

2-CNBC-Suspect trading

Suspect trading in Equifax options before breach might have generated millions in profit

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Key Points

Shares of Equifax tumbled in after-market trading Thursday and during market hours on Friday, **falling nearly 14 percent, to \$12** *[Worry]*².

Equifax options trade infrequently, with just under 260 contracts in July, roughly 13 a day.

On August 21, 2,600 contracts were bought giving the owner the right to sell Equifax shares at \$135 in September.

VIDEO 3:35 03:35

Halftime Report

Unusual trading in options in mid-August suggests millions of dollars in profit were generated after Thursday's disclosure of a massive data breach at the credit reporting company affecting 143 million consumers and their personal information.

Shares of Equifax tumbled nearly 14 percent on Friday in the wake of the disclosure of the breach *[Worry]*. Until Thursday, they had been up about 20 percent for the year.

Jon Najarian , a trader and CNBC contributor, said Equifax options trade infrequently. As an example, in the entire month of July, Equifax put options traded just under 260 contracts, or about 13 contracts a day.

But Aug. 21 was different. Najarian pointed to activity in Equifax puts that day, when 10 times as many were bought than in the entire preceding month.

Specifically, Najarian said, 2,600 contracts, giving the owner the right to sell 260,000 shares of Equifax at \$135 in September, were purchased for 60 to 70 cents each.

Put options, which give the holder the right to sell an asset at a certain price at a point in the future, are essentially bets the underlying shares will fall.

Najarian, also a co-founder of Investitute.com , calculates it was an investment of at least \$156,000.

When Thursday's news broke, Equifax shares tanked from \$142.72 to an after-hours low of \$118 [Worry].

At that low level, the right to sell those shares at \$135 would be worth \$17 each, which means the profit on them would be \$16.30 to \$16.40 because they were purchased for 60 to 70 cents each, according to Najarian's math. The trade's total profit would have been about \$4.2 million.

Three Equifax executives sold \$1.8 million of their holdings of Equifax in early August, just days after the credit reporting company discovered the breach internally but more than a month before that breach was announced to the public [Deny]. Regulatory filings show the executives sold at around \$145 a share. The sales don't appear to be the type of regularly scheduled incremental sales that insiders typically use when selling their company holdings.

Equifax acknowledged in a statement that the three executives sold a "small percentage" [Diminish] of their shares, but that they "had no knowledge that an intrusion had occurred at the time they sold their shares." [Diminish, Deny]

A spokesman for the Securities and Exchange Commission had no comment when asked if the agency was looking into unusual activity in Equifax options *[Deny]*. An Equifax spokesperson did not yet return a call for comment on the options trading.

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