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Memorandum

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Team Number: 4

Location: 9-11 Commission

Participants – FBI: Dennis Lormel, Section Chief, TFOS; Janice K. Penegor, Deputy Chief, TFOS; SA Bill Mackey, TFOS; SSA Greg A. Ruppert, TFOS (Boston FO during 9/11 investigation); SA [REDACTED] NY FO, SA [REDACTED] NY FO, SSA Richard Kelly, FBIHQ, CTD, ASAC Robert Blecksmith, WFO TDY to Director's Office, HQ.

Participants-Commission: D. Greenburg, J. Roth.

This informal briefing addressed the FBI's investigation of potentially illicit securities trading in advance of the September 11 attacks. The briefing lasted approximately 1 ½ hours. This memorandum provides a summary of what we consider the most important points covered in the briefing, but is not a verbatim or comprehensive account. The memorandum is organized by subject and does not necessarily follow the order of the briefing.

**Introduction**

D. Lormel began the briefing by stating that the allegations of trading with foreknowledge of 9/11 surfaced very early after 9/11, and the FBI set up a team to look into the issue. He identified SA Bill Mackey as the team leader of the FBI's team. In

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addition, he said that the FBI reached out to the SEC very early on, and began cooperating with the official heading the SEC's inquiry, Director of Market Surveillance, Joe Cella. Lormel said he also raised the trading issue with the inter-agency Policy Coordinating Committee (PCC). As a result, the CIA was involved in looking for intelligence on any illicit trading. Lormel said the FBI raised the trading issue a number of times during its many meetings with various foreign law enforcement officials about the investigation of the 9/11 plot. In summary, Lormel said a thorough investigation was conducted, and there exists no evidence that any person traded any security with foreknowledge of the 9/11 terrorist attacks.

**FBIHQ Investigation**

Lormel turned the briefing over to Mackey to describe the investigation. Mackey also provided a written chronology, which we received later that day, and which is Bates-stamped, Request 5-13, 156-175.<sup>1</sup> [Copy attached]. Mackey explained he has worked for the FBI since 1968 and been an agent since 1976. He said he has considerable experience in white collar crime investigations. On 9/11, he was an instructor at Quantico, but soon afterwards came to FBIHQ to work on the investigation. Lormel tapped him to head the trading investigation team, formally known as the U.S. Foreign and Financial Markets Team, which officially formed on September 17. In this role, Mackey had two Deputies, [redacted] and [redacted].<sup>2</sup> The purpose of the team was to determine if anyone had profited or sought to profit by trading securities in advance of 9/11.

<sup>1</sup> The documents Bates-stamped Request 5-13, 1-155 actually concern other subjects and bear no relation to the trading issue. The documents we received on August 15, 2003 that do concern the trading issue were Bates-stamped Request 5-13, 155-302.

<sup>2</sup> Mackey's chronology, dated 8/14/03 and apparently created for the Commission, provides more details on the composition and operation of his team.

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Mackey said his team decided almost immediately it needed to involve the industry experts, so it reached out to the SEC, CFTC, and the National Association of Securities Dealers (NASD), a Self-Regulated Organization, which regulated securities broker-dealers. The FBI decided to let these agencies take the lead and refer to it any suspicious transactions requiring further investigation. Mackey said the FBI received total cooperation. He said the level of cooperation from every agency and at every level far exceeded anything he had ever experienced in his career.

Mackey said his team began by meeting with the SEC and collectively determining how terrorists might have tried to profit from the attacks. As a result of this process, the FBI and SEC collectively came up with a list of industries, stocks, and various other securities that an investor with knowledge of the attacks might have used to try to profit from them.

Mackey said the FBI asked the SEC to make contact with its counterparts all over the world concerning the investigation, which the SEC did. Lormel added that in his meetings with various international law enforcement and intelligence officials he raised the trading issue as well.

[REDACTED]

[REDACTED]

He also asked the CIA [REDACTED]

[REDACTED] According to Lormel, the end result of this investigation was that the FBI was never informed of any indication of any real evidence of illicit trading overseas.

Mackey said the SEC agreed to lead the investigation and refer anything suspicious to the FBI. He generally described a series of meetings his team had with

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senior SEC personnel and others and the progress of the investigation. The chronology is set out in some detail the document he provided and will not be repeated in full here. The bottom line was that the investigation did not produce any evidence of any trading by any person with advance knowledge of 9/11.

Mackey said that his team met with the SEC on September 21, 2001. At that meeting, Joe Cella of the SEC briefed the FBI on the progress of the SEC's investigation. [Mackey's report provides a detailed summary of Cella's briefing.] Among other things, Cella said that the SEC was investigating all relevant options trading for the period August 24-September 11, 2001. (Mackey said he did not know how the SEC chose the August 24 starting date, but one of the other agents present speculated it may have marked the first trading day after the expiration of the August options). Also at the September 21 briefing, Cella said the SEC's preliminary inquiry identified 29 trading accounts which profited from stock or option trading before 9/11. These profitable positions had been established at various times, ranging from as late as September 10, 2001 to as early as February 8, 2000. The SEC told the FBI that some of these 29 accounts were either hedge funds or proprietary accounts that had been in existence for years. As of September 21, 2001, the SEC and/or the relevant securities exchanges were still investigating other of the 29 accounts. At the September 21 meeting, the SEC referred two suspicious accounts to the FBI for investigation.

Mackey described these two suspicious accounts the SEC turned over to his team for investigation on September 21. First, from September 6, 2001 through September 10, 2001, 56,000 shares of a company called "Stratesec" were purchased by [redacted] [redacted] and [redacted]. The SEC informed the FBI that Stratesec

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provides airport security systems. Subsequent FBI investigation revealed that its stock increased from \$0.75 per share on 9/11 to \$1.49 when the market reopened on 9/17. As of October 12, the [redacted] had not sold the stock they purchased, leaving them with an unrealized profit of over \$50,000. The FBI's investigation revealed that [redacted] is a Director of [redacted] as well as a director of [redacted] which is a public company in Oklahoma, and Chairman of the [redacted] an investment firm based in Washington D.C. The FBI investigation revealed no ties to terrorism or other negative information concerning either of the [redacted] so it concluded there was no reason to pursue the investigation. The FBI did not interview the [redacted]

The second suspicious transaction identified by the SEC was a 2000 share short sale in UAL stock by [redacted] of Palm Beach, Florida on September 6, 2001. [redacted] also took short positions in British Telecom and Quest Communications. Mackey said subsequent FBI investigation revealed that [redacted] had multiple U.S. residences and accounts at various brokerages dating back to 1996. He said the FBI developed no suspicious information about [redacted] and no information linking him to terrorism. As a result, it determined no further investigation of [redacted] was warranted. It did not interview [redacted]

Mackey described another meeting with the SEC on September 25, 2001, a full summary of which is included in his chronology. Among other things, the SEC reported that it has not found any unusual activity in its continuing investigations of options trading, but that it would continue to investigate and report any suspicious trading to the FBI. Also at this meeting, the SEC and FBI representatives discussed press reports quoting German Central Banker, Ernst Welteke as stating that there was strong evidence

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of massive illicit trading prior to the attacks. At the meeting, the SEC representatives said they had not received any such information from their German counterparts and noted that the Bundesbank had retracted many of Welteke's remarks through a September 24, 2001 press release.

Mackey said that in mid-October 2001 he attended a high-level meeting with German law enforcement officials and the FBI. Joe Cella of the SEC also attended. At this meeting, Joe Cella made a presentation concerning the SEC's investigation. No evidence of any suspicious trading in Germany was presented at the meeting. Mackey said that



Mackey said that on September 27, 2001 he received a report from the Chicago F.O. on an interview with a market maker at the Chicago Board of Options Trading, who had handled several large put orders for UAL stock just prior to 9/11. This market maker insisted that, regardless of what the regulators were saying, those put trades were suspicious. Mackey advised Chicago to send a lead to New York with the names of the trader or traders so they could be interviewed to ascertain the reason for their well-timed trades. [The New York investigation is discussed below].

**Amir Ibrahim Elgindy**

In early October, Mackey's team met with AUSA Ken Breen, E.D.N.Y, concerning an investigation of Amir Ibrahim Elgindy. They learned from Breen that on September 10 Elgindy, a professional trader and known short-seller, told his broker he wanted to liquidate \$300,000 in stock in the accounts of his children because he believed the market was headed down to 3,000 [a presumed reference to the Dow Index, which

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was then around 9,600]. The liquidation did not occur because Elgindy did not fax the necessary written confirmation to his broker until after the markets closed on September 10. [More details on the meeting with Breen concerning Elgindy are available in Mackey's chronology].

AUSA Breen handled the investigation of Elgindy. On May 17, 2002, Elgindy was indicted in the E.D.N.Y., along with 4 other people, including Jeff Royer, an alleged corrupt FBI agent, on racketeering charges. Among other things, Elgindy allegedly used confidential information Royer provided him concerning investigations of publicly-traded companies to extort those companies or short their stock. Mackey said he does not know whether Elgindy had any advance information about September 11. He said he spoke recently about the subject with AUSA Breen, and Breen said Elgindy's knowledge remains a question mark. Breen reportedly told Mackey that Elgindy is "very quirky," had made some negotiations to suspect charities, and purportedly made anti-american remarks. Lormel and others at the briefing said that the FBI has not found any links between Elgindy and Al-Qaeda or terrorism. Moreover, one of the agents present pointed out that Elgindy was merely trying to liquidate some accounts; there is no evidence he was seeking to establish a position whereby he would profit from the terrorist attacks.

Mackey said that a superseding indictment was issued in Elgindy's case on June 13, 2003, and a trial date has been set for January 12, 2004. He said he does not know if the FBI ever interviewed Elgindy.<sup>3</sup>

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<sup>3</sup> [Press reports state that at a May 2002 pre-trial detention hearing, AUSA Breen stated, "Perhaps Mr. Elgindy had pre-knowledge of the September 11 attacks. Instead of trying to report it, he tried to profit from it." Hettena, Seth, "Judge Disregards Prosecutor's Suggestion Accused Swindler Knew Sept. 11 Attacks Were Coming," AP, May 25, 2002. A magistrate judge chose to ignore these remarks. *Id.* Later

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**Commodities and Treasury Securities**

Mackey said the CFTC took the lead in investigating potential suspicious trading in commodities and U.S. Treasury securities. He said the CFTC informed the FBI that any relevant trading could be explained, and there were no suspicious trades warranting further investigation. Among other things, the CFTC said it reported investigating a tip from Secret Service concerning potential unusual trading in 5-year Treasury notes during late August or early September. Upon investigation, the CFTC determined this trading to be unremarkable and not warranting further investigation. The FBI did not independently verify any of the CFTC's investigative findings.

**Summary and Conclusion of Mackey's Role**

On October 9, Mackey prepared a summary of his team's trading investigation to date. It is reproduced in full in the chronology he provided. On October 20, 2003, he returned to his assignment at Quantico. His chronology states that his team was folded into an expanded International Financial Team, under team leader SSA Pat Ford and that information developed as a result of the Team's trading investigation was assigned to SSA James McNally, one of Mackey's Deputies.

**New York Investigation**

Agents [redacted] and [redacted] from the New York F.O. briefed us on their work in the trading investigation. [redacted] took the lead during the briefing. He explained that he and [redacted] who had relevant experience, were tasked to run down the leads provided by the SEC concerning potentially suspicious trading prior to

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press reports notes that Elgindy was ultimately released to home detention, and that prosecutors "quickly dropped" the allegation he had advance knowledge of 9/11. Calbreath, Dean, "Stock Trader Elgindy out of Jail, Will be Under House Arrest," Copley News Service, September 11, 2002. Elgindy resides in San Diego. *Id.*]

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September 11. He said the SEC provided a "boiled down" spreadsheet of trades in airline or insurance stocks requiring further inquiry. These trades included both option and stock and were primarily made by hedge funds or other institutional investors.

[redacted] and [redacted] ran down all these leads, conducting 25-30 interviews of traders. Upon investigation, none of the trades proved suspicious.

As an example, [redacted] described a trader who took substantial position in put options in AIG Insurance Co., just before 9/11. Viewed in isolation, this trade looked suspicious. Upon investigation, however, the FBI determined the trade had been made by a fund manager to hedge a long position of 4.2 million shares in the AIG common stock. Because the fund had a very low tax basis in the stock, selling it would create massive tax consequences. Thus, the fund manager chose to hedge his position through a put option purchase. After 9/11, the fund profited substantially from its investment in puts. At the same time, however, the fund suffered a substantial loss on the common stock.

[redacted] said most of the interviews he and [redacted] did were in New York, although a few were outside of New York and conducted telephonically. To the knowledge of everyone present, [redacted] and [redacted] were the only agents following these leads from the SEC by interviewing traders, although Mackey suggested the SEC may have contacted other field offices directly. They said they were not asked to investigate any off-shore accounts. Upon investigation, all of the trades checked out, and they developed no evidence of any trading linked to 9/11. Moreover, they asked the fund managers or other traders about the identity of their clients and whether the clients provided suggested trades. In all cases, they satisfied themselves that the trading was legitimate.

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Copies of documents relating to the New York F.O. investigation, including a summary, 302s, and other documents, were provided, Bates-stamped, Request 5-13, 176-273.

**Boston Investigation**

SSA Greg Ruppert, an attorney with securities fraud experience, briefed us on the involvement of the Boston office in the trading investigation. He said his office was responsible for two primary leads.

First, they received a tip about a suspicious purchase of 5,000 shares on September 10, 2001, in Viisage Technologies, a facial recognition technology company in Western Massachusetts that arguably stood to benefit from 9/11. The purchaser, [redacted] was of Lebanese descent and had at one time worked at the Saudi America Bank/Citibank in London. Working through the London Legat, the FBI arranged for the London police to interview [redacted]. He explained that he bought the stock on a tip by his broker, which Ruppert believed the FBI corroborated (although he could not recall how it corroborated this information). Moreover, [redacted] was completely cooperative with the investigation, and investigation revealed him to have a net worth in the range of \$10 million. In sum, the investigation revealed no connection with 9/11.

The other lead Boston followed concerned a tip that an investment company called Wellington Management allegedly held an account on behalf of Usama bin Ladin, with a value of \$100 million. Upon investigation, which involved the SEC and an AUSA, as well as the FBI, it was determined that Wellington held an account on behalf

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of other members of the bin Ladin family, who invested through an offshore company.<sup>4</sup> The investigation revealed that the bin Ladin initial investment was \$6 million and that the account's value never exceeded \$8 million. There is no evidence the account was linked to Usama, Al-Qaeda, or terrorism.

Documents related to the Boston investigation were provided at Request No. 5-13, 274-302.

**Hard-Drive Restoration**

We asked about persistent press reports that a certain damaged hard-drives had been recovered from the WTC site and sent to Germany, where a company was working to restore them. These press reports contend that large volumes of suspicious transactions flowed through computers housed in the WTC on the morning of 9/11 as part of some illicit but ill-defined effort to profit from the attacks. The assembled agents expressed no knowledge of the reported hard-drive recovery effort or the alleged scheme. Moreover, one of the New York agents pointed out, from personal experience, that everything at the WTC was pulverized to near power, making it extremely unlikely that any hard-drives survived to the extent they data be recovered.

**Foreign Wrap-up**

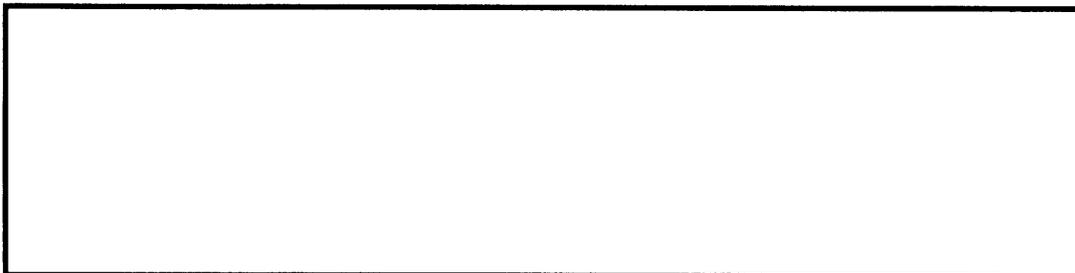
In response to our questioning, Lormel said he was confident that no foreign agency found any evidence of 9/11-related trading overseas. He said the FBI received good cooperation from almost every relevant agency, and none of them presented any evidence of any illicit trading. He did note, the Swiss were somewhat recalcitrant to share information, in keeping with their historical practice. As to Germany, he said the

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<sup>4</sup> [Documents provided by the FBI reveal the actual investor was Globe Administration, Ltd., which manages corporate money for the Saudi Bin Laden Group. See Req 5-13, 300-302, FD-302 re interview of Wellington Management International, LLP employee M. Coll.]

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FBI had considerable contacts and a good spirit of cooperation with their German counterparts, and the Germans never presented any evidence of illicit trading. Neither Lormel nor anyone else present could offer an explanation for the early remarks of the German Central Banker, except to state that the evidence did not bear out his comments.



**Conclusion**

The agents present stated that at present there is no open investigation related to the trading issue and that no case was ever referred for prosecution. As far as the FBI is concerned, there was no evidence ever found of any trading with advance knowledge of the 9/11 attacks. [redacted] stated that trading in advance of an attack would be a very stupid strategy because of the paper-intensive nature of any securities trade. In his view, a clear paper trail would exist with respect to any trade, making it a very risky strategy for any terrorist to attempt.

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