

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Bashamber, Ratnia & Daya Claimant(s)
Chabra

vs.

Merrill, Lynch, Pierce, Respondent(s)/
& Smith Cross-Complainants

vs.

Arjun Khianai Cross-Respondent

CASE NO. 88-2189

SUMMARY OF ISSUES

This case was filed on July 11, 1988. This proceeding arises from various purchases of Putnam High Income Government Trust, some of which were on margin, in three accounts maintained by the claimants with Merrill Lynch, the respondent. Claimants contended that Merrill Lynch's registered representative, Mr. Khiani, failed adequately to explain the nature and risks of the investment; made purchases on margin without authorization; and placed the claimants' funds in an investment which was inconsistent with the investment objective they expressed. Respondent Merrill Lynch denied claimants' allegations, and asserted in that alternative that if it had any liability to the claimants, said liability was due to the fault of Mr. Khiani. Mr. Khiani denied all allegations of wrongdoing, and asserted that the transactions at issue were the results of acts by the claimants and of another Merrill Lynch employee.

Before the hearing took place, Mr. Khiani moved for leave to amend his statement of answer and to assert claim against the claimants and the Merrill Lynch employee. The arbitrators granted the motion to amend the statement of answer, and denied the motion to add claims against other parties.

DAMAGES AND RELIEF REQUESTED

Claimants alleged losses of \$26,231.00 plus interest and \$1,500.00 in legal fees. Merrill Lynch Pierce Fenner & Smith asserted that Claimants are entitled to recover nothing, and that in the event Claimants establish they are entitled to any recovery, that Arjun Khiani should be liable for any and all such sums. Merrill Lynch also sought costs and attorneys fees from the Claimants, or, in the alternative, from Mr. Khiani. Cross-Respondent Khiani requested that Merrill Lynch recover nothing on it's cross-claim, that respondent be held liable to Mr. Khiani for the costs and attorneys fees of Khiani in this matter, and for such other and further relief as shall be deemed appropriate.

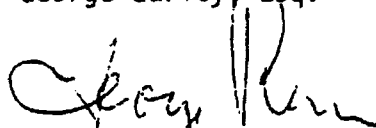
DAMAGES AND RELIEF AWARDED

On September 6th, 15th & 18th, and October 6, 1989, the undersigned arbitrators heard the controversy in 9 sessions; between the parties as set forth in submissions to arbitration signed by Claimant on June 30, 1988, by Respondent/Cross-Claimant Merrill Lynch Pierce Fenner & Smith on August 30, 1988, and by Cross-Respondent Arjun Khiani on November 15, 1988. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent Merrill Lynch, Pierce, Fenner & Smith is liable for and shall pay to Claimants the sum of Ten Thousand Seventeen Dollars and Ninety Eight Cents (\$10,017.98).
2. Cross-Respondent Arjun Khiani is liable for and shall pay to Respondent Merrill, Lynch, Pierce Fenner & Smith the sum of Ten Thousand Seventeen Dollars and Ninety Eight Cents (\$10,017.98).
3. The parties shall each bear their respective costs including attorneys' fees.
4. Pursuant to Section 43 of the National Association of Securities Dealers, Inc. (NASD) Code of Arbitration Procedure: a) the NASD shall retain the 400.00 filing fees previously deposited by the Claimant; b) Claimants are assessed forum fees in the amount of \$500.00; c) Respondent Merrill Lynch, Pierce, Fenner & Smith are assessed forum fees in the amount of \$500.00, to be paid directly to the National Association of Securities Dealers; d) Cross-Respondent Khiani is assessed forum fees in the amount of \$500.00, to be paid directly to the National Association of Securities Dealers.

ARBITRATORS CONCURRING

George Garvey, Esq.


George Rosen

DATE SERVED: January 2, 1990

Robert Sether

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*to be paid
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BmQ*

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