

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Pacific Options

Claimant

vs.

Charles Schwab & Co., Inc.

Respondent

CASE SUMMARY

CASE NO. 88-01258

SUMMARY OF ISSUES

Claimant filed this claim with the National Association of Securities Dealers, Inc. ("NASD") on April 19, 1988 and alleged damages as a result of Respondent's actions during the period of October 16 through 23, 1987. Specifically, Claimant alleged that it was unable to place orders by telephone or by means of Charles Schwab & Co., Inc.'s ("Schwab") Equalizer computer program because the lines were continuously busy; that Claimant was unable to determine the status of its account; and that Respondent refused to allow Claimant to place naked option orders during the period of high volatility subsequent to the market crash, thereby causing Claimant to sustain larger losses.

Respondent denied the allegations and maintained that Claimant was not denied access to trading through either Respondent's telephone lines or computer trading system and could have placed orders during the time period alleged. Respondent further maintained that the interim trading rules and regulations imposed after the market crash were a reasonable and prudent response by Respondent to the existing market conditions and were consistent with industry practice.

DAMAGES AND RELIEF REQUESTED

Claimant requested damages, as amended at the hearing, in the amount of One Hundred Fifty-Two Thousand, Five Hundred Twenty-Seven Dollars and Zero Cents (\$152,527.00) representing lost profits, and reimbursement of the \$500.00 filing fee.

Respondent requested dismissal of the claim and costs.

OTHER ISSUES

The hearing was held in Honolulu, Hawaii and lasted five sessions.

Prepared by N.A.S.D., Inc. Staff