

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Lisa May Pechnik

94-00540

Name of Respondents

Charles Schwab & Company, Inc.
Deborah E. Bell
Susan Agostini

REPRESENTATION

For Claimant Lisa M. Pechnik ("Claimant") appeared Richard M. Sasso, Esq. of Schiller & Sasso located in Warren, New Jersey.

For Respondents Charles Schwab & Co., Inc., Deborah Bell and Susan Agostini ("Respondents") appeared Rhonda Y. Jones of Charles Schwab & Co, Inc.

CASE INFORMATION

Statement of Claim filed on: February 10, 1994.

Claimant's Submission Agreement signed on: January 29, 1995.

Statement of Answer filed by Respondents on: April 29, 1994.

Respondent's, Charles Schwab & Co., Inc., Submission Agreement signed on: April 28, 1994.

Respondent's, Deborah Bell, Submission Agreement signed on: May 13, 1994.

Respondent's, Susan Agostini, Submission Agreement signed on: May 13, 1994.

HEARING INFORMATION

Hearing Date/Sessions:

February 10, 1995 - 2 Sessions

Hearing Location: All hearings were held at the National Association of Securities Dealers, Inc. offices in New York, N.Y.

CASE SUMMARY

Claimant, Lisa Pechnik ("Claimant"), alleged that on May 4, 1993 she visited the Morristown, New Jersey branch of Charles Schwab & Co., Inc. to purchase six sets of two options contracts through Susan Agostini ("Agostini"), a Schwab employee. Claimant was asked to file an application for approval to engage in option trading which was approved immediately by Deborah Bell ("Bell") the branch manager. On June 5, 1993, upon reviewing the appropriate confirmations, Claimant's husband, Tom Platt ("Platt"), realized that instead of purchasing six sets of two contracts per set, worth between \$2,000 and \$2,500, the transactions were for six sets of 200 contracts, worth \$177,000. Two days later Platt and Claimant were in touch with Bell and indicated to her that Respondents had made an error, and requested that her account be adjusted to reflect the proper trade. Later that day Bell contacted Platt to inform him that the trade was confirmed at six sets of 200 contracts and that the appropriate losses would be borne by Claimant. One day later, Respondent contacted both Claimant and Platt recommending that, due to their complaint, they should sell their position and advised that their loss would be \$113,434.50.

Claimant alleges that, in light of the above facts, Respondent breached the duty of due diligence in researching Claimant's investment history, which would have revealed that such a large trade was out of character for the Claimant. Respondent also breached the duty to supervise their employees, exercising this duty would have revealed that Claimant's history had not been properly researched.

Respondents alleged that Agostini had verified the order to purchase six sets of 200 options contracts with Claimant as well as with the Schwab Risk Desk. During Agostini's conversation with the Schwab Risk Desk, she was advised that the trade would be approved if Claimant had sufficient funds in her account to cover the trade. Respondent alleges that Claimant was present during this conversation, where the Schwab Risk Desk was made aware that the trade was for "over 1,000" contracts. Respondent further asserts that Claimant approved each order as it was placed and that she never objected to any of the trades. The appropriate confirmations were sent and Claimant still did not object until one month later.

Respondents assert that they did not breach the duty of due diligence. Claimant answered the appropriate questions concerning investment history on the Schwab Option Trading Application

which had been filed by her and approved by Bell. Furthermore, Respondents assert that the duty to supervise has also not been breached because the written internal procedures for reviewing and supervising all accounts had been followed by Agostini and Bell.

RELIEF REQUESTED

Claimant requested: The return of monies incorrectly removed from her account totalling \$133,723.84.

Respondents requested that the claim be dismissed in its entirety.

OTHER ISSUES CONSIDERED & DECIDED

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 original remain on file with the NASD.

AWARD

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

While the arbitrators believe that, under the circumstances, Respondent's branch manager should have personally verified with the customer the implications of the large option orders at issue, the panel also believes that the orders entered by Respondent's representative were the orders placed by the Claimant and that, in any event, under the circumstances, Claimant failed to question Respondent about the orders within a reasonable time after her receipt of the trade confirmations. Because Claimant has withdrawn with prejudice all claims against Susan Agostini and Deborah Bell, we direct that, as a matter of fairness, the Central Registration Depository (CRD) records of these two individuals be expunged with respect to all entries and references to this arbitration proceeding and to all written statements related to the underlying issues herein.

All claims against Respondent are denied. All fees are to be assessed against Respondent.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following Forum Fees are assessed.

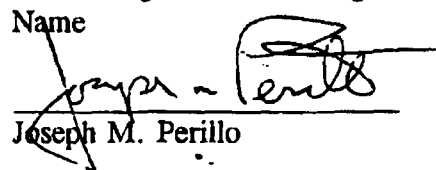
Nonrefundable Filing Fee	\$ 200.00
Hearing Sessions (2 x \$750)	\$1500.00
Postponement Fee	\$ 750.00
Total Fees:	\$2450.00

1. Claimant paid \$950.00.
2. Respondent owes \$950 paid directly to Claimant and \$1500.00 payable to the NASD.

Fees are payable to the National Association of Securities Dealers, Inc.

Concurring Arbitrators' Signatures

Name


Joseph M. Perillo

Public/Industry


Public

Date of Decision: _____

Date Award served by the NASD: March 23, 1995

STATE OF: New York
COUNTY OF: New York

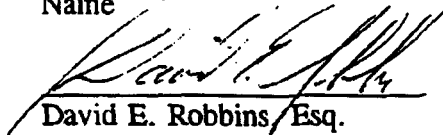
S.S.:

On this 21st day of March, 1995, before me personally appeared Joseph M. Perillo known and known to me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.

Christine Goutzas

CHRISTINE GOUTZAS
Notary Public, State of New York
No. 012080298
Qualified in Queens County
Commission Expires 07/05/98

Concurring Arbitrators' Signatures
Name


David E. Robbins Esq.

Public/Industry

Date of Decision: 3/21/95

Date Award served by the NASD: March 23, 1995

STATE OF: New York
COUNTY OF: New York

S.S.:

On this *21* day of *March*, 1995, before me personally appeared David E. Robbins, Esq. known and known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he executed the same.

Maureen Ferranti

MAUREEN FERRANTI
Notary Public, State of New York
No. 41-4901492
Qualified in Queens County
Commission Expires July 20, 1995

Concurring Arbitrators' Signatures
Name


Matthew J. Tolan

Public ~~Industry~~

Date of Decision: _____

Date Award served by the NASD: March 23, 1995