

**N.A.S.D. AWARD**

**NATIONAL ASSOCIATION OF SECURITIES DEALERS**

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In the Matter of the Arbitration Between

Name of Claimants

Walid Maghribi, TTEE  
the Maghribi Living Trust Agreement DD 11/3/94

95-01275

Name of Respondents

Charles Schwab & Co., Inc.

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CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on March 13, 1995, Claimant Walid Maghribi, TTEE, the Maghribi Living Trust Agreement DD 11/3/94, who appeared Pro Se, alleged that during the first week of December, 1994, he entered an order with Respondent Charles Schwab & Co., Inc. to sell 20 contracts of BNET DEC 22.5 put for 5/8. Claimant further alleged that Respondent failed to execute this sale in a timely fashion, and did not put forth its best effort to check on the status of the order.

Claimant contended that on January 3, 1995 he was short in his account 20 calls of Microchip Tech January 26 5/8 (QMZAZ), that he entered into the contracts before Microchip split 1.5 to 1, and that the original contracts were for QMTAH. Claimant further contended that on January 3, 1995 he called Respondent and questioned how to roll these contracts into Microchip Jan 30 calls, considering that the old contracts represented 150 shares while the new contracts would represent only 100 shares. Claimant alleged that "the broker" gave him quotations for each of the contracts, and that during the course of his conversation with the broker he was not told that the price he would pay would be multiplied by 150%. Claimant further alleged that he suffered a loss due to the broker's lack of understanding of the option price of a split stock. Claimant contended that on January 9, 1995, he entered a spread order with Respondent to roll over

40 contracts of Microchip Jan 26 5/8 put (QMZMZ) to Microchip April 22.5 put (QMTPX) for a debit of 1/4, and that the order was executed at 1 7/8 and 1 5/8 respectively for the correct debit of 1/4. Claimant further contended that again at no time during the placement of the order did the broker ever mention that the price of the option would be adjusted by 150%. As a result of the above, Claimant alleged that he has suffered damages for which the Respondent should be held liable.

Respondent Charles Schwab & Co., Inc., through its representative, Rhonda Jones, San Francisco, CA, maintained that Claimant placed two orders during the first week of December 1994, and that his order placed on December 1 at a limit price of 5/8 was executed. Respondent further maintained that Claimant's second order, which was not executed, was placed on December 2 at a limit price of 7/8, not 5/8. Respondent contended that it advised Claimant before the market closed that it could not confirm whether or not his order had been executed because there was a delay in getting a report from the trading floor. Respondent further contended that if Claimant wanted to ensure the sale of the call options, he could and should have cancelled his limit order and entered a new order to sell the calls at the market.

Respondent maintained that prior to January 3, 1995, Claimant held two short Microchip option positions in his account. Respondent further maintained that in October, 1994, Microchip underwent a 3-for-2 stock split which required that all existing Microchip option positions be adjusted accordingly. Respondent contended that in his Statement of Claim, Claimant acknowledged that he knew these options now represented 150, rather than 100, shares of Microchip per contract. Respondent further contended that Claimant is mistaken when he states that the premium he was charged to close his positions was 150% higher than the premium he was quoted. Respondent maintained that the reason he paid more than he apparently expected to close the positions is that he forgot to multiply the premium by 150 shares per contract, rather than by 100 shares per contract. Respondent further maintained that this mistaken belief was not the result of any misinformation supplied by it or any failure on its part to explain the transaction. As a result of the above, Respondent contended that it should not be held liable in this matter.

**RELIEF REQUESTED**

Claimant Walid Maghribi, TTEE, the Maghribi Living Trust Agreement DD 11/3/94 requested \$6,438.00 in actual damages.

Respondent Charles Schwab & Co., Inc. requested that the Claimant's claims be dismissed in their entirety.

**AWARD**

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single public arbitrator, James M. Knowles, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on April 1, 1995 and by the Respondent on June 19, 1995.

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 Walid Maghribi, TTEE, the Maghribi Living Trust Agreement DD 11/3/94 against Respondent Charles Schwab & Co., Inc. are dismissed in their entirety.
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 shall be retained by the NASD, Inc.

**AFFIRMATION**

STATE OF *California*

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ss:

COUNTY OF *Alameda*

I, *James M. Knowles*, 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.

*James M. Knowles*  
Signature of Arbitrator

DATE OF DECISION: November 30, 1995