

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Leon Iknadossian
and Lisa Iknadossian

Claimants

Case #88-01075

VS.

Award

Charles Schwab & Co., Inc.

Respondent

Heard Before the Arbitration Panel:

Aaron Fenton
Daniel A. Weber
Dennis E. Wollan

CASE SUMMARY

Claimants brought this claim on April 4, 1988 and alleged that Respondent Charles Schwab & Co., Inc. failed to execute their sell order of 12,500 shares of Atlas Corp. (AZ) stock at a limit price of \$35.00 per share, and that they relied on Respondent's verbal confirmation of the execution of this order. They further alleged that Respondent issued an incorrect margin call that caused Claimants to suffer a large financial loss. Specifically, Claimants alleged that they placed the limit order to sell AZ Securities before market open on October 20, 1987 which was verbally confirmed by Respondent as executed later that day. On October 25, 1987 Claimants were informed by Respondent that their order had not been filled resulting in the cancellation of the sale credit to their account. Claimants alleged that as a result of this, their account was placed in maintenance and they were subjected to a margin call by Respondent in the amount of \$300,000.00.

Respondent maintained that the margin call was the result of general market conditions during late October 1987 resulting in adverse price fluctuations of the Claimants' securities which caused the account equity to fall below Respondents 35% equity requirement. Respondent maintained that the order was not executed and that the cancelled sale credit was entirely proper in accordance with NYSE Rule 411 which allows the removal of a reported sale from an account and provides that an erroneous report is not binding if an order was not actually executed. Respondent further maintained that the damages alleged by the Claimants were the result of Claimants' election to liquidate securities in their account to increase the equity rather than deposit additional funds to meet their margin requirement.

RELIEF REQUESTED

Claimants requested damages in the amount of \$1,014,521.00. Respondent requested dismissal of the claim, or in the alternative, that the damages be limited to \$42,537.50 representing the difference between the amount of the proceeds of Claimants' eventual sale of AZ securities and the amount they would have received if their order had been executed as allegedly placed.

AWARD

On January 24, 1989 in Los Angeles, California, the arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Claimants Leon Iknadossian and Lisa Iknadossian on March 31, 1988, and by Respondents Charles Schwab & Co., Inc. on June 20, 1988. The arbitration panel, having considered the pleadings, the testimony, the evidence presented at the hearing, and presented in two post-hearing submissions and responses thereto, has determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent Charles Schwab & Co., Inc. shall pay to Claimants Leon and Lisa Iknadossian the sum of One Hundred, Forty-Seven Thousand Dollars and Zero Cents (\$147,000.00).
2. The parties shall each bear their respective costs including attorneys' fees.
3. Pursuant to Section 43 of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the \$1,000.00 filing fee previously deposited by the Claimant.

OTHER ISSUES

The hearing in this matter was comprised of two sessions. At the close of the hearing, the arbitrators directed Respondent Charles Schwab & Co., Inc. to produce additional enumerated documents and information pursuant to their authority under Section 33 of the NASD, Inc. Code of Arbitration Procedure. Upon receipt of this post-hearing submission, the arbitrators directed Respondent to produce additional documents and information in the form of a second post-hearing submission. Claimants were also given leave by the arbitrators to submit their response to the post-hearing submissions. The arbitrators reconvened for final deliberations on June 1, 1989.

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Date Served: 07/17/89