

MSRB
MUNICIPAL SECURITIES RULEMAKING BOARD

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JUL 9 1991

M.S.R.B.

In the Matter of the Arbitration between :
:
MARGARET C. ROCK, : AWARD
:
Claimant, :
:
v. :
: MS90-59
A.G. EDWARDS & SONS, INC. : SCO-034
:
Respondent. :
:

The Undersigned, pursuant to Section 31 of MSRB Rule G-35, hereby states as follows:

CASE SUMMARY

Claimant alleges that certain municipal bonds declined in value shortly after the time of Claimant's purchase of the bonds from Respondent and bases this claim on the bond values listed on the monthly account statements that she received from Respondent. Claimant contends that upon receipt of the monthly statements she inquired of Respondent as to the reason for the apparent decline in market value, but, she maintains, she has not received a satisfactory explanation. Claimant contends that Respondent has failed to provide Claimant with any data that would show that she received a fair market price for the bonds at the time of purchase. Claimant also alleges that Respondent's inventory cost may have influenced significantly the price at which the bonds were sold to Claimant, and further contends that Respondent provided certain verbal guarantees as to limits set by Respondent with regard to mark-ups on bonds.

Respondent denies that the bonds were sold to Claimant at an inflated price to recoup an inventory loss or to make an excessive profit, and denies any representations to Claimant as to mark-up. Respondent contends that the prices listed in the portfolio summary section of Respondent's account statements are approximations provided by a computerized pricing service that are not based upon actual market quotes and asserts that they do not necessarily reflect the fair market value of the bonds in the account. Respondent also maintains that, upon Claimant's inquiry, Respondent's representative explained to Claimant orally and in writing the reasons for the alleged price discrepancy, which included the explanation that the municipal bond market consists of hundreds of thousands of issues, each with unique features, trading on a specific bid basis, and that no one can know the true value of a bond until he or she requests a bid on a specific issue in a specific quantity. Respondent further contends that, in an effort to allay Claimant's concerns, its

representative offered to provide Claimant with firm bids for her bonds and suggested that she obtain bids from other broker/dealers. Respondent maintains that the bonds were sold to Claimant at a fair and reasonable price.

RELIEF REQUESTED

Claimant seeks to recover \$8,555.25 plus reasonable interest not to exceed \$10,000.

Respondent requests that all of the claims of the Claimant be dismissed in their entirety.

AWARD

The undersigned arbitrator reviewed the controversy between the parties set forth in submissions to the arbitrator signed by Claimant on August 27, 1990 (filed with the MSRB on August 31, 1990) and by Respondent on November 19, 1990. These submissions were supplemented at the request of the arbitrator by sworn statements filed with the MSRB by the Claimant on May 22, 1991 and by Respondent on June 3, 1991. The undersigned, having considered the matter solely upon the pleadings and evidence submitted by the parties, pursuant to Section 34 of MSRB Rule G-35, has determined, in full and final resolution of the issues submitted for determination, as follows:

1. The claims of the Claimant shall be dismissed in their entirety.
2. The arbitration fee shall be returned to the Claimant.

Public Arbitrator

Dated: *July 5, 1991*

STATE OF DISTRICT OF ss.:
COUNTY OF COLUMBIA

On this 5th day of JULY, 1991, before me personally appeared _____ to me 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.

Michael J. Fine

representative offered to provide Claimant with firm bids for her bonds and suggested that she obtain bids from other broker/dealers. Respondent maintains that the bonds were sold to Claimant at a fair and reasonable price.

RELIEF REQUESTED

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1. The claims of the Claimant shall be dismissed in their entirety.
2. The arbitration fee shall be returned to the Claimant.


Francis M. Gregory, Jr.

Dated: 

STATE OF DISTRICT OF SS.:
COUNTY OF COLUMBIA

On this 5th day of JULY, 1991, before me personally appeared Francis M. Gregory, Jr. to me 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.

