

N.A.S.D. REGULATION, INC. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Names of Claimants

Imdad U. and Nadira Farooqi

93-00945

Names of Respondents

Prudential Securities, Inc.
Radhakrishnan Ramachandraiyyer (a/k/a Krish Raman);
Michael Durdil; and,
Mark Tabit

consolidated with

Names of Claimants

Abdul Rahman Laldin and Aasia Shamin Abdul Rahman

93-01444

Names of Respondents

Prudential Securities, Inc.
Radhakrishnan Ramachandraiyyer (a/k/a Krish Raman);
Michael Durdil; and
Mark Tabit

consolidated with

Names of Claimants

Javed Iqbal and Yasmeen Younas

93-02654

Names of Respondents

Prudential Securities, Inc.
Radhakrishnan Ramachandraiyyer (a/k/a Krish Raman); and
Mark Tabit

REPRESENTATION

Claimants, Imdad U. and Nadira Farooqi, Abdul Rahman Laldin and Aasia Shamin Abdul Rahman, and Javed Iqbal and Yasmeen Younas were represented by Peter A. Cantwell, Esq. and Stephen F. Boulton, Esq. of Cantwell & Cantwell, Chicago, Illinois.

Respondents, Prudential Securities, Inc., Michael Durdil, and Mark Tabit were represented by Steven F. Malina, Esq. of Prudential Securities Inc., Chicago, Illinois.

Respondent, Radhakrishnan Ramachandraiya (a/k/a Krish Raman) was represented by Ronald P. Kane, Esq. of Gomberg, Kane & Fischer, Ltd, Chicago, Illinois.

CASE INFORMATION

Claimants, Imdad U. and Nadira Farooqi's joint Statement of Claim was filed with NASD Regulation, Inc. Office of Dispute Resolution on March 12, 1993.

Claimants, Imdad U. and Nadira Farooqi's joint Submission Agreement was signed on March 6, 1993.

Respondents, Prudential Securities, Inc., Michael Durdil, and Mark Tabit's joint Statement of Answer was filed with NASD Regulation on or about July 26, 1993.

The NASD Regulation, Inc. Office of Dispute Resolution has no record that a Statement of Answer was filed by Respondent, Radhakrishnan Ramachandraiya (a/k/a Krish Raman) in the Farooqi arbitration matter.

Respondent, Mark Tabit's Submission Agreement was signed on July 16, 1993.

The NASD Regulation, Inc. Office of Dispute Resolution has no record of Submission Agreements signed by Respondents, Prudential Securities, Inc., Radhakrishnan Ramachandraiya (a/k/a Krish Raman) and Michael Durdil.

Claimants, Abdul Rahman Laldin and Aasia Shamin Abdul Rahman's joint Statement of Claim was filed with the NASD Regulation Office of Dispute Resolution on April 13, 1993.

Claimants, Abdul Rahman Laldin and Aasia Shamin Abdul Rahman's joint Submission Agreement was signed on March 22, 1993.

Respondents, Prudential Securities, Inc., Radhakrishnan Ramachandraiya (a/k/a Krish Raman), Mark Tabit and Michael Durdil's joint Statement of Answer was filed with NASD Regulation on August 20, 1993.

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Respondent, Prudential Securities, Inc.'s Submission Agreement was signed on August 18, 1993, by Peter Byer, Vice President of Prudential Securities Inc.

Respondent, Radhakrishnan Ramachandraiya (a/k/a Krish Raman's) Submission Agreement was signed on August 30, 1993.

Respondent, Mark Tabit's Submission Agreement was signed on August 31, 1993.

The NASD Regulation, Inc. Office of Dispute Resolution has no record of a Submission Agreement signed by Respondent, Michael Durdil in the Laldin arbitration matter.

Claimants, Javed Iqbal and Yasmeen Younas's joint Statement of Claim was filed with NASD Regulation on July 6, 1993.

Claimants, Javed Iqbal and Yasmeen Younas's joint Submission Agreement was signed on May 4, 1993.

Respondents, Prudential Securities, Inc., Radhakrishnan Ramachandraiya, and Mark Tabit's joint Statement of Answer was filed with NASD Regulation on or about August 20, 1993.

Respondent, Prudential Securities, Inc.'s Submission Agreement was signed on August 20, 1993, by Peter Byer, Vice President of Prudential Securities, Inc.

Respondent, Radhakrishnan Ramachandraiya's Submission Agreement was signed on August 30, 1993.

Respondent, Mark Tabit's Submission Agreement was signed on August 31, 1993.

HEARING INFORMATION

The hearing occurred on the following dates:

May 18, 1994, for two (2) sessions;
May 19, 1994, for two (2) sessions;
May 20, 1994, for one (1) session;
May 25, 1994, for three (3) sessions;
May 26, 1994, for two (2) sessions;
May 27, 1994, for two (2) sessions;
June 7, 1994, for two (2) sessions;
June 8, 1994, for two (2) sessions;
June 10, 1994, for two (2) sessions;
June 23, 1994, for two (2) sessions;
June 29, 1994, for two (2) sessions;
August 19, 1994, for two (2) sessions;

December 5, 1994, for two (2) sessions;
December 6, 1994, for two (2) sessions;
December 8, 1994, for two (2) sessions;
December 9, 1994, for two (2) sessions;
August 1, 1995, for one (1) session;
August 2, 1995, for two (2) sessions;
August 3, 1995, for two (2) sessions;
August 4, 1995, for two (2) sessions;
November 27, 1995, for two (2) sessions;
November 28, 1995, for two (2) sessions;
August 21, 1996, for two (2) sessions;
August 22, 1996, for two (2) sessions;
August 23, 1996, for two (2) sessions;
August 28, 1996, for two (2) sessions; and
August 29, 1996, for three (3) sessions.

The hearing location was Chicago, Illinois.

CASE SUMMARY

Claimants, Imdad U. and Nadira Farooqi (hereinafter collectively referred to as "Mr. and Mrs. Farooqi") alleged that between July, 1990, and July, 1992, Respondents, Prudential Securities, Inc. ("Prudential"), Radhakrishnan Ramachandraiyyer, a/k/a Krish Raman ("Raman"), Michael Durdil ("Durdil"), and Mark Tabit ("Tabit") or (also hereinafter collectively referred to as "Respondents") failed to follow their investment objectives, made unsuitable investments in their account, and churned their account. Mr. and Mrs. Farooqi asserted that they repeatedly informed Respondents that their investment objectives included preservation of capital, modest growth, and modest income, in that order. According to Mr. and Mrs. Farooqi, although they looked to Respondents for recommendations, Respondents were to maintain a portfolio of 70% low-risk, quality investments; 20% moderate-risk, which were not to fluctuate in price more than 10% per year; and 10% of the account was to be invested in speculative investments which were able to fluctuate by more than 10% in one year. In addition, Mr. and Mrs. Farooqi stated that Respondents were instructed to sell an investment that dropped below 90% of the purchase price in favor of new investments but Mr. and Mrs. Farooqi conferred no power of attorney, or any other power of discretion in writing to the Respondents.

Mr. and Mrs. Farooqi asserted that, nonetheless, Raman, their stockbroker employed with Prudential at the branch office managed by Durdil and Tabit: disregarded their investment objectives and churned their account; never contacted them to discuss or obtain authorization for many purchases and sales; purposefully delayed their confirmation slips and account statements, which were often received approximately one month late; requested a personal loan from them in the amount of \$50,000.00 and stated that if they did not loan him the money that he would destroy their account; that after this statement the loan was made to Raman and repaid without interest; accumulated excessive margin debt without

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their approval which continued to increase after repeated requests to take action to eliminate the margin debt; and, sold them unsuitable speculative securities in which Prudential made a market in order to receive higher commissions.

Mr. and Mrs. Farooqi also asserted that they made several complaints with Respondents, which were ineffective. Subsequently, Mr. and Mrs. Farooqi alleged damages from loss on investments, fees and commissions, margin interest, and loss of market appreciation. Mr. and Mrs. Farooqi asserted the following legal claims against all Respondents: violation of Rule 10b-5 under Section 10 of the Securities Exchange Act of 1934; breach of fiduciary duty; negligence; common law fraud; and asserted that Prudential and Raman violated the Illinois Consumer Fraud and Deceptive Business Practices Act.

Prudential, Durdil and Tabit denied the allegations set forth in Mr. and Mrs. Farooqi's Statement of Claim. Prudential, Durdil and Tabit stated that Mr. and Mrs. Farooqi were aware of and approved of all activity in their account. According to Prudential, Durdil and Tabit, Mr. and Mrs. Farooqi never made any complaints, and, therefore, are barred from making their claims under the doctrine of ratification.

Claimants, Abdul Rahman Laldin and Aasia Shamin Abdul Rahman (hereinafter collectively referred to as "Mr. and Mrs. Laldin") alleged that between June 30, 1991 and September, 1992, Respondents failed to follow their investment objectives, made unsuitable investments in their account, and churned their account. Mr. and Mrs. Laldin stated that Respondents were sent a facsimile transmission and an account opening letter in which they stated their principal objectives as "a) preservation of capital, b) some appreciation in value, c) maximum yield and d) low risk." Mr. and Mrs. Laldin asserted that Raman, their stockbroker employed with Prudential at the branch office managed by Tabit and Durdil: substantially increased the margin debt in their account which was contrary to their instructions; sold all of their United States Treasury Notes and United States Treasury STRIPS without their authorization; failed to keep them informed on the status of their account, and when he did relay information it was reassurance that the drop in value in the account would turn around soon; conducted excessive trading and made unsuitable investments in their account in order to receive higher commissions; and failed to follow their instruction, which was sent to him via facsimile transmission and confirmed with him by phone the same day, that he was to stop trading in their account. Mr. and Mrs. Laldin alleged that they suffered damages from loss on investments, fees and commissions, margin interest, loss of market appreciation, and loss of interest. Mr. and Mrs. Laldin made the following legal claims against the Respondents: violation of Rule 10b-5 under Section 10 of the Securities Exchange Act of 1934; breach of fiduciary duty; negligence; common law fraud; and that Prudential and Raman violated the Illinois Consumer Fraud and Deceptive Business Practices Act.

Respondents denied the allegations set forth in Mr. and Mrs. Laldin's Statement of Claim. Respondents stated that Mr. and Mrs. Laldin were aware of the activity in their account and consented to that activity until becoming "disenchanted due to account losses." According to Respondents, Mr. and Mrs. Laldin requested recommendations on stocks to purchase, which Raman did without discretion, except periodically with respect to time and price. In addition, Respondents contended that Mr. and Mrs. Laldin authorized the use of margin and received individual trading confirmations and detailed monthly account statements. As a defense, Respondents claim that because Mr. and Mrs. Laldin failed to

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complain, they ratified the disputed transactions. Respondents also stated that Mr. and Mrs. Laldins' damages only amount to \$57,541.03 and are the result of market movements instead of any actions or omissions by Respondents. Finally, Respondents stated that in the case of Durdil, no improprieties were noticed by him or brought to his attention, and that in the case of Tabit, Durdil's replacement, there were no complaints directed to him until Mr. and Mrs. Laldin started to complain about losses in their account.

Claimants Javed Iqbal and Yasmeen Younas (hereinafter collectively referred to as "Mr. and Mrs. Iqbal") alleged that between September, 1990 and November 1992, Prudential, Raman and Tabit failed to follow their investment objectives, made unsuitable investments in their account, and churned their account. Mr. and Mrs. Iqbal asserted that Raman, as their stockbroker employed by Prudential at the branch office managed by Tabit: sold their money market fund investments and purchased and sold equity securities and risky investments which was contrary to their investment objectives without their authorization and without even contacting them; failed to heed their request to take better care of their account by continuing to buy and sell high-risk equity securities; traded in their account on margin without their authorization which continued even after they complained by letter about the high margin debt in their account; and made excessive and unsuitable trades in their account in order to receive higher commissions. Mr. and Mrs. Iqbal also asserted that their written and verbal complaints to Raman and Tabit went unanswered. Mr. and Mrs. Iqbal alleged that they suffered damages as a result of a loss on investments, fees and commissions, margin interest, loss of market appreciation, and loss of interest. Mr. and Mrs. Iqbal made the following legal claims against Prudential, Raman and Tabit: violation of Rule 10b-5 under Section 10 of the Securities Exchange Act of 1934; breach of fiduciary duty; negligence; common law fraud; and that Prudential and Raman violated the Illinois Consumer Fraud And Deceptive Business Practices Act.

Prudential, Raman and Tabit denied the allegations set forth in Mr. and Mrs. Iqbal's Statement of Claim. Prudential, Raman, and Tabit stated that Mr. and Mrs. Iqbal: were aware of the trading activity in their account and consented to it because they received trading confirmations and monthly account statements which detailed the activity in their account; continued to make deposits into their account which belies the allegation of unauthorized trading; and expressed desire to become more aggressive with their account, including the authorization of margin trading. Prudential, Raman and Tabit further stated that due to Mr. and Mrs. Iqbal's failure to complain until well after the trading in question, their recovery is barred by the doctrine of ratification. In addition, Tabit stated that he properly and professionally exercised his supervisory duties. Finally, Prudential, Raman and Tabit contended that Mr. and Mrs. Iqbals' losses on their account only amount to \$24,936.27.

RELIEF REQUESTED

Imdad U. and Nadira Farooqi requested an award in excess of \$2,500,000.00 for compensatory damages, an award in excess of \$6,000,000.00 for punitive damages and an award for attorneys' fees and costs.

Prudential, Durdil and Tabit requested that claimants Imdad U. and Nadira Farooqi's Statement

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of Claim be dismissed in its entirety.

Abdul Rahman Laldin and Aasia Shamin Abdul Rahman requested an award in excess of \$1,000,000.00 for compensatory damages, an award in excess of \$2,400,000.00 for punitive damages and an award for attorneys' fees and costs.

Prudential, Raman, Tabit and Durdil requested that Abdul Rahman Laldin and Aasia Shamin Abdul Rahman's Statement of Claim be dismissed in its entirety.

Javed Iqbal and Yasmeen Younas requested an award in excess of \$500,000.00 for compensatory damages, an award in excess of \$1,200,000.00 for punitive damages and an award for attorneys' fees and costs.

Prudential, Raman and Tabit requested that Javed Iqbal and Yasmeen Younas' Statement of Claim be dismissed in its entirety.

OTHER ISSUES CONSIDERED & DECIDED

Prudential, Raman and Durdil did not file a properly executed submission to arbitration with the NASD Regulation, Inc. Office of Dispute Resolution in the Farooqi arbitration matter, but are required to submit to arbitration pursuant to Sec. 10301 of the NASD Code of Arbitration Procedure. Therefore, having answered the claim, appeared and testified at the hearing, Prudential, Raman and Durdil are bound by the determination of the arbitration panel on all issues submitted.

Durdil did not file a properly executed submission to arbitration with the NASD Regulation, Inc. Office of Dispute Resolution in the Laldin arbitration matter, but is required to submit to arbitration pursuant to Sec. 10301 of the NASD Code of Arbitration Procedure. Therefore, having answered the claim, appeared and testified at the hearing, Durdil is bound by the determination of the arbitration panel on all issues submitted.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered. In either case, the parties have agreed to receive conformed copies of the Award while the originals remain on file with the NASD Regulation, Inc. Office of Dispute Resolution.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and post hearing submissions on attorney's fees, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

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1. All claims for relief asserted against Prudential Securities, Inc., Radhakrishnan Ramachandraiyyer (a/k/a Krish Raman), Michael Durdil and Mark Tabit by Imdad U. and Nadira Farooqi are denied and dismissed in their entirety;

2. Prudential Securities, Inc., Radhakrishnan Ramachandraiyyer (a/k/a Krish Raman, Michael Durdil, and Mark Tabit are jointly and severally liable for and shall pay Abdul Rahman Laldin and Aasia Shamin Abdul Rahman, inclusive of interest, the sum of sixty-six thousand seven hundred fifty dollars and no cents (\$66,750.00) as compensatory damages;

3. All other claims for relief asserted by Abdul Rahman Laldin and Aasia Shamin Abdul Rahman are denied and dismissed in their entirety;

4. Prudential Securities, Inc., Radhakrishnan Ramachandraiyyer (a/k/a Krish Raman), and Mark Tabit are jointly and severally liable for and shall pay Javed Iqbal and Yasmeen Younas, inclusive of interest, the sum of twenty-nine thousand dollars and no cents (\$29,000.00) as compensatory damages;

5. All other claims for relief asserted by Javed Iqbal and Yasmeen Younas are denied and dismissed in their entirety; and,

6. Other than forum fees which are addressed below, each party shall bear its own costs, expenses, and attorneys' fees incurred in this matter.

FORUM FEES

Forum fees were calculated at the rate of \$1,500.00 per hearing session. There were fifty-four (54) hearing sessions x \$1,500 = \$81,000.00 in forum fees. Pursuant to Sec. 10332(b) of the NASD Code of Arbitration Procedure a hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less.

Pursuant to Sec. 10332(c) of the NASD Code of Arbitration Procedure, NASD Regulation, Inc. Office of Dispute Resolution shall **retain** the non-refundable filing fee in the amount of \$250.00 and shall **retain** the hearing session deposit in the amount of \$1,000.00 and the interim hearing session deposit in the amount of \$4,417.00 previously deposited with the NASD Regulation, Inc. Office of Dispute Resolution by Imdad U. and Nadira Farooqi.

Pursuant to Sec. 10332(c) of the NASD Code of Arbitration Procedure, NASD Regulation, Inc. Office of Dispute Resolution shall **retain** the non-refundable filing fee in the amount of \$250.00 and shall **retain** the hearing session deposit in the amount of \$1,000.00 and the interim hearing session deposit in the amount of \$4,417.00 previously deposited with the NASD Regulation, Inc. Office of Dispute Resolution by Abdul Rahman Laldin and Aasia Shamin Abdul Rahman.

Pursuant to Sec. 10332(c) of the NASD Code of Arbitration Procedure, NASD Regulation, Inc.

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Office of Dispute Resolution shall **retain** the non-refundable filing fee in the amount of \$200.00 and shall **retain** the hearing session deposit in the amount of \$750.00 and the interim hearing session deposit in the amount of \$4,417.00 previously deposited with the NASD Regulation, Inc. Office of Dispute Resolution by claimants Javed Iqbal and Yasmeen Younas.

Pursuant to Sec. 10332(c) of the NASD Code of Arbitration Procedure, NASD Regulation, Inc. Office of Dispute Resolution shall **retain** the interim hearing session deposit in the amount of \$4,000.00 previously deposited with the NASD Regulation, Inc. Office of Dispute Resolution by respondent Prudential Securities Inc.

Pursuant to Sec. 10332(c) of the NASD Code of Arbitration Procedure, NASD Regulation, Inc. Office of Dispute Resolution shall **retain** the interim hearing session deposit in the amount of \$4,000.00 previously deposited with the NASD Regulation, Inc. Office of Dispute Resolution by respondent Radhakrishnan Ramachandraiya.

Pursuant to Sec. 10332(c) of the NASD Code of Arbitration Procedure, NASD Regulation, Inc. Office of Dispute Resolution shall **retain** the interim hearing session deposit in the amount of \$4,000.00 previously deposited with the NASD Regulation, Inc. Office of Dispute Resolution by respondent Michael Durdil.

Pursuant to Sec. 10332(c) of the NASD Code of Arbitration Procedure, NASD Regulation, Inc. Office of Dispute Resolution shall **retain** the interim hearing session deposit in the amount of \$4,000.00 previously deposited with the NASD Regulation, Inc. Office of Dispute Resolution by respondent Mark Tabit.

Respondent Prudential Securities Inc. is solely liable for and shall pay forum fees in the amount of \$48,999.00 (= \$81,000.00 total forum fees - \$32,001.00 hearing session and interim forum fee deposits).

Respondent Prudential Securities Inc. is liable for and shall reimburse the non-refundable claim filing fee, hearing session deposits and interim forum fees to Imdad U. and Nadira Farooqi in the amount of \$5,667.00; Javed Iqbal and Yasmeen Younas in the amount of \$5,367.00; and Abdul Rahman Laldin and Aasia Shamin Abdul Rahman in the amount of \$5,667.00

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Additional Forum Fees assessed against the parties by the arbitration panel are payable to the National Association of Securities Dealers, Inc.

Concurring Arbitrators' Signatures

/s/ Jerome M. Katz
Jerome M. Katz, Esq.
Presiding Chairperson
Public Arbitrator

November 12, 1996
Dated

/s/ Roger B. Johnston
Roger B. Johnston
Panelist
Public Arbitrator

November 11, 1996
Dated

**Concurring in Part and Dissenting in Part
Arbitrator's Signature**

/s/ Frederic M. Rizzo
Frederic M. Rizzo
Panelist
Industry Arbitrator

November 11, 1996
Dated

Concurring in Part and Dissenting in Part
(Mr. Rizzo Concurrs with the arbitration panel on 93-01444 (Laldin) and 93-02654 (Iqbal) and Dissents with the arbitration panel on 93-00945 (Farooqi)).

Date Award Served on the
Parties by NASD Regulation, Inc.: November 21, 1996