



U.S. COMMODITY FUTURES TRADING COMMISSION

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OFFICE OF
PROCEEDINGS

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JUL 17 8 14 AM '97
FILED

BRUCE E. HARRISON,
Complainant,

v.

WILLIAM GERALD ROSENE,
Respondent.

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CFTC Docket No. 96-R112

INITIAL DECISION

Bruce Harrison seeks to recover \$20,000 that he claims he lost as the result of a mishandled stop order at the open on June 7, 1996.^{1/} In response, Rosene asserts that he filled the stop order at the best available price in free-falling fast market conditions.

The findings and conclusions below are based on the parties' documentary submissions, including Harrison's complaint; Saul Stone's answer; Harrison's letter dated August 1, 1996; and Rosene's answer.

Factual Findings

1. Bruce E. Harrison, a resident of Farmington, Missouri, opened a self-directed account with Saul Stone & Company through a commodity trading advisor selected by Harrison.

^{1/} After Harrison and Saul Stone & Company reached a settlement, this matter was dismissed as to Saul Stone & Company by order dated May 1, 1997.

2. On June 7, 1996, at about 7:30 a.m. CDT, Harrison, through his commodity trading advisor, placed an order with Saul Stone to sell ten September Treasury Bond futures contracts at 108 7/32 on a stop order. Saul Stone promptly transmitted this order to floor broker William Rosene who incorporated the order into his deck of orders.

3. Almost simultaneously, the Department of Commerce released its Labor Reports, to which the bond market reacted very negatively.^{2/} The market went into a free-fall, without up-ticking for the next three-and-a-half minutes, and the Treasury Bond pit committee designated fast market conditions.^{3/} The market was very one-sided, with market makers refusing to quote bids until the market had broken significantly. Rosene continued to attempt to sell the contracts in his deck, and at no time did he refuse to sell any available bid.

Rosene made his first sale, nine contracts at 106 20/32, at 7:32:40 a.m.; followed by ten contracts sold at 106 17/32, at 7:32:55 a.m.; and 100 contracts sold at 106 7/32, at 7:33:25 a.m.

^{2/} Harrison did not challenge respondents' factual descriptions of events in the T-Bond pit.

^{3/} CBT Rule 320.16 provides in pertinent part that:

[A fast market shall be designated] "whenever price fluctuations in the pit(s) are rapid and the volume of business is large. . . . The consequence of "FAST" market conditions is that a penetrated limit order may not be able to be executed at the specified limit price. . . . A "FAST" designation does not nullify or reduce the obligations of the floor broker to execute orders with due diligence according to the terms of the order.

(Revised August 1, 1994.)

At this point, Rosene paused to determine the exact number of contracts required to fill the balance of his initial block of orders. A moment later, Rosene received a verbal order to sell 23 contracts at the market which he did, filling them at 106 8/32. This block represented sell-stop and market orders that had not been in Rosene's possession during the free-fall. Rosene then filled his initial block of buy orders at 106 10/32 and 106 13/32. Finally, at about 7:35:00, Rosene calculated that he was undersold by 11 contracts, which he sold at 106 23/32 and 106 22/32. Thus, in the first five minutes Rosene had sold 153 contracts at prices ranging from 106 23/32 to 106 7/32.

Rosene gave the better fills to those orders that had been entered at higher prices and thus had been elected at higher prices. Harrison's order was filled as part of the 100-contract block sold at 106 7/32, at 7:33:25 a.m. [¶¶ 1 through 5 of Saul Stone's Answer; ¶¶ 1 through 7 of Rosene's answer; and CBT Time and Sales Journal, CBT trade register for Rosene's trades on June 7, 1996, Rosene's pit cards, and "Breakdown of Sell Orders" prepared by Rosene (exhibits to Rosene's Answer.)

4. In a letter dated June 20, 1996, Harrison claimed that "two other customers, who I know personally, were filled by the exact same broker, using exactly the same order, and received fills \$10,000 to \$15,000 greater than mine." [Emphasis added.] However, Harrison has never substantiated this assertion by identifying these two customers or producing affidavits by these two customers.

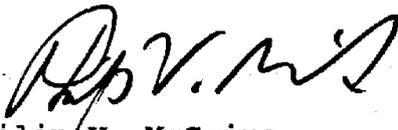
Conclusions

In support of his complaint, Harrison merely asserts that he has "personally spoke with 10 individual traders who had their stops even below mine and got filled within 30 seconds of their stop being hit." (Emphasis added.) However, Harrison has not identified these traders; has not described the specific circumstances around their orders; has not produced an affidavit by any of these traders; and has otherwise failed to produce a scintilla of evidence that contradicts respondents' description of the events surrounding the execution of his order. The mere fact that Harrison's order was filled as part of Rosene's third block, and that this block was filled at a lower price -- and forty-five seconds later -- than Rosene's first block is insufficient to support a reliable inference of fraud or reckless fiduciary breach by Rosene, and is also insufficient to establish that Harrison was otherwise entitled to a better fill. In contrast, Rosene has shown that the market was in a fast condition and that Harrison received a fill well within the price range during the fast market.

ORDER

No violations having been shown, the complaint in this matter is DISMISSED.

Dated July 17, 1997.


Philip V. McGuire,
Judgment Officer