

## NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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In the Matter of the Arbitration Between	:	
Harry E. Chan	:	
	:	
Claimant	:	
	:	CASE #91-03968
vs.	:	AWARD
	:	
First Georgetown Securities, Inc.	:	
Robert T. Mann	:	
	:	
Respondents	:	

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CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on December 16, 1991, Claimant, Harry E. Chan, who appeared Pro Se, alleged that on October 25, 1992 Respondent, First Georgetown Securities, Inc. failed to follow his explicit instructions to enter an order to sell his 5 OEX Nov. 360 "Puts" at 6 1/4, Good-Until-Cancelled ("G-U-C"); but instead erroneously entered a sale order of 5 OEX Nov. 360 "Calls" naked at 6 1/4, G-U-C and subsequently purchased these same "Calls" when they discovered their error, thus charging that loss to Claimant's account. Claimant further alleged that his order was placed to close out the "Puts" in his account and as an experienced option trader he would never have initiated a naked order when he knew he was going to be out of the country for three weeks, at which time, he would be unable to monitor his account. Claimant contended that the confirmation of this order clearly indicated it as a "Closing Transaction", proving that Respondent, First Georgetown Securities, Inc. took the correct order of "Closing Out" the OEX "Puts" in his account but may simply have incorrectly placed the order as OEX "Calls". Claimant further contended that Respondent's, First Georgetown Securities, Inc. policy is not to accept naked option orders without a credit balance of \$50,000.00 or more, at which time, Claimant's balance was only \$9,000.00 Claimant asserted that on November 15, 1991 Respondent, First Georgetown Securities, Inc. liquidated his 5 OEX Nov. 360 "Puts" long in his account prematurely without his consent, which action resulted in less proceeds to his account. Claimant further asserted that Respondents, First Georgetown Securities, Inc. and Robert T. Mann, as President, are liable for the erroneous errors made in his account.

Respondents, First Georgetown Securities, Inc. and Robert T. Mann, by and through Robert T. Mann, President, maintained that on October 25, 1991 Claimant, Harry E. Chan inadvertently placed the erroneous order to sell 5 "Calls" of the S & P 100 November 360 index at 6 1/4, good until cancelled and Respondents tried to reach Claimant to report the order as executed, at which time, they found that Claimant had left a taped message indicating that he would not be returning until November 14, 1991. Respondents further maintained that on October 30, 1991, their clearing firm notified them that Claimant was short 5 calls of the S & P 100 November 360 because he placed this erroneous order without owning them. Respondents contended that they immediately tried to notify Claimant to leave an urgent message about his "short" position in order to prevent a loss to his account, at which time, Claimant did not contact Respondents until over a week later. Respondents further contended that since Claimant's account did not have the required equity to maintain a short index option position, putting him at unlimited financial risk, Respondents were forced to cover the position by buying back the Calls. Respondents asserted that Claimant was an experienced option trader and knew it was imperative to give correct orders, in addition to being reachable in case of any errors. Respondents further asserted that once the error was discovered, they did everything possible to contact Claimant, limit his risk, and even recoup some of the loss anticipated, in addition to offering to split the loss sustained by Claimant.

#### RELIEF REQUESTED

Claimant, Harry E. Chan requested \$2,726.50 in actual damages plus interest at the rate of 5.5% per annum from November 18, 1991.

Respondents, First Georgetown Securities, Inc. and Robert T. Mann requested a 50% sharing of Claimant's loss.

#### AWARD

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Nancy Mae Bonney, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on December 10, 1991 and by the Respondents on March 2, 1992.

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. Respondents, First Georgetown Securities, Inc. and Robert T. Mann are jointly and severally liable and shall pay to the Claimant, Harry E. Chan the sum of \$2,726.50 in damages.
2. The Claimant's request for interest is denied.
3. The parties shall bear their respective costs.
4. The \$125.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant, Harry E. Chan shall be retained by the NASD, Inc. Respondents, First Georgetown Securities, Inc. and Robert T. Mann are jointly and severally liable and shall pay to the Claimant the sum of \$62.50 as partial reimbursement.

AFFIRMATION

I, **NANCY MAE BONNEY**, 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.

  
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Signature of Arbitrator

DATE OF DECISION: July 6, 1992