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Exchange examines odd jump

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

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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.

"I saw put-call numbers higher than I've ever seen in 10 years of

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following the markets, particularly the options markets," John Kinnucan, a principal of Broadband Research, an independent telecommunications research firm, told the San Francisco Chronicle. "When one sees this type of activity, the first thing one does is ask oneself, 'What is the explanation? What are people worried about?' "

According to a report in The Wall Street Journal, the SEC said it had received information from various U.S. agencies Friday about possible trading by terrorists in industries affected by the bombing, including insurance and the airlines, and also about possible put-option or futures-index trading.

On Monday, Germany's stock market regulator said it was looking into claims of suspicious short-selling just before the Sept. 11 attacks. Washington and several other governments have identified Osama bin Laden as a prime suspect.

The Chicago exchange, which often investigates reports of suspicious trading linked to possible advance knowledge of takeovers or mergers, declined to elaborate on the investigation.

"As is usual, CBOE is conducting an investigation of trading prior to the news event," said chief spokeswoman Lynne Howard, who declined further comment.

Spokesmen for the Securities and Exchange Commission also refused comment.

The SEC has received information from other U.S. regulators about possible suspicious trading earlier this month in put options, according to a government source.

The Chicago exchange trades options on the stocks of about 1,400 companies along with 38 stock-based indexes, including the Dow Jones industrial average, the S&P 500 and the Nasdaq 100.

All nose-dived in the aftermath of the attacks, which would have meant substantial profits for anyone who had bet on their decline by buying put options or through short-selling. Short-sellers borrow stock and sell it in anticipation of buying it back later at a lower price.

On the Net:

CBOE at www.cboe.com

The Options Clearing Corp. at www.optionsclearing.com

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