Wall Street collapse

NASDAQ rules out technical errors

Dow Jones falls temporarily by more than 1000 points. Shares of Procter & Gamble fall by just under 40 percent. SEC intervenes. Although NASDAQ can find no errors, it declares some trades invalid. (By Tobias Bayer, Frankfurt and Sebastian Bräuer, New York)

Yesterday's turbulence on Wall Street was not triggered by a technical error, the NASDAQ exchange manager OMX reported Friday in New York, although some orders placed in the heat of the crash were rolled back.

Affected were buy and sell orders of assets whose price had declined by more than 60 percent between 2:40 and 3:00 PM New York time. The decision was approved without objection by the other commercial-platform managers.

The Chicago Stock Exchange CME also found no technical errors, reporting that “business continued without a hitch,” with no mishaps between 2:00 and 3:00 PM New York time. Clearinghouses and customers were also not known to have noted any errors during this time.

The crash brings with it a far-reaching investigation. Because the Dow Jones collapsed by just under 1000 points in less than a half hour on Thursday, and then rose in an extreme countermovement, the US Securities and Exchange Commission and the futures authority CFTC initiated an investigation. “We are working with other authorities to determine why shares fell so sharply,” the SEC and the CFTC said in a joint statement.

In the view of the New York Stock Exchange, the high frequency of electronic exchanges is partly to blame for the largest percentage fall since the crash of 1987. “Looking at the charts, we can see clearly when and how the transactions came in,” said Larry Leibowitz, spokesman for the NYSE's strategic firm Euronext. “It's a V-shaped movement. Some shares in large companies declined more than 50 percent, because there was no liquidity in electronic trading,” Leibowitz said in a television interview.

Major players were caught up in the downward pressure. Shares of the consumer-goods producer Procter & Gamble fell for a time by more than 37 percent, and closed down 2.3 percent. The company says it will investigate the movement in its share prices.

Citigroup refused to accept a share in the responsibility for the movement in the market. “We found no indication that we took part in false transactions,” the bank said. The statement was supported by the Chicago Exchange, which also found no evidence: “Citigroup's activities do not appear to be irregular.”

The U.S. media are reporting that a trading error may also be responsible for the plunge in the market. According to CNBC, in one transaction a trader mistakenly entered “billion” instead of “million,” prompting the massive sell-off in the U.S. exchanges. The New York Exchange, however, rejected the assertion.