September 17, 2001: Traders on the floor of the Chicago Board Options Exchange pause to reflect on the lives lost in the September 11 terrorist attacks.
Remembering September 11

By Will Acworth and Robert Plummer

On the tenth anniversary of the Sept. 11 attacks on the World Trade Center, it is appropriate for the futures and options industry to remember the lives that were lost and the spirit of cooperation that helped the markets reopen and the firms resume operations. We are observing the anniversary of the attacks by republishing excerpts from the stories we ran in the October/November 2001 issue of Futures Industry and listing the names of the more than six dozen industry professionals who lost their lives on that day. Their full obituaries, posted on our website, tell the incredible professional and personal stories of our friends and colleagues who perished.

When the two planes slammed into the World Trade Center on Sept. 11, they struck right at the heart of the futures community. The attacks destroyed the New York Board of Trade's physical trading facility and blocked access to the New York Mercantile Exchange building, forcing both markets to close for several days. Among the thousands who died when the towers collapsed were many professionals from the futures industry. Dozens of firms in the World Trade Center towers and the surrounding buildings were active in futures-related business. Thankfully many were able to evacuate before the towers collapsed, but their places of business were damaged or destroyed and many of their employees were deeply affected by the tragic events they witnessed. Two firms in particular suffered catastrophic loss of life—Cantor Fitzgerald and Carr Futures.

Chicago was spared the direct effects of the attacks, but moved immediately to shut its exchanges and evacuate office buildings in the downtown area. Traders and managers watched the horror in New York unfold on their television screens, and sought desperately to reach colleagues, friends and loved ones in New York.

In Washington, members of the FIA staff gathered in John Damgard's office as news of a plane hitting the World Trade Center circulated through the office. Damgard's office overlooks the intersection of Pennsylvania Ave. and 20th Street—five blocks from the White House. The staff watched in horror as the news showed a second plane striking the other tower. A few minutes later a large passenger jet appeared in the Washington sky. The FIA staff watched as the plane awkwardly banked away from the White House, headed south and crashed into the Pentagon.

After the initial shock and disbelief, the futures industry began the urgent but difficult process of reopening its markets. Calling on expertise gained from the Chicago flood, the collapse of Barings Bank, and preparations for the Year 2000 computer date change, the industry moved immediately to backup facilities and set about restoring connections and reestablishing relationships. Exchanges and firms set aside traditional rivalries and reached out to the most stricken members of the industry with offers of help. The government stepped in with timely relief, cutting through the red tape to help the industry reopen in a radically different environment.

For many managers in the futures industry, one of the most difficult things to handle about the Sept. 11 attacks was the emotional impact of the disaster. More lives were lost than at Pearl Harbor or D-Day, and many survivors were haunted by the images of death that they saw that day.
SMW Trading: Escaping Just in Time

One firm that came very close to losing its people was SMW Trading, a Chicago-based FCM that cleared for locals on Nymex and Nybot. SMW had an office on the 85th floor of One World Trade Center, just a few floors below the point of impact. Incredibly, everyone in the office made it out safely.

Jonathan Markowitz, one of the firm’s partners, normally worked in Chicago, but on Sept. 11 he happened to be on one of his monthly visits to the New York office. In an interview with Futures Industry, he said the whole building moved sideways when the plane hit then snapped back, sending computers sliding off desks and crashing onto the floor.

Unlike other offices on that floor, there was no fire, at least not initially visible, and no loss of power or telephones. Even so, the 20 or so staff in the office decided to evacuate because of memories of an earlier terrorist attack in 1993.

Remarkably, there was no panic in the stairway. After the 1993 bombing, the building management had installed better lighting and many firms had established clear procedures for ensuring a smooth evacuation. Indeed, one of the positive surprises of that day was how many people in the towers managed to escape. As the SMW staff descended from the 85th floor, they passed several places where burning jet fuel had come down the elevator shafts. Fortunately the way was clear all the way down. “Single file, it took us about an hour and twenty minutes to get out of the building,” Markowitz said.

Just as he was about to exit the building, Two World Trade Center collapsed. “I stopped on the 30th floor to talk with the firemen. We got separated by the crowd, so the first part of our group was out of the building when the first tower collapsed. I was still inside with my two staffers and I actually saw the shock wave coming towards me, and I had people still in the stairwell behind me.”

“A couple of guys in the first group outran the shock wave, but two people ducked down into a subway. They were in pretty serious shape because they inhaled a lot of dust,” he recalled.

Day of Terror for Cantor Fitzgerald

Although Cantor Fitzgerald was primarily a bond firm, its subsidiary eSpeed operated an electronic system for trading fixed income futures and certain energy commodities. Many of its employees were drawn from the futures industry and the Nymex.

Cantor occupied several floors at the very top of One World Trade Center, the first tower to be hit and the second to collapse. None of the 658 people in its office at the time of the attack—about two-thirds of its total workforce—were able to evacuate. Frederick Varacchi, eSpeed’s president and chief operating officer, was one of the many Cantor employees fatally trapped in the building by the attacks.

Howard Lutnick, Cantor’s top executive, vowed to keep the firm going, but the devastating loss forced the company into a fundamental change of strategy. Cantor shut down most of its voice broking operation, which once handled roughly a quarter of all over-the-counter trades in Treasury bonds. Instead, the company put all its resources into eSpeed, which resumed trading Treasuries via its all-electronic platform on Sept. 13, just two days after the attack.

One of the few pieces of positive news for Cantor amid the tragedy was that many members of Cantor’s technology staff typically came to work after 9:00 and therefore missed the first strike. Those employees became the backbone of the company’s operations in the U.S. and worked with the London office to sustain Cantor’s position as one of the primary inter-dealer brokers in the Treasury market.

As a result, the company retained much of the operational expertise it needed to regain its footing in a makeshift office in New Jersey.

After the disaster, Cantor set up a counseling center at the Pierre hotel in New York. Cantor also set up a relief fund to provide financial assistance to the Cantor families who lost loved ones in the tragedy.

Carr Futures: At the Epicenter

Before the Sept. 11, Carr Futures was one of the 10 largest FCMs in the U.S. In numerical terms, Carr’s losses were much smaller than Cantor’s, but the firm was just as hard hit. Sixty-nine of the firm’s employees did not survive the attacks.

People make their way amid debris near the World Trade Center in New York on Sept. 11, 2001.

Photo courtesy of AP/Wide World Photos.
Didier Varlet, the company’s chief executive officer, was on vacation in Spain on the day of the attack. As soon as he heard the news, he set about organizing a response. The first step was to separate the operational issues from the human management issues, and set up different teams to handle each aspect of the disaster.

On the operations side, the firm’s systems were completely backed up and the London and Chicago offices took action the same day to handle the customer business. Carr updated its web site throughout the crisis with detailed information for customers on the recovery process, including contact numbers for the replacement trading desks in London and Chicago.

Carr immediately began the process of tracking down which employees had survived the attacks and which were missing. With fixed line telephone connections severed and cell phone circuits almost totally jammed, the company resorted to posting contact information on its web site and asked local television stations to broadcast a toll-free number, hoping that this would reach the surviving employees.

“We immediately decided to make our office in Chicago, which had all the resources to manage this kind of situation, the crisis center,” Varlet said. “Our first priority was to identify how many people survived and who was in the office.”

“Obviously, the first thoughts were for the people from the office who survived this tragedy. We made a significant effort to do anything we could to help them. But you also have people in the offices of the bank, even in our offices in London and Paris and other locations in the world, who had a contact with the New York office. We had to make sure that we gave support to all these people.”

The Scramble for Office Space

More than 13 million square feet of office space in lower Manhattan were destroyed by the collapse of the two World Trade Center towers, according to real estate experts. Making matters worse, thousands of workers were displaced from the World Financial Center, One Liberty Plaza, and other office buildings adjacent to Ground Zero that were closed because of the damage.

As a result, one of the first priorities in the recovery effort was to find office space for dislocated workers. Some firms were forced to use hotels as their temporary offices. Lehman’s investment bankers, for example, took over an entire midtown Sheraton.

Other firms moved into space generously offered by their competitors, and many people worked at home. In many cases, traders had to be split up and put into different buildings for several weeks while their firms looked for a more permanent home.

One of the more inventive solutions to this problem came from Refco, which moved 25 traders into the Subotnick Center, a mock trading floor at Baruch College on 25th Street, between Third Avenue and Lexington.

The classroom was only two years old and was outfitted with the latest gear: computers with T1 connections to the Internet, quotes and data from Reuters and CQG, projection televisions for tracking news, and an electronic wall display with real-time market prices. In many ways, the classroom was more advanced than Refco’s own facilities at the time.

The 25 traders used the classroom for almost a month after the attacks, trading futures on sugar, silver, crude oil and other commodities, before the company found enough space at a new facility to reunite all of its traders.
“Baruch did a superlative job. They provided us with everything we needed. All we had to bring were the wall clocks and the trading tickets,” said Jeffrey Bauml, the head of Refco’s sugar desk and a former Baruch student and a member of the college’s board of trustees.

During this time of dislocation, the FIA provided a central communications point for the industry, collecting and distributing contact details for displaced exchange and clearing firm personnel. On Wednesday, Sept. 12, the FIA began hosting conference calls for member firms, exchanges, and clearing organizations. More than 25 calls took place over the subsequent six days including Saturday and Sunday. At the peak, more than 80 people dialed in, some with five or six people from their firm on the call. Business, operations, technology and legal representatives participated from New York, Chicago and London. Some even participated from the road as they struggled to get back to their offices in Chicago and New York. Calls were scheduled twice daily and more frequently as needed.

**Emotional Impact**

Reactions among the many people affected by this disaster varied. A small number of people in the futures industry stayed away from work because the emotional stress was too overwhelming. Most went back to their offices, but many found it hard to concentrate on their work and spoke of the “numbing” effect of the experience.

“We urged people to see grief counselors, because everyone was affected, directly or indirectly,” said SMW’s Markowitz. “We gave them time off, as much as they needed, but some people would rather be at work, with their friends and a purpose, than at home just thinking about this stuff.”

But even at the office it was difficult to escape the reminders of the disaster in the news, in the daily round of funerals, and in the smoke that continued to rise from the wreckage for weeks afterwards. And not just at work; several people told *Futures Industry* that the disaster claimed familiar faces from local churches, firehouses and school boards in their neighborhoods.

**A Building Destroyed, But Nybot Carries On**

Mark Fichtel, president and CEO of the Nybot at the time of the attack, felt a tremble when the first plane hit One World Trade Center on Tuesday morning. Fichtel’s corner office faced east, but from windows lining the eighth floor of the exchange’s corporate offices, he could see the devastation to the tower and immediately made the decision to evacuate the exchange’s three floors.

“I started yelling, telling everyone to get out, and it was an orderly evacuation. I got out of the building just in time to see the second plane hit Tower Two,” Fichtel said. Two World Trade Center stood only steps from Four World Trade Center, the home of the exchange.

Nybot was the only exchange in New York that had a backup trading floor. The idea for the backup came after the 1993 World Trade Center bombing and was spearheaded by Pat Gambaro, executive vice president at the exchange.

Back in 1993, the exchange officials voted to put up $200,000 toward renovation costs of what would become not only a second-string trading floor, but also backup of the exchange’s computer system in lower Manhattan. Nybot paid approximately $250,000 annually in rent.

“I guess you could say it was my baby,” Gambaro said while standing near the entrance to the trading facility in Long Island City less than two weeks after the devastation. “We had to put up with finger pointing from some people over the years saying it was a waste of money. Unfortunately, we had to use it, but fortunately we were prepared.”

The “exchange” sat amid a row of warehouses in an industrial area of Queens, a few subway stops to the east of midtown Manhattan. Inside, the cramped trading floor was dramatically different from the pits that were destroyed. The new 3,000 square foot trading area was one-quarter the size of the old floor and, with a low ceiling, the noise generated from open outcry was louder than usual. American flags lined the walls and makeshift booths were crammed with telephones and clerks.

The backup facility only had two pits, so the exchange set up a staggered trading schedule, with just 90 minutes of trading allotted to each commodity. Exchange officials said the same amount of trading was going through the exchange even with the shorter sessions.

Some traders complained about longer commuting times, the shortened trading sessions, a lack of elbow room and tight security, but many were quick to compliment exchange officials for having the foresight eight years earlier to prepare for the worst.

“It’s hot and loud but people are helping each other out,” said Augustine Lauria, a trader with East Coast Options Services.

Another major challenge was resolving what to do with trades made on the morning of Sept. 11 that had not been entered into the clearing system. Nybot’s currency division, Finex, started trading in Dublin at 3:00 a.m. New York time and switched over to the New York floor at 8:00 a.m. On Sept. 11, Finex contracts traded in New York for approximately 45 minutes.

“Whatever trades were in the system on the morning of the 11th we processed Wednesday and generated clearing reports for,” said George Haase, then president of New York Clearing Corporation. “As for the agricultural products, cocoa was only open for 15 minutes and since many brokers didn’t have their trading cards it was too difficult to match up so all the trades were deemed void.”

**Nybot’s Cramped New Home**

Traders said the backup facility in Queens was crowded, noisy and difficult to reach, but they praised the exchange’s foresight in having the space ready and available when the main trading floor was destroyed in the Sept. 11 attacks on the World Trade Center.

*Photo courtesy of New York Board of Trade.*
Another problem that Nybot had to wrestle with was that the September currency futures contracts were due to expire Monday morning. Even under the best of circumstances, the delivery cycle is a very complex, intensive process, and with the chain of contact between the banks, clearing firms and the exchange disrupted by the attacks, the potential for problems looked very high.

Nybot officials had extensive discussions with clearing firms on how to resolve this issue, and together the two sides came up with several solutions on how to deal with the oncoming delivery process.

“We talked to the CFTC and it was decided on Friday that any positions that remained open on Monday in September currency would be automatically rolled into the December contract,” Haase said.

**Nymex Reopens**

Nymex chairman Vincent Viola welcomes traders back to the building at a reopening ceremony on Sept. 17 with the exchange’s president, J. Robert Collins, treasurer Richard Schaeffer, and its vice-chairman Mitchell Steinhouse. Viola was flanked by Mayor Rudy Giuliani, Governor George Pataki, Senator Hillary Rodham Clinton, and Representative Carolyn Maloney. Everyone who came to the exchange that day was given a tee-shirt with an American flag on the front and the Nymex logo on the back.

*Photo courtesy of New York Mercantile Exchange.*
Some firms were unable to connect to the system due to internal security issues, and had to scramble to be able to place trades, but managed thanks to the willingness of other firms to share their access to the system.

Nearly 70,000 lots traded during two-hour session, well above expectations. Collins called that a “tremendous” volume, particularly compared to the average volume of trading on the old version of Access before Sept. 11, and compared to any other electronic platform in the physical commodity world.

For many in the futures industry, the mere fact that Nymex reopened successfully on a new platform was an extraordinary achievement. Under normal circumstances, it might have taken months for the exchange to work out all the bugs, connect all the users and run the necessary tests. Instead, under extraordinary pressures, the process was compressed down to just three days.

One reason why Nymex officials were pushing so hard to get the exchange open on Friday was that September gold options were set to expire that day. Although trading on the Friday eAccess session was limited to futures contracts, which meant that people holding options positions could not trade out of them, the Friday session at least gave traders a way to access the underlying futures market and provided an intrinsic price for the options.

The only alternative would have been to delay the expiration by several days, a move that the exchange considered but rejected. Industry sources explained that options on futures are often used as part of a complex strategy involving a range of instruments in the cash and derivatives markets. Moving the expiration would not only affect the immediate option, but also would disrupt any other position linked to that options position and change the structure of the entire strategy.

The exchange also came under pressure from large energy traders eager to get back into the futures contracts, partly because of apprehension about possible warfare in the Middle East, but also because some energy contracts in the over-the-counter market relied on Nymex for certain pricing benchmarks.

After the mostly successful launch of eAccess, Nymex officials worked toward getting its building ready for open outcry on Monday and lining up transportation to get thousands of traders past the military checkpoints, through the destruction and to the pits. Luckily for Nymex, its building had access to the Hudson River, and its officials were able to charter three ferries to bring traders and staff from docks in New Jersey, Manhattan and Long Island. Initially, ferry was the primary transport to the exchange. Some lines to board ferries to the exchange were over an hour long in the weeks immediately after the disaster.

“My commute normally takes about an hour and it took more than three hours from when I left my house until I reached the trading floor,” said John Dobrowski, a local gold trader. “The security to get in was intense; it’s like a fortress.”

Before resuming open outcry trading on Monday, Sept. 17, exchange officials had to solve a last-minute crisis. Late on Saturday night, one of the exchange’s generators failed, causing a diesel spill on the 16th floor, the mechanical floor of the exchange.

Around midnight, Collins started clean-up efforts with Vincent Viola, then chairman of Nymex, and two contract facility people.

“We had about a two month supply of paper towels and we sopped it up,” Collins said. “We were there until 7:00 the next morning cleaning.”

Chicago Exchanges Offer Help

Futures exchanges in New York weren’t the only ones sent reeling following the terrorist attack. The Chicago Board of Trade and the CME suffered a serious disruption of trading on both Tuesday and Wednesday as shortened trading schedules in some markets continued until Monday, Sept. 17.

Eurodollars and bonds were open for a little while on Tuesday, Sept. 11 in Chicago. Most of the commodity markets at both the CBOT and CME didn’t open until after 10:00 a.m. EST, so those markets never opened the morning of the attack.

Traders said there were some “wild”

CME Shows the Colors

U.S. flags dot the floor of the Chicago Mercantile Exchange as limited trading resumed on Sept. 13. Both Chicago exchanges halted trading on Tuesday, Sept. 11 and Wednesday, Sept. 12 in response to the terrorist attacks.

Photo courtesy of Thomson Reuters.
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CFTC Aids Industry, New York Office Impacted

Unlike other market emergencies in the past, the terrorist attacks on Sept. 11 had a direct, physical impact on the Commodity Futures Trading Commission. The CFTC’s New York offices were located in One World Trade Center. Fortunately, all 83 employees managed to get out of the New York office before Two World Trade Center collapsed.

Before the agency found new quarters, most of the displaced staff moved into temporary office space generously provided by Burson-Marsteller, the communications company. In addition, some of the CFTC’s market surveillance staff moved into office space provided by Nymex, another instance of the unusual spirit of cooperation that arose in the wake of this crisis.

Recognizing the widespread disruption caused by the attacks, the agency provided timely relief from certain record-keeping requirements and extended certain reporting deadlines. It asked the exchanges in their capacity as self-regulatory organizations to monitor the operational status and financial condition of member firms.

The agency also worked with its fellow regulators to coordinate the market-opening process, and shared its resources with exchanges and firms that had lost important documents. By the same token, the agency also received help from the industry, particularly with respect to the disaster recovery process in New York.

One of the many difficult situations that arose for the CFTC came as the Nymex prepared to launch the Internet version of its electronic trading system. Although the CFTC had done an extensive review of the system prior to the disaster, it was worried that the system had not been fully tested with live trading. Recognizing the importance of reopening this market, the CFTC let Nymex go ahead, but made sure that it could monitor the trading online.

“From the time it went up, we were on the system, watching live trading,” a CFTC official said.

The agency took a similar approach to the problems encountered by Nybot. CFTC officials said they sought to strike a balance between maintaining the integrity of the markets and giving exchanges the freedom to make very rapid decisions. The key to the process was constant communication, with both sides freely exchanging information at all levels. Indeed, the biggest headaches came not from the CFTC, but rather the intense security around the World Trade Center and local agencies unwilling to cut through red tape despite the emergency nature of the situation.

“Reactions to this horrible tragedy exemplify not only the resilience of the U.S. futures markets but also the strength and determination of the industry leadership and the courage and tenacity of their staffs,” said Jim Newsome, who was acting chairman of the agency at the time of the attack.

Spirit of Cooperation

Rather than taking advantage of the firms weakened by the disaster, the industry offered to help them get back on their feet, sharing their resources and contributing money, space and people to help the recovery effort. For example, Fimat offered to share its office space in midtown Manhattan with other firms displaced from downtown.

Rand Financial took up the offer, and some of its traders temporarily set up shop in Fimat’s conference room. Numerous other firms made similar offers of help to their stricken colleagues, an important gesture of support even for the firms that had enough space in their backup facilities.

When several firms were unable to log into the Internet version of Nymex’s electronic trading system on Friday, Fimat, Cargill and the other firms agreed to give them access through their own connections so that they could execute trades when that market reopened.

Similar cooperation took place at the exchange level. As Nybot began moving operations to its backup facility in Queens, it urgently needed to reestablish connections to member firms. The Chicago exchanges stepped in, sharing e-mail addresses and other crucial information on clearing firms.

Several industry officials commented on a spirit of pragmatism and determination that prevailed during the crisis, particularly during the first few days. One official compared it to a wartime environment, when people take risks and cut through normal procedures to get things done because of the urgency of the situation. Others said, however, they had deep concerns about the risks of going forward with so much uncertainty, but recognized the urgency of reopening the markets.

The recovery of the futures industry from the devastation of the Sept. 11 attacks is a testament to the unprecedented spirit of camaraderie and cooperation that went into reopening the markets. It is the story of long hours and true leadership, of tragic loss but also courage and determination. Above all, it is a testament to the amazing strength and resiliency of the futures markets, and all the people who work in our industry.