

## NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between

Name of Claimant

Margo L. Daniel

92-03696

Name of Respondents

Charles Schwab & Company, Inc.  
Anne Nichols

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**CASE SUMMARY**

In a claim filed with the National Association of Securities Dealers, Inc. on November 2, 1992, Claimant Margo L. Daniel who appeared Pro Se, alleged that on July 16, 1992 she called the Dallas office of Respondent Charles Schwab & Company, Inc. to execute the short selling of 40 contracts on the S&P 500 index, whereby, she was informed by the person answering the phone that Claimant could not execute the trade because she was not authorized to make naked Option trades. Claimant further alleged that she then called Respondent Charles Schwab & Company, Inc. Houston office but was told that she was not authorized to make such a trade and the authorization application had to contain an original signature in order to obtain authorization. Claimant contended that she wanted to execute the trade prior to close of business, whereby, she asked what Respondent Charles Schwab & Company, Inc. required for Claimant to do to obtain authorization to naked options immediately and was transferred to Respondent Anne Nichols, Trading Supervisor at Respondent Charles Schwab & Company, Inc. Claimant further contended that Respondent Anne Nichols informed her that she would have to execute an application to trade naked options and that she would need to come to their offices to sign at which time, Claimant would have to transfer her account to the Dallas office from the Houston office. Claimant asserted that she drove to the Dallas office and again asked Respondent Anne Nichols to verify what was necessary to trade naked options, whereby, Claimant filled out a new application and was told her account was short \$1,560.00, so she wrote Respondents a check whereby Respondent Anne Nichols entered the trade and confirmed it was executed. Claimant further asserted that the next day Respondent Anne Nichols called Claimant to tell her the trade would be voided because she had made an error in figuring the margin requirements and in order to keep the trade, Claimant would have to deposit \$350,000.00 in her account to meet the requirement. Claimant argued that the trade had very little risk and she lost the potential to make \$9,000.00 trading the market, due to Respondents' error.

Respondents Charles Schwab & Company, Inc. and Anne Nichols by and through their in-house counsel Richard S. Dangerfield, Esq., maintained that Respondent Anne Nichols made an honest mistake when she incorrectly calculated the option requirement for Claimant's trade; however, Respondent Anne Nichols' mistake does not create a basis for her becoming liable in any way

to Claimant for her alleged trading losses. whereby Respondent Charles Schwab & Company, Inc. requested Respondent Anne Nichols be dismissed from this arbitration and took full responsibility for any award or costs. Respondents contended that Claimant has not stated any facts upon which an award for damages can be granted.

### **RELIEF REQUESTED**

Claimant Margo L. Daniel requested \$9,000.00 in actual damage plus \$445.18 and Punitive damages.

Respondents Charles Schwab & Company, Inc. and Anne Nichols requested the claim be denied.

### **AWARD**

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Joe B. Abbey, Esq., was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on November 30, 1992; by the Respondent Anne Nichols on February 2, 1993 and by the Respondent Charles Schwab & Company, Inc. on March 4, 1993.

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 claim of Claimant Margo L. Daniel against Respondents Charles Schwab & Company, Inc. and Anne Nichols is 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 Margo L. Daniel shall be retained by the NASD.

### **AFFIRMATION**

I, Joe B. Abbey, Esq., 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: June 4, 1993