GlobalResearch
Center for Research on Globalization

Insider Trading 9/11: Allegations that informed circles made substantial profits in financial markets in connection to 9/11

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Global Research, April 29, 2012
Asian Times 21 March 2012

Region: USA
Theme: Global Economy, Terrorism

Is there any truth in the allegations that informed circles made substantial profits in the financial markets in connection to the terror attacks of September 11, 2001, on the United States?

Arguably, the best place to start is by examining put options, which occurred around Tuesday, September 11, 2001, to an abnormal extent, and at the beginning via software that played a key role: the Prosecutor's Management Information System, abbreviated as PROMIS. [i]

PROMIS is a software program that seems to be fitted with almost "magical" abilities. Furthermore, it is the subject of a decades-long dispute between its inventor, Bill Hamilton, and various people/institutions associated with intelligence agencies, military and security consultancy firms. [1]

One of the "magical" capabilities of PROMIS, one has to assume, is that it is equipped with artificial intelligence and was apparently from the outset "able to simultaneously read and integrate any number of different computer programs or databases, regardless of the language in which the original programs had been written or the operating systems and platforms on which that database was then currently installed." [2]

And then it becomes really interesting:

> What would you do if you possessed software that could think, understand every major language in the world, that provided peep-holes into everyone else's computer "dressing rooms", that could insert data into computers without people's knowledge, that could fill in blanks beyond human reasoning, and also predict what people do – before they did it? You would probably use it, wouldn't you? [3]

Granted, these capabilities sound hardly believable. In fact, the whole story of PROMIS, which Mike Ruppert develops in the course of his book *Crossing the Rubicon* in all its bizarre facets and turns, seems as if someone had developed a novel in the style of Philip K Dick and William Gibson. However, what Ruppert has collected about PROMIS is based on reputable sources as well as on results of personal investigations, which await a jury to take a first critical look at.

This seems all the more urgent if you add to the PROMIS capabilities “that it was a given that PROMIS was used for a wide variety of purposes by intelligence agencies, including the real-time monitoring of stock transactions on all the world´s major financial markets”. [4]

We are therefore dealing with a software that

a) Infiltrates computer and communication systems without being noticed.
b) Can manipulate data.
c) Is capable to track the global stock market trade in real time.

Point c is relevant to all that happened in connection with the never completely cleared up transactions that occurred just before September 11, [5] and of which the former chairman of the Deutsche Bundesbank Ernst Weltke said “could not have been planned and carried out without a certain knowledge”. [6]

I specifically asked financial journalist Max Keiser, who for years had worked on Wall Street as a stock and options trader, about the put option trades. Keiser pointed out in this context that he “had spoken with many brokers in the towers of the World Trade Center around that time. I heard firsthand about the airline put trade from brokers at Cantor Fitzgerald days before.” He then talked with me about an explosive issue, on which Ruppert elaborated in detail in *Crossing the Rubicon*.

> **Max Keiser:** There are many aspects concerning these option purchases that have not been disclosed yet. I also worked at Alex Brown & Sons (ABS). Deutsche Bank bought Alex Brown & Sons in 1999. When the attacks occurred, ABS was owned by Deutsche Bank. An important person at ABS was Buzzy Krongard. I have met him several times at the offices in Baltimore. Krongard had transferred to become executive director at the CIA. The option purchases, in which ABS was involved, occurred in the offices of ABS in Baltimore. The noise which occurred between Baltimore, New York City and Langley was interesting, as you can imagine, to say the least.

Under consideration here is the fact that Alex Brown, a subsidiary of Deutsche Bank (where many of the alleged 9/11 hijackers handled their banking transactions – for example Mohammed Atta) traded massive put options purchases on United Airlines Company UAL through the Chicago Board Option Exchange (CBOE) – “to the embarrassment of investigators”, as British newspaper The Independent reported. [7]

On September 12, the chairman of the board of Deutsche Bank Alex Brown, Mayo A Shattuck III, suddenly and quietly renounced his post, although he still had a three-year contract with an annual salary of several million US dollars. One could perceive that as somehow strange.

A few weeks later, the press spokesperson of the Central Intelligence Agency (CIA) at that time, Tom Crispell, declined all comments, when he was contacted for a report for Ruppert´s website From the Wilderness, and had being asked “whether the Treasury Department or FBI [Federal Bureau of Investigation] had questioned CIA executive director and former Deutsche Bank-Alex Brown CEO [chief executive officer], A B ‘Buzzy’ Krongard, about CIA monitoring of financial markets using PROMIS and his former position as overseer of Brown’s ‘private client’ relations.” [8]

Just before he was recruited personally by former CIA chief George Tenet for the CIA, Krongard supervised mainly private client banking at Alex Brown. [9]

In any case, after 9/11 on the first trading day, when the US stock markets were open again, the stock price of UAL declined by 43%. (The four aircraft hijacked on September 11 were American Airlines Flight 11, American Airlines Flight 77 and UAL flights 175 and 93.)

With his background as a former options trader, Keiser explained an important issue to me in that regard.

> **Max Keiser:** Put options are, if they are employed in a speculative trade, basically bets that stock prices will drop abruptly. The purchaser, who enters a time-specific contract with a seller, does not have to own the stock at the time when the contract is purchased.

Related to the issue of insider trading via (put or call) options there is also a noteworthy definition by the Swiss economists Remo Crameri, Marc Chesney and Loriano Mancini, notably that an option trade may be "identified as informed" – but is not yet (legally) proven – "when it is characterized by an unusual large increment in open interest and volume, induces large gains, and is not hedged in the stock market". [10]

Open interest describes contracts which have not been settled (been exercised) by the end of the trading session, but are still open. Not hedged in the stock market means that the buyer of a (put or call) option holds no shares of the underlying asset, by which he might be able to mitigate or compensate losses if his trade doesn't work out, or phrased differently: one does not hedge, because it is unnecessary, since one knows that the bet is one, pardon, "dead sure thing." (In this respect it is thus not really a bet, because the result is not uncertain, but a foregone conclusion.)

In this case, the vehicle of the calculation was "ridiculously cheap put options which give the holder the 'right' for a period of time to sell certain shares at a price which is far below the current market price – which is a highly risky bet, because you lose money if at maturity the market price is still higher than the price agreed in the option. However, when these shares fell much deeper after the terrorist attacks, these options multiplied their value several hundred times because by now the selling price specified in the option was much higher than the market price. These risky games with short options are a sure indication for investors who knew that within a few days something would happen that would drastically reduce the market price of those shares." [11]

Software such as PROMIS in turn is used with the precise intent to monitor the stock markets in real time to track price movements that appear suspicious. Therefore, the US intelligence services must have received clear warnings from the singular, never before sighted transactions prior to 9/11.

Of great importance with regard to the track, which should lead to the perpetrators if you were seriously contemplating to go after them, is this:

> **Max Keiser:** The Options Clearing Corporation has a duty to handle the transactions, and does so rather anonymously – whereas the bank that executes the transaction as a broker can determine the identity of both parties.

But that may have hardly ever been the intention of the regulatory authorities when the track led to, amongst others, Alvin Bernard “Buzzy” Krongard, Alex Brown & Sons and the CIA. Ruppert, however, describes this case in *Crossing the Rubicon* in full length as far as possible. [12]

In addition, there are also ways and means for insiders to veil their tracks. In order to be less obvious, “the insiders could trade small numbers of contracts. These could be traded under multiple accounts to avoid drawing attention to large trading volumes going through one single large account. They could also trade small volumes in each contract but trade more contracts to avoid drawing attention. As open interest increases, non-insiders may detect a perceived signal and increase their trading activity. Insiders can then come back to enter into more transactions based on a seemingly significant trade signal from the market. In this regard, it would be difficult for the CBOE to ferret out the insiders from the non-insiders, because both are trading heavily.” [13]

The matter which needs clarification here is generally judged by Keiser as follows:

> **Max Keiser:** My thought is that many (not all) of those who died on 9/11 were financial mercenaries – and we should feel the same about them as we feel about all mercenaries who get killed. The tragedy is that these companies mixed civilians with mercenaries, and that they were also killed. So have companies on Wall Street used civilians as human shields maybe?

According to a report by Bloomberg published in early October 2001, the US Securities and Exchange Commission (SEC) began a probe into certain stock market transactions around 9/11 that included 38 companies, among them: American Airlines, United Airlines, Continental Airlines, Northwest Airlines, Southwest Airlines, Boeing, Lockheed Martin Corp., American Express Corp., American International Group, AXA SA, Bank of America Corp., Bank of New York Corp., Bear Stearns, Citigroup, Lehman Brothers Holdings Inc., Morgan Stanley, General Motors and Raytheon. [14]

So far, so good. In the same month, however, the San Francisco Chronicle newspaper reported that the SEC took the unprecedented step to deputize hundreds, if not even thousands of key stakeholders in the private sector for their investigation. In a statement that was sent to almost all listed companies in the US, the SEC asked the addressed companies to assign senior staff for the investigation, who would be aware of “the sensitive nature” of the case and could be relied on to “exercise appropriate discretion”. [15]

In essence, it was about controlling information, not about provision and disclosure of facts. Such a course of action involves compromising consequences. Ruppert:

> What happens when you deputize someone in a national security or criminal investigation is that you make it illegal for them to disclose publicly what they know. Smart move. In effect, they become government agents and are controlled by government regulations rather than their own conscience. In fact, they can be thrown into jail without a hearing if they talk publicly. I have seen this implied threat time after time with federal investigators, intelligence agents, and even members of United States Congress who are bound so tightly by secrecy oaths and agreements that they are not even able to disclose criminal activities inside the government for fear of incarceration. [16]

Among the reports about suspected insider trading which are mentioned in *Crossing the Rubicon*/From the Wilderness is a list that was published under the heading “Black Tuesday: The World’s Largest Insider Trading Scam?” by the Israeli Herzliyya International Policy Institute for Counterterrorism on September 21, 2001:

1. Between September 6 and 7, the CBOE saw purchases of 4,744 put options on United Airlines, but only 396 call options. Assuming that 4,000 of the options were bought by people with advance knowledge of the imminent attacks, these “insiders” would have profited by almost $5 million.

2. On September 10, 4,516 put options on American Airlines were bought on the Chicago exchange, compared to only 748 calls. Again, there was no news at that point to justify this imbalance; again, assuming that 4,000 of these options trades represent “insiders”, they would represent a gain of about $4 million.

3. [The levels of put options purchased above were more than six times higher than normal.]

4. No similar trading in other airlines occurred on the Chicago exchange in the days immediately preceding Black Tuesday.

5. Morgan Stanley Dean Witter & Co, which occupied 22 floors of the World Trade Center, saw 2,157 of its October $45 put options bought in the three trading days before Black Tuesday; this compares to an average of 27 contracts per day before September 6. Morgan Stanley’s share price fell from $48.90 to $42.50 in the aftermath of the attacks. Assuming that 2,000 of these options contracts were bought based upon knowledge of the approaching attacks, their purchasers could have profited by at least $1.2 million.

6. Merrill Lynch & Co, with headquarters near the Twin Towers, saw 12,215 October $45 put options bought in the four trading days before the attacks; the previous average volume in those shares had been 252 contracts per day (a 1200% increase). When trading resumed, Merrill’s shares fell from $46.88 to $41.50; assuming that 11,000 option contracts were bought by “insiders”, their profit would have been about $5.5 million.

7. European regulators are examining trades in Germany’s Munich Re, Switzerland’s Swiss Re, and AXA of France, all major reinsurers with exposure to the Black Tuesday disaster. (Note: AXA also owns more than 25% of American Airlines stock, making the attacks a “double whammy” for them.) [17]

Concerning the statements of the former chairman of the Deutsche Bundesbank Ernst Welteke, their tenor in various press reports put together is as follows:

> German central bank president Ernst Welteke later reports that 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. [Daily Telegraph, 9/23/2001] His researchers have found “almost irrefutable proof of insider trading”. [Miami Herald, 9/24/2001] “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, 9/22/2001] Welteke reports "a fundamentally inexplicable rise" in oil prices before the attacks [Miami Herald, 9/24/2001] and then a further rise of 13 percent the day after the attacks. Gold rises nonstop for days after the attacks. [Daily Telegraph, 9/23/2001] [18]

Related to those observations, I sent a request via e-mail to the press office of the Deutsche Bundesbank on August 1, 2011, from which I was hoping to learn:
How did the Bundesbank deal with this information? Did US federal agencies ask to see the study? With whom did the Bundesbank share this information? And additionally: 1. Can you confirm that there is such a study of the Bundesbank concerning 9/11 insider trading, which was carried out in September 2001?
2. If Yes: what is the title?
3. If Yes: who were the authors?
4. If Yes: has the study ever been made available to the public?

On August 2, I was then informed: "Your mail has been received by us and is being processed under the number 2011 / 011551." Ultimately, however, the press office of the Deutsche Bundesbank was only available for an oral explanation on the phone. With this explanation, I then turned to the press office of the federal financial regulator in Germany, the Bundesanstalt fur Finanzdienstleistungsaufsicht, BaFin, with the following e-mail – and that because of obvious reasons:

> Yesterday, I sent a request (see end of this e-mail) to the press office of the Deutsche Bundesbank relating to insider trading connected to the terrorist attacks on September 11, 2001, and respectively relating to an alleged study carried by the Deutsche Bundesbank. The request carries the reference number 2011 / 011551.
>
> The press office or respectively Mr Peter Trautmann was only available for an oral explanation. I repeat this now, because it is related to your entity. This will be followed by my further questions.
>
> According to an oral explanation from the press office of the Deutsche Bundesbank, there has never been a detailed and official study on insider trading from the Bundesbank. Rather, there has been probably ad-hoc analysis with corresponding charts of price movements as briefings for the Bundesbank board. In addition, it would have been the duty of the Bundesfinanzaufsicht to investigate this matter. The press office of the Bundesbank was also not willing to give out any written information, not even after my hint that this alleged study by the Bundesbank has been floating around the Internet for years without any contradiction. That was the oral information from the Bundesbank press office, or respectively from Mr Peter Trautmann.
>
> Now my questions for you:
> 1. Has the BaFin ever investigated the 9/11 insider trading?
> 2. With what result? Have the results been made public?
> 3. Have there not been any grounds for suspicion that would have justified an investigation, for example as damaged enterprise: Munich Re, and as buyers of put options of UAL's United Airlines Company: Deutsche Bank/Alex Brown?
> 4. Has the Deutsche Bundesbank ever enquired with BaFin what information they have regarding the 9/11 insider trading – for example for the creation of ad-hoc analysis for the Bundesbank?
> 5. Have the US federal agencies ever inquired if the BaFin could cooperate with them in an investigation?
> Could you reply to me in writing, unlike the Deutsche Bundesbank, please? I

> would be very grateful for that!

The next day I did indeed receive an e-mail concerning this topic from Anja Engelland, the press officer of the BaFin in which she answered my questions as follows:

> 1. Yes, the former Bundesaufsichtsamt fur Wertpapierhandel, BAWe (federal supervisory for securities trading), has carried out a comprehensive analysis of the operations.
> 2. As a result, no evidence of insider trading has been found. Their approach and results have been published by the BAWe or BaFin in the annual reports for the years 2001 (cf S 26/27) and 2002 (cf p 156 above first paragraph). Here are the links. [See here and here.]
> 3. See annual reports 2001 and 2002. Put options on United Airlines were not traded on German stock exchanges (the first EUREX options on US equities were introduced only after the attacks on 9/11/2001); there were warrants on UAL and other US stocks, but those traded only in low volumes.
> 4. I personally do not know about such a request. Furthermore, the Bundesbank itself would have to comment on this.
> 5. BaFin is fundamentally entitled to the exchange of information with foreign supervisory authorities, like SEC, on the basis of written agreements, so-called memoranda of understanding (MoU). Regarding potential inquiries from foreign supervisory authorities, the BaFin can unfortunately not comment, this would be a matter of respective authority. For this I ask for understanding.

Then I wrote another brief note to BaFin, "in order to prevent any misunderstanding: your answers refers, as far as I understand, solely to the financial markets in Germany and Frankfurt, or not?" The reply from BaFin:

> The answers refer to the German financial market as a whole and not only on the Frankfurt Stock Exchange. In terms of the assessment of foreign financial markets, the relevant authorities are the competent points of contact.

In my inquiries, I mentioned, among other things, a scientific study by US economist Allen M Poteshman from the University of Illinois at Urbana-Champaign, which had been carried out in 2006 regarding the put option trading around 9/11 related to the two airlines involved, United Airlines and American Airlines. Poteshman came to this conclusion: "Examination of the option trading leading up to September 11 reveals that there was an unusually high level of put buying. This finding is consistent with informed investors having traded options in advance of the attacks." [19]

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