

Bankers Run the Option

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There could be one really lucky investor out there.

At just after 3:15 on Friday, Dec. 4, there were 2,500 call options bought on New York Community Bank. As the stock was trading at about \$11.97 a share, the \$12 call option cost about 25 cents.

Then, about 10 minutes later, 5,000 options were bought at about 30 cents. In all, 8,933 call options — representing 893,300 shares — were purchased that day. This on a stock that was averaging 1,000 call and put options a day.

Friday afternoons are generally slow in the options pits because most investors do not want to hold these short-term bets over a weekend were they can't trade them. Unless you know something is afoot in the stock.

Somebody — or perhaps a number of somebodies — were feeling lucky.

Just two hours later, after the market closed — the world learned just how lucky the investor or investors were.

At that time, Sheila Bair's FDIC announced that NYCB was taking over most of the assets in Ohio's AmTrust Bank, with \$12 billion in assets.

“The option activity was off the charts,” said Joshua Belanger, founder of OptionsSizzle.com, an options market analyst. “It looks like it was insiders who were told of the pending information.”

Belanger is not the only one with the feeling. Internet chat rooms and blogs were abuzz with the news — calling for Securities and Exchange Commission boss Mary Schapiro to launch an immediate investigation.

By Monday Dec. 7, the market was able to react to the deal and NYCB shares traded as high as \$13.66. The lucky investor or investors who bought the 8,933 options were sitting on a tidy profit of \$800,000-plus — not bad for a few hours trading.

A spokesman for the SEC said it doesn't comment on whether or not it is investigating a particular trade.