



and  
The Financial Industry  
Regulatory Authority



The Sixth Annual  
**Securities  
Dispute  
Resolution  
Triathlon**

A Three Skill Lawyering Event  
Consisting of Competitions in



Saturday and Sunday  
October 18–19 | 2014  
Manhattan Campus  
51 Astor Place  
New York, NY

**ST. JOHN'S UNIVERSITY SCHOOL OF LAW and  
THE FINANCIAL INDUSTRY REGULATORY AUTHORITY**

***The Sixth Annual***  
**SECURITIES DISPUTE RESOLUTION TRIATHLON PROBLEM –  
2014**

**You Bet?**

**Background Facts:**

What obligations, if any, do brokers have to monitor an individual who engages in self-directed online trading?

Andy Cooper is a single forty-two year old superintendent in a luxury Art Deco condominium in Miami, Florida. (His)(Her) income from salary was \$97,000 in 2012, and Andy expected (his)(her) income to increase annually by roughly ten percent. Andy had also managed to accumulate a few hundred thousand dollars in savings.

On November 25, 2013, Andy went to the Your Trades (“YT”) Office to open an on-line Day-Trading Account. YT was and is a member of FINRA/SIPC. YT offered on-line Day-Trading as part of a menu of investment services YT provides. Andy’s Customer Agreement, as is customary, stated that YT “does not provide investment, tax, legal or accounting advice with respect to the suitability of any particular security or investment strategy.” YT offered on-line trading at \$7.95 per trade. In (his)(her) New Account Application Form, Andy stated (his)(her) annual income as “approximately \$100,000,” estimated (his)(her) net worth to be \$300,000, and left the “Prior and Current Brokerage Accounts” section blank. Andy completed the remaining

information, including tax status, employment, marital status and age. Andy checked “Speculative” as the investment objective. Andy was given the standard “Day-Trading Risk Disclosure Statement”.<sup>1</sup>

In accordance with FINRA Rule 2130, Approval Procedures for Day-Trading Accounts, YT soon approved Andy’s application, and Andy deposited \$200,000 in the account.

During the week of December 2<sup>nd</sup>, the first full week of trading, Andy began day-trading. On the first day, (s)he made twenty purchases, averaging about \$10,000. Andy focused primarily on tech stocks, including internet service providers and social media companies. Andy favorite stock was Twiddle. All of the stocks traded on major exchanges. By the end of the day, Andy had sold all of the stocks purchased during the day. The next day, Andy did the same thing. The following week, Andy doubled the number of trades (s)he placed each day. By the end of December, Andy had also increased the size of the trades, with most purchases averaging \$20,000. By this time, Andy, who had initially been approved for a margin account, had begun trading these stocks on margin. By the end of December, Andy was averaging 500 total trades a week. Many of these trades involved multiple purchases and sales of the same securities on the same day.

At the beginning of January, Andy deposited an additional \$100,000 into the account. Andy still continued to day-trade in the same stocks, but with increased frequency. During the week of January 13<sup>th</sup>, there were 280 purchases and 270 sales in the account. As was Andy’s practice, (s)he bought and sold the same stocks several times a day. By the end of every day, Andy always sold everything that was in the account

By the end of January 2014, Andy’s account appeared on YT’s Active Account Report as a result of a standard computer check. One of YT’s Account Managers, Sal(ly) Richards, reviewed the report and noted an unusual pattern of trading and the very high number of trades in Andy’s account. In particular, Richards saw that Andy was opening and closing

---

<sup>1</sup> A copy of the form has been attached to the Statement of Answer as Exhibit 1.

increasingly large positions in the same securities multiple times on the same day, and that these trades often included fully margined positions in volatile tech stocks. Andy's account had lost \$47,000. Richards also noted that Andy had deposited another \$100,000 in (his)(her) account at the beginning of January.

Richards immediately arranged for YT to send Andy a form letter inviting Andy to contact YT with "any questions or concerns." Included with the letter was a duplicate copy of the "Day-Trading Risk Disclosure Statement" that Andy was originally given when Andy opened (his)(her) day-trading account.

Andy received the letter, but did not contact YT. Instead, Andy continued to engage in consistently active trading following the same basic pattern. Even though there were still significant funds in the account, Andy also exhausted the credit lines on three of (his)(her) credit cards so as to be able to add \$40,000 to it in February 2014.

At the beginning of March, 2014, Andy's account again appeared on the Active Account Report. Richards reviewed the trading and arranged to have YT send another letter to Andy. This time the letter provided additional information. The letter noted that between the date the account had opened and the end of the prior month, February 28<sup>th</sup>, Andy had made 6,552 trades so as to incur \$52,088.40 in commissions. The letter again encouraged Andy to contact YT if (s)he had any questions or concerns about (his)(her) account.

Andy received the letter, but did not contact YT. (S)He continued to place trades with approximately the same frequency. Then, (s)he borrowed \$35,000 against (his)(her) pension account at TIAA CREF, depositing the proceeds into (his)(her) YT account near the end of March 2014. Andy's favorite stock, Twiddle, lost more than half of its value in the first quarter of 2014. Overall, Andy had mixed results with (his)(her) trading; some days the trading was successful, and others it was unsuccessful. As time passed, the unsuccessful days outweighed the successful days, and Andy was losing more money than (s)he was making.

By the end of April 2014, Andy had reached bottom. As a result of a margin call, Andy had been forced to liquidate the contents of (his)(her) YT account. Not only did Andy lose the \$300,000 (s)he had deposited, but Andy also lost (his)(her) credit card and pension proceeds. On top of those losses, Andy had an outstanding margin debit of \$14,000 by the time Andy was forced to stop trading. (His)(Her) total loss was \$389,000, which included a bit over \$90,000 in commissions (s)he had paid at \$7.95 per trade.

At the urging of a concerned friend, Andy attended a Gambler's Anonymous meeting in late May 2014. At the meeting, speakers spoke of various forms of gambling, including certain forms of speculation in securities trading, as an addiction, a type of illness. Andy began thinking more about what (s)he had done, and, at the friend's suggestion, consulted a lawyer about YT's possible responsibility for (her)(his) losses.

On June 13, 2014, Andy's lawyer filed a Statement of Claim with FINRA, alleging that Andy was a "person with diminished capacity because of a gambling addiction who should not have been permitted by YT to continue (his)(her) erratic, frenzied, unsuitable and senseless day trading, particularly after Richards became aware of the activity in the account." YT denies the allegations, and has counterclaimed for Andy's unpaid margin debit, which, with interest, is now \$14,140. YT maintains that Andy's net worth and income were sufficient to permit (him)(her) to day-trade on margin. YT also maintains that securities firms have no obligation to supervise self-directed accounts, particularly when such trading is not based at all on their advice. YT also disclaims any knowledge that Andy may have had a gambling problem or diminished capacity.

**NEGOTIATION ROUND:**

In this round, each team is to negotiate based on the background facts and the private facts of the client the team is representing. Andy and Richards, as the corporate representative for YT, shall be the parties present at the negotiation.

**MEDIATION ROUND:**

In this round, please assume that there was no agreement reached in the negotiation round because Andy wanted YT to repay all the money Andy lost, and YT was adamant that the company did nothing wrong. Each team is to proceed based on the background facts and the private facts of the client the team is representing. Please disregard any additional information that might have been revealed in the previous round as well as any agreements that might have been discussed. Andy and Richards, as the corporate representative for YT, shall be the parties present at the mediation.

**ARBITRATION ROUND:**

In this round, please assume that there was no agreement reached in the mediation round because each side believed they had a winning case and was confident a panel of arbitrators would agree. In this round, each team is to proceed based on the background facts and the private facts of the client the team is representing. Please disregard any additional information learned in the previous two rounds as well as any agreements that might have been reached.

There will be one witness for each side: Andy for the Claimant and Richards for the Respondent. The Statement of Claim is attached hereto as "Attachment 1." The Statement of Answer with exhibit is attached hereto as "Attachment 2." Andy's signed Submission Agreement is "Attachment 3," and Respondent's signed Submission Agreement is "Attachment 4." The Statement of Claim and the Statement of Answer with exhibit will be Arbitrator's Exhibit One and are therefore part of the record.

\* This problem was collaboratively created by Ken Andrichik, Elayne E. Greenberg, Christine Lazaro, and Nicholas Weiskopf. Thank you to Jay Facciolo for his critique.

FINRA DISPUTE RESOLUTION, INC.

-----X	:	
In the Matter of the Arbitration Between:	:	
	:	
ANDY COOPER	:	
Claimant,	:	FINRA Case No. 14-054321
	:	
vs.	:	Statement of Claim
	:	
YOUR TRADES, INC.	:	
Respondent.	:	
-----X	:	

This Statement of Claim is filed on behalf of Claimant, Andy Cooper, against Respondent, Your Trades, Inc., a FINRA member firm. This claim is filed pursuant to Rule 12200 of the FINRA Code of Arbitration Procedure as a controversy between a public customer and a member firm. Cooper seeks to recover \$389,000 in damages.

In November 2013, Cooper opened a day-trading account with Your Trades, Inc. (“YT”) and deposited \$200,000. YT approved the account for margin trading. Cooper began day-trading the account. Almost immediately, Cooper began borrowing money from YT to be able to trade on margin. At the beginning of January, Cooper deposited an additional \$100,000 in the account. The following month, Cooper borrowed additional money from (his)(her) credit cards, exhausting the lines of credit on three of the cards, and deposited an additional \$40,000 in the account. Near the end of March, 2014, Cooper borrowed \$35,000 against (his)(her) pension account with TIAA-CREF, and deposited those funds into the account with YT. By the end of April, Cooper’s account was completely wiped out, and as the result of a final day of frenzied trading and a margin call, ended with a debit balance of \$14,000.

YT violated FINRA Rule 2130, by approving Cooper for a day-trading account without having reasonable grounds for believing a day-trading strategy was appropriate for Cooper. Cooper failed to provide information regarding (his)(her) prior brokerage accounts on the application, and, in fact, did not have any prior investing or trading experience.

Throughout this time period, Cooper was engaged in highly erratic trading in the account. It was clear from the pattern of trading that Cooper did not know what (s)he was doing and that the trading could not be profitable. Cooper incurred over \$90,000 in commissions in the five month period between December 2013 and April 2014.

Twice during this time period, YT sent Cooper letters; however, YT should have taken more aggressive action. It was clear that Cooper was a person with diminished capacity because of a gambling addiction who should not have been permitted by YT to continue (his)(her) erratic, frenzied, unsuitable and senseless day trading, particularly after Richards became aware of the activity in the account. YT should have stopped Cooper from trading entirely.

YT violated FINRA Rule 2010, by failing to observe high standards of commercial honor and just and equitable principles of trade. YT took advantage of Cooper's diminished capacity and benefited financially.

#### RELIEF REQUESTED

Based upon the foregoing, Cooper requests an award against Respondent Your Trades, Inc. for compensatory damages in the amount of \$389,000, which includes the losses incurred in the account (\$375,000) and the margin debit incurred (\$14,000), interest, and all fees and costs including attorneys' fees for YT's misconduct.

FINRA DISPUTE RESOLUTION, INC.

-----X	
In the Matter of the Arbitration Between:	:
	:
ANDY COOPER	:
Claimant,	:
	:
vs.	:
	:
YOUR TRADES, INC.	:
Respondent.	:
-----X	

FINRA Case No. 14-054321  
Statement of Answer

This Statement of Answer is filed on behalf of Respondent, Your Trades, Inc. (“YT”), in response to the Statement of Claim filed on behalf of Andy Cooper.

YT denies all liability to Cooper for the claims alleged. When Cooper applied for a day trading account with YT, Cooper informed YT that (his)(her) annual income was approximately \$100,000 and (his)(her) net worth was \$300,000. YT reviewed this information and Cooper was approved for a day-trading account based on the information provided. Although Cooper did not have prior trading experience listed on (his)(her) application, it was assumed Cooper did not have any such experience. Prior investment experience is not a pre-requisite for day-trading approval.

At the time Cooper opened the day trading account, (s)he was provided with a “Day-Trading Risk Disclosure Statement”, which clearly and plainly set forth all of the risks associated with day trading. A copy of the “Day-Trading Risk Disclosure Statement” is attached as Exhibit “1.” Cooper accepted these risks when (s)he opened the account and began day trading.

Just two months after Cooper began trading, YT sent (him)(her) an additional copy of the “Day-Trading Disclosure” form and invited (him)(her) to contact YT if (s)he had any questions or concerns. Cooper did not contact YT. A few weeks later, YT again contacted Cooper, and provided (him)(her) with detailed information about the activity in the account. YT provided Cooper with specific information about the number of trades that had been placed between the beginning of December and the end of February, and the amount in commissions Cooper had paid. Again, the letter



encouraged Cooper to contact YT if (s)he had any questions or concerns about (his)(her) account; however, (s)he never did.

By the end of April, because of market conditions and Cooper's trading decisions, Cooper had depleted (his)(her) account, and ended with a debit balance of \$14,000. Cooper has failed to repay the debit, which has been incurring interest, and as of October 2014, is \$14,140.

YT had no obligation to monitor the trading in Cooper's account. YT did not make any recommendations to Cooper as to specific securities or an investment strategy. The day-trading strategy Cooper implemented was entirely (his)(her) idea, and YT had no obligation or right to second guess it. YT had no knowledge that Cooper had a gambling problem, and, even if it had, had no obligation to prevent Cooper from trading.

YT cannot be expected to infer a customer's mental capacity from his or her trading patterns. YT had no notice that Cooper may have been suffering from any diminished capacity. YT exercised prudent business practices at all times.

Accordingly, Your Trades, Inc. requests that the arbitration panel dismiss all claims, assess all fees against Claimant, and award Respondent attorneys' fees. Additionally, Respondent requests damages in the amount of \$14,140, representing the amount of the margin debit balance owed by Cooper.



## Day-Trading Risk Disclosure Statement

You should consider the following points before engaging in a day-trading strategy. For purposes of this notice, a "day-trading strategy" means an overall trading strategy characterized by the regular transmission by a customer of intra-day orders to effect both purchase and sale transactions in the same security or securities.

**Day trading can be extremely risky.** Day trading generally is not appropriate for someone of limited resources and limited investment or trading experience and low risk tolerance. You should be prepared to lose all of the funds that you use for day trading. In particular, you should not fund day-trading activities with retirement savings, student loans, second mortgages, emergency funds, funds set aside for purposes such as education or home ownership, or funds required to meet your living expenses. Further, certain evidence indicates that an investment of less than \$50,000 will significantly impair the ability of a day trader to make a profit. Of course, an investment of \$50,000 or more will in no way guarantee success.

**Be cautious of claims of large profits from day trading.** You should be wary of advertisements or other statements that emphasize the potential for large profits in day trading. Day trading can also lead to large and immediate financial losses.

**Day trading requires knowledge of securities markets.** Day trading requires in-depth knowledge of the securities markets and trading techniques and strategies. In attempting to profit through day trading, you must compete with professional, licensed traders employed by securities firms. You should have appropriate experience before engaging in day trading.

**Day trading requires knowledge of a firm's operations.** You should be familiar with a securities firm's business practices, including the operation of the firm's order execution systems and procedures. Under certain market conditions, you may find it difficult or impossible to liquidate a position quickly at a reasonable price. This can occur, for example, when the market for a stock suddenly drops, or if trading is halted due to recent news events or unusual trading activity. The more volatile a stock is, the greater the likelihood that problems may be encountered in executing a transaction. In addition to normal market risks, you may experience losses due to system failures.

**Day trading will generate substantial commissions, even if the per trade cost is low.** Day trading involves aggressive trading, and generally you will pay commissions on each trade. The total daily commissions that you pay on your trades will add to your losses or significantly reduce your earnings. For instance, assuming that a trade costs \$16 and an average of 29 transactions are conducted per day, an investor would need to generate an annual profit of \$111,360 just to cover commission expenses.

**Day trading on margin or short selling may result in losses beyond your initial investment.** When you day trade with funds borrowed from a firm or someone else, you can lose more than the funds you originally placed at risk. A decline in the value of the securities that are purchased may require you to provide additional funds to the firm to avoid the forced sale of those securities or other securities in your account. Short selling as part of your day-trading strategy also may lead to extraordinary losses, because you may have to purchase a stock at a very high price in order to cover a short position.

**Potential Registration Requirements.** Persons providing investment advice for others or managing securities accounts for others may need to register as either an "Investment Adviser" under the Investment Advisers Act of 1940 or as a "Broker" or "Dealer" under the Securities Exchange Act of 1934. Such activities may also trigger state registration requirements.

**FINRA ARBITRATION Submission Agreement**

---

**Claimant(s)**

**In the Matter of the Arbitration Between**

Name(s) of Claimant(s)

Andy Cooper

---

**and**

Name(s) of Respondent(s)

Your Trades, Inc.

---

1. The undersigned parties ("parties") hereby submit the present matter in controversy, as set forth in the attached statement of claim, answers, and all related cross claims, counterclaims and/or third-party claims which may be asserted, to arbitration in accordance with the FINRA By-Laws, Rules, and Code of Arbitration Procedure.
2. The parties hereby state that they or their representative(s) have read the procedures and rules of FINRA relating to arbitration, and the parties agree to be bound by these procedures and rules.
3. The parties agree that in the event a hearing is necessary, such hearing shall be held at a time and place as may be designated by the Director of Arbitration or the arbitrator(s). The parties further agree and understand that the arbitration will be conducted in accordance with the FINRA Code of Arbitration Procedure.
4. The parties agree to abide by and perform any award(s) rendered pursuant to this Submission Agreement. The parties further agree that a judgment and any interest due thereon, may be entered upon such award(s) and, for these purposes, the parties hereby voluntarily consent to submit to the jurisdiction of any court of competent jurisdiction which may properly enter such judgment.
5. The parties hereto have signed and acknowledged the foregoing Submission Agreement.

Andy Cooper

---

Claimant Name (please print)

*Andy Cooper*

---

Claimant's Signature

June 13, 2014

---

Date

State capacity if other than individual (*e.g.*, executor, trustee or corporate officer)

**FINRA ARBITRATION Submission Agreement**

---

Respondent(s)

**In the Matter of the Arbitration Between**

Name(s) of Claimant(s)

Andy Cooper

---

**and**

Name(s) of Respondent(s)

Your Trades, Inc.

---

1. The undersigned parties (“parties”) hereby submit the present matter in controversy, as set forth in the attached statement of claim, answers, and all related cross claims, counterclaims and/or third-party claims which may be asserted, to arbitration in accordance with the FINRA By-Laws, Rules, and Code of Arbitration Procedure.
2. The parties hereby state that they or their representative(s) have read the procedures and rules of FINRA relating to arbitration, and the parties agree to be bound by these procedures and rules.
3. The parties agree that in the event a hearing is necessary, such hearing shall be held at a time and place as may be designated by the Director of Arbitration or the arbitrator(s). The parties further agree and understand that the arbitration will be conducted in accordance with the FINRA Code of Arbitration Procedure.
4. The parties agree to abide by and perform any award(s) rendered pursuant to this Submission Agreement. The parties further agree that a judgment and any interest due thereon, may be entered upon such award(s) and, for these purposes, the parties hereby voluntarily consent to submit to the jurisdiction of any court of competent jurisdiction which may properly enter such judgment.
5. The parties hereto have signed and acknowledged the foregoing Submission Agreement.

Your Trades, Inc.

---

Respondent Name (please print)

*Sal Richards*, Corporate Officer

July 13, 2014

---

Respondent’s Signature

Date

State capacity if other than individual (e.g., executor, trustee or corporate officer)

### **Private Information for Andy:**

You have always been somewhat of a loner. Yes, you graduated college with honors in engineering and yes, you worked in a prestigious engineering firm for two and a half years after you graduated college. Then, you taught for a couple of years at the University of Miami. After a few years, you soon realized that the routinized life of academia felt claustrophobic, that it wasn't for you and you left.

At about that time, you became even more of a loner when your younger brother became a double amputee while serving his country. You wanted to do something to help other veterans like your brother, so you volunteered your engineering skills to assist one of the veteran organizations to help develop better quality prosthetics. However, you soon became disheartened because the organization didn't receive an adequate level of funding needed to improve the design and functionality of prosthetics. Besides, you needed to earn money to support yourself, so you left.

How lucky you were to land this decent paying job as a superintendent in this prestigious building. As the superintendent, you have the opportunity to apply your problem-solving skills honed in engineering and still have great flexibility in your day-to-day routine. You are cordial to everyone in the building, but nobody really knows you. You want to make sure to keep it that way.

You got interested in the stock market towards the middle of 2013. There are several stockbrokers who live in the building, and you would sometimes hear them talk about their investment strategies. You started to study the market and learn about day trading. You watched the financial news channels, read the financial news stories on Yahoo Finance and MSN, and watched all the "How to Day-Trade" videos on YouTube. You were bewildered by much of what you saw and read, but became increasingly excited about "being somebody" and making real money.

You realized that successful people also have their own investment strategy, so you developed your own investment strategy. You became convinced that stocks had frequent intraday price changes based on how people felt at any given moment about a combination of various things, including the current temperature, newly released economic data, the prior day's sports results, intraday interest rate changes, precious metal price movements, intraday changes in various indices including the Russell 2000 and the S&P 500, and the average volume of the stock being traded.

You quickly began to realize that the stock market was an opportunity for you to increase the money you already had. You had managed to save \$300,000, amassed from a \$120,000 gift bequeathed to you from the estate of an eccentric deceased resident in the building and an \$180,000 personal injury settlement you had received. You also had a \$39,640 TIAA-CREF pension from your University of Miami teaching days.

You opened the account, and started trading. However, it wasn't as easy as the videos made it sound. The trades didn't get executed at the prices you saw on the screen. You kept switching the factors you focused on, knowing that you would soon figure out the right mix to be able to predict the price movements of the stocks. You were sure you would get it right, you just needed more money and a little more time. But eventually, both ran out.

You need money. At Gambler's Anonymous, you heard about "out of control" gamblers who had successfully sued casinos to recoup their losses. You began thinking you might be able to recoup your losses from YT. You only went to Gambler's Anonymous in May 2014 to assuage the concerns of a friend who was troubled by the magnitude of your trading losses. You don't necessarily think of yourself as a gambler, just someone who got very unlucky. However, those at Gambler's Anonymous think you're a gambler. If calling yourself a gambler is the winning ticket to recoup your losses, then that is a label you will wear. You continue to attend Gambler's Anonymous meetings.

Your lawyer has advised you that YT, like many brokerage firms, doesn't typically settle cases it believes lack merit. Why can't YT see your case as presenting a special situation and pay you? Isn't that a commonly used corporate strategy to avoid bad publicity? Aren't you a sympathetic character?

You want money, but you prefer to live below the radar. No Facebook for you. You do not crave any publicity, and want to keep your low profile in your building.



**Private Information for Account Manager Sal(ly) Richards, Representing YT as its Corporate Representative:**

YT, formed in 1975, is a nationally respected brokerage firm with offices throughout the United States. YT offers both full service and online accounts. The firm has a large number of senior investors as clients. YT has always provided financial support to projects of social value. YT has a Community Affairs Division, which is responsible for coordinating the philanthropic activities of the firm.

Richards, fifty-two year old, has enjoyed a successful twenty-five year career in the brokerage industry, working with YT the entire time. During Richard's time at YT, Richards began first as a broker, then as an assistant manager and for the past ten years as an account manager. Richards has all appropriate licenses for each of (his)(her) job responsibilities. Richard's BrokerCheck is clean. Richard also serves as a trustee for YT's Community Affairs Division.

Richards and YT can't believe this day-trader is claiming diminished capacity because (s)he is a gambler. The "experts" report that the only discernible difference between individuals who are "traders" and those who are "gamblers" is the thrill that gamblers get when they make the trade. Are you supposed to wire the brains of all those with online accounts to assess if the pleasure section of the brain lights up when they make a trade? Since when is it a brokerage firm's responsibility to distinguish online traders from online gamblers? How outrageous that this kook Andy is claiming (his)(her) trading losses are the result of a gambling disability and that YT has a responsibility to protect Andy! Even if Andy is a gambler, YT believes it has no responsibility to protect Andy from engaging in online trading.

YT did nothing wrong. YT followed the rules, the procedures. No one at YT "pushed" or "recommended" online trading to Andy. In fact, it was Andy who walked into the YT office and asked to open an online account. This is merely another disgruntled investor seeking

insurance from your deep pocket. Yes, it is just part of doing business. Some online accounts follow unusual trading “systems” and make money.

YT acknowledges that it was aware Andy was depositing additional money into (his)(her) account to continue to trade. However, YT has no obligation to monitor day-trading accounts. It properly approved the account when it was opened. YT made sure Andy was fully aware of the risks associated with day-trading by resending the “Day-Trading Risk Disclosure Statement.” Then, YT went out of its way to ensure Andy was fully aware of the activity in (his)(her) account by sending (him)(her) the second letter. YT had no obligation to do either of these things.

YT is nonetheless concerned about the case, and how it might bring negative publicity to YT. Even though YT believes Andy doesn’t have a case, YT realizes that an arbitration panel might be sympathetic to Andy if it accepts a “diminished capacity” argument. YT may be open to suggestions about implementing realistic safeguards for potentially “out of control” accounts. It may also be prepared to forego the margin debit. However, YT would prefer not to agree to anything that even suggests that YT did anything wrong.

Richards has full settlement authority subject to the regional manager’s approval.