

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Rajeeve Madan

Claimant

vs.

First of Philadelphia
Mike Preddy

Respondents

CASE #91-02292
AWARD

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on July 26, 1991, Claimant, Rajeeve Madan, who appeared Pro Se, alleged that on January 25, 1989 Respondent Mike Preddy phoned to inform him that he purchased some OEX index options at 4 3/8 for Claimants' account. Claimant further alleged that he inadvertently accepted the purchase, although he never authorized it. Claimant contended that Respondents, Mike Preddy and First of Philadelphia continued to make numerous unauthorized option purchases in Claimant's IRA account. Claimant further contended that Respondents were not authorized, either verbally or in writing, to execute these trades. Claimant asserted that when he received the numerous confirmations for the unauthorized trades he notified Respondents of the problem. Claimant further asserted that Respondent, Mike Preddy advised him that these trades were in error and assured Claimant he would clear it up. Claimant further contended that he requested all OEX positions closed and since these trades were unauthorized, his IRA account should be made whole to the cash balance prior to the OEX trades.

Respondent, First of Philadelphia, by and through its President, John W. O'Connor, maintained that Claimant, Rajeeve Madan instructed and authorized Respondent, Mike Preddy to invest in index options and Respondent, Mike Preddy informed Claimant such an investment was ill-advised in a retirement account. Respondent, First of Philadelphia further maintained that Claimant stated on his Option Account Agreement that he was an experienced investor and his investment objective for option trading was speculation. Respondent, First of Philadelphia contended that Respondent, Mike Preddy had no history of trading index options in either his personal account or on behalf of others and it would be unlikely

that he would place unauthorized trades in a retirement account with one of his more knowledgeable clients. Respondent, First of Philadelphia contended that they had no knowledge as to what Respondent, Mike Preddy may have discussed with Claimant about these trades. Respondent, First of Philadelphia asserted that based on Claimants trading history in his account, they maintained that these trades were authorized and they continue to assert that Claimant's claim is without merit.

Respondent, Mike Preddy failed to file an Answer to the Statement of Claim.

RELIEF REQUESTED

Claimant, Rajeeve Madan requested \$5,766.00 in actual damages plus interest.

Respondent, First of Philadelphia requested the claim be dismissed.

Respondent, Mike Preddy failed to file an Answer to the Statement of Claim.

AWARD

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Lydia O. Bishop, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on July 11, 1991, by the Respondent, First of Philadelphia on September 3, 1991 and not by Respondent, Mike Preddy as required by Section 12 & 13 of the NASD Code of Arbitration Procedure.

1. In accordance with Section 13 of the NASD Code of Arbitration Procedure the Respondent, Mike Preddy was served a copy of the Statement of Claim by regular mail on July 29, 1991 and given an opportunity to respond, which he failed to do. Respondent, Mike Preddy was notified on September 6, 1991, via certified mail, that his Statement of Answer was overdue. The certified mail receipt was returned "refused", evidencing knowledge of this proceeding. Respondent Mike Preddy failed to file an Answer to the Statement of Claim.

2. Pursuant to the By-Laws of the NASD the arbitrator determined that Respondent Mike Preddy was required to submit to this arbitration proceeding and is, therefore, bound by the arbitrator's ruling and determination.

And, the Arbitrator, having considered the proof of the Parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. The claims of Claimant, Rajeeve Madan against Respondents, First of Philadelphia and Mike Preddy are dismissed.
2. The parties shall bear their respective costs.
3. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant, Rajeeve Madan shall be retained by the NASD, Inc. Respondents, First of Philadelphia and Mike Preddy shall pay to the Claimant \$75.00 as partial reimbursement.

AFFIRMATION

I, **LYDIA O. BISHOP**, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.



Signature of Arbitrator

DATE OF DECISION: March 26, 1992

REGINA A. NATHARI
NOTARY PUBLIC OF NEW JERSEY
MY COMMISSION EXPIRES JULY 27, 1994