort Worth. The suit accuses the airline of raising fares once discounters stopped offering low-priced flights on routes serving Dallas-Fort Worth.

Pants plants

Levi Strauss & Co. may close two plants in Scotland, firing 647 workers, and an undetermined number of U.S. factories, as fiscal fourth-quarter profit fell 16 percent.

Federated

Federated Department Stores Inc. expects to close its Fingerhut catalog business, which employs about 6,000 people, mostly in Minnesota.

No proof (m)

U.S. criminal investigators haven't found proof of **insider trading** in the U.S. by people with advance knowledge of the **Sept. 11** terrorist attacks, the FBI said. Spanish authorities have found evidence pointing to possible terrorist trading and the FBI has sent an investigator to Spain to help authorities there.

Sources: Bloomberg, AP, Reuters, N.Y. Post

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HEADLINE: Few Answers in Terrorist Insider Trading Investigation;
Securities: Agencies continue to search for evidence that some organizations may have profited from attacks.

BYLINE: WALTER HAMILTON, TIMES STAFF WRITER

BODY:

Government investigators do not appear to be coming up with quick answers in their probe of possible **insider trading** by terrorists ahead of the **Sept. 11** attacks.

Despite what seemed to some people to be a glaring case of market manipulation, no evidence has emerged publicly to indicate that those tied to the attacks tried to gain financially from them.

"To date, there are no flags or indicators" showing that terrorists used trading strategies known as "short selling" to profit from the attacks, Dennis Lormel, chief of the Federal Bureau of Investigation's financial crimes unit, told a congressional committee on Oct. 3.

Some experts now say they doubt that such a scheme took place. What appears to be suspicious activity in some stocks may turn out to have been legitimate trading, they say.

What's more, there is doubt that the terrorist organization that went to great lengths to plan and conceal the attacks would have risked leaving behind a paper trail that could expose its identity.

"It would be out of pattern [for them] to just lead us so easily to their tracks," said Nikos Passas, a Temple University expert on international financial crimes. "If they [tried to manipulate the market] it would have been a strategic mistake on their part, and their track record so far shows they don't make such mistakes."

Nevertheless, the FBI, Securities and Exchange Commission and other agencies continue to search for evidence that terrorists may have sought to profit from the post-attacks plunge in the securities of airlines and other companies.

Regulators are examining whether terrorists shorted certain stocks or whether they bought "put" options, giving them the right to sell their holdings at a set price.

In a short sale, stock is borrowed from a brokerage and sold. The trader's goal is to replace the borrowed shares at cheaper prices later. Thus, a short seller must make two transactions that should be traceable: first, the sale of stock; then the purchase of new shares to close out the trade.

U.S. and foreign investigators are focusing on trading in 38 stocks, according to a notice posted on the Web site of a Canadian securities industry trade group. Included are shares of airlines such as AMR Corp., parent of American, and UAL Corp., parent of United; insurers such as Marsh & McLennan Cos. and American International Group; and brokerages such as Morgan Stanley and Lehman Bros.

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Suspicious_Trading_Activi

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"I saw put-call numbers higher than I've ever seen in 10 years of following the markets one sees this type of activity. the first thing one does is ask oneself, 'What is the explanation?'"
John Kinnucan, a principal of Broadband Research

Summary: In the days and weeks prior to the terrorist attacks of September 11, 2001, there was a significant amount of suspicious trading activity in several of the financial markets, generating enormous profits as a result of the volatility that characterized the days surrounding the attacks on the Trade Center towers. As the evidence below clearly demonstrates, these trades have not been coincidental. Rather, it is clear that people with inside information, who were not the mainstream news and financial presses noted that these trades were the result of insider trading. One year later however, the questions surrounding these trades remain unanswered.

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