

Document 0304

[20304001]

The head trader of Chemical Banking Corp. 's interest-rate options group has left the company , following valuation errors that resulted in a \$ 33 million charge against its third-quarter results .

[20304002]

Chemical said Steven Edelson resigned recently , but one individual close to the situation said the resignation was forced .

[20304003]

Mr. Edelson could n't be reached for comment .

[20304004]

A separate inquiry by Chemical cleared Mr. Edelson of allegations that he had been lavishly entertained by a New York money broker .

[20304005]

That inquiry has n't resolved similar allegations involving another Chemical options trader .

[20304006]

In other personnel changes stemming from problems in its options unit :

[20304007]

Chemical named James Kennedy , a trader in swaps contracts for the bank , to assume Mr. Edelson 's duties and to be trading manager for derivative products , including swaps and interest-rate options .

[20304008]

Lee Wakeman , vice president in charge of options research who discovered the valuation errors and was asked by senior management to v-w19_u_nobodyf1_u_nobody , resigned to take a position in asset and liability management at Continental Bank in Chicago .

[20304009]

Mr. Wakeman , whom Chemical tried to keep , did n't return calls for comment .

[20304010]

Separately , Chemical confirmed that it took an undisclosed charge in the second quarter for losses on forward-rate agreements involving foreign currency written by its branch in Frankfurt , West Germany .

[20304011]

A Chemical spokeswoman said the second-quarter charge was " not material " and that no personnel changes were made as a result .

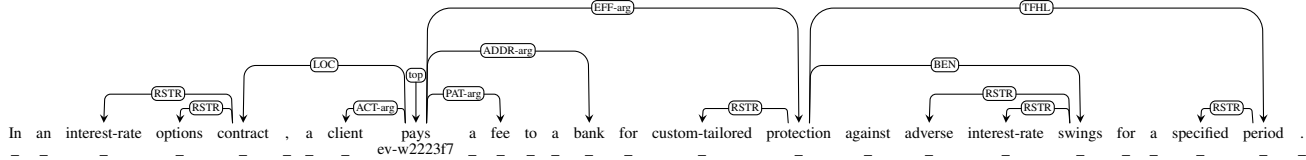
[20304012]

The spokeswoman said the Frankfurt situation was " totally different " from problems in the interest-rate options unit .

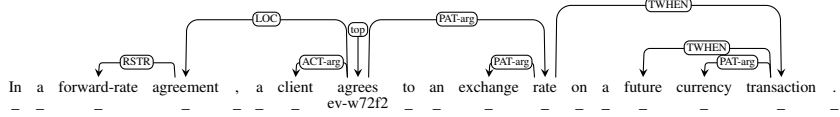
[20304015]

These complex products require close monitoring because each must be valued separately in light of current market conditions .

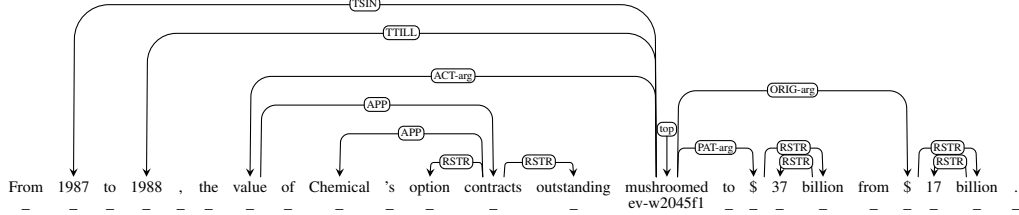
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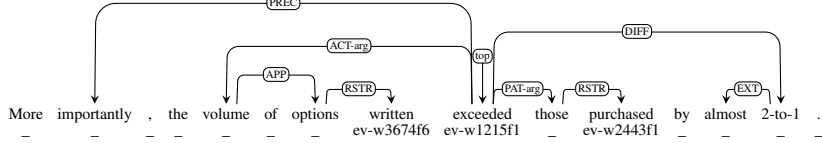
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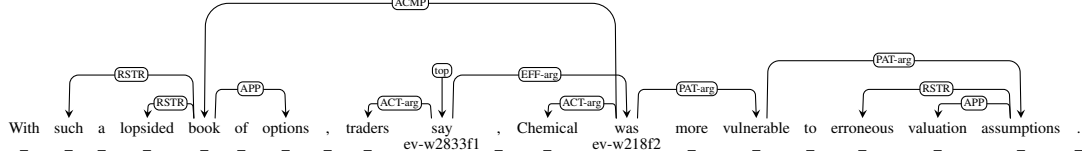
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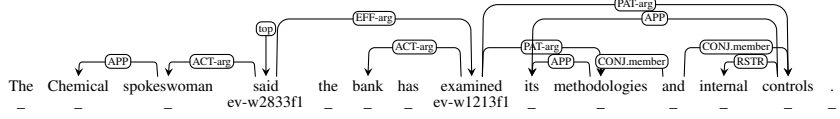
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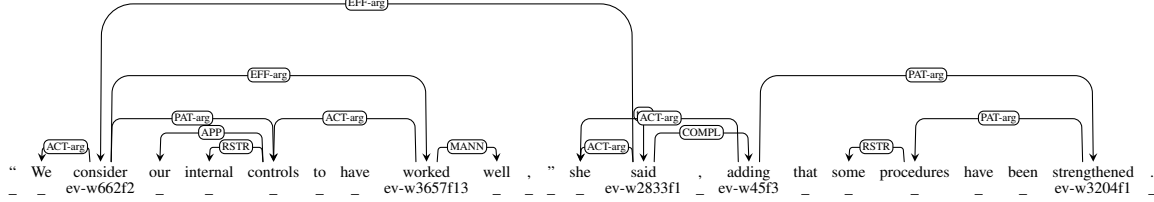
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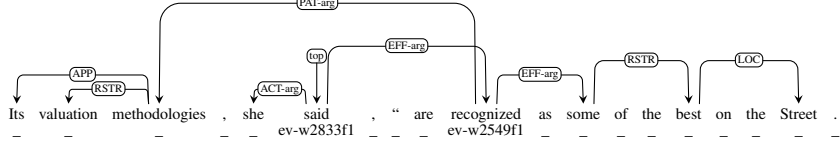
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