

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Fazal and Jamila Karim

Claimants

and

E.F. Hutton & Co., Inc.  
James B. Watson

Respondents

A W A R D  
88-01227

CASE SUMMARY

In a claim filed with the NASD on April 15, 1988, Claimants Fazal and Jamila Karim ("the Karims") alleged that Respondents E.F. Hutton & Co., Inc. ("Hutton") and James Watson ("Watson") made unauthorized trades in the Karim's securities account maintained at Hutton on or about October 19, 20 and 22, 1987. The alleged unauthorized purchase and sales were contrary to the Karim's specific instructions to hold all of the Karim's positions and not to sell or purchase any additional securities for their account. The Karim's also alleged unauthorized option trading, unauthorized margin trading and that their account was excessively traded. Additionally, the Karim's alleged that the trading in their account was unsuitable given their investment objectives.

Hutton and Watson alleged that the Karims were experienced investors who gave Watson all the information contained on the account opening documents which they reviewed and signed without change. The Karims also allegedly understood the risks of option trading after these risks were fully explained by Watson when the Karims opened their option account. Hutton and Watson denied that any unauthorized trades were executed in the Karim's account and alleged that the liquidations in the Karim's account on or about October 19, 1987 were the direct result of unsatisfied margin calls in the Karim's account. Hutton and Watson also alleged certain affirmative defenses including but not limited to ratification, waiver and assumption of risk.

RELIEF REQUESTED

The Karims requested total damages in the amount of \$29,295.80, interest at the rate of 9% per annum on their original investment of \$17,146.50 from February 5, 1987 to date of payment. Hutton and Watson requested dismissal of the claim and assessment of costs of the proceeding against the Karims.

August 14, 1989

6. Pursuant to Section 43(b) of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall refund the \$400.00 filing fee previously deposited with the NASD by the Karims and Hutton is assessed the sum of \$800.00, payable to the NASD, as forum fees.

By the Panel

Dated: 8-7-89

/s/ Melvin L. Korman  
Presiding Chairman

Dated: August 8, 1989

/s/ William L. Sawyer

Dated: August 9, 1989

/s/ John D. Gorman