



**U.S. COMMODITY FUTURES TRADING COMMISSION**

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JUN 13 12 08 PM '97  
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STEVEN B. PRITCHETT,  
Complainant

v.

LFG LLC (Name changed from Linnco  
Futures Group),  
Respondent

CFTC Dkt. No. 96-R092

**INITIAL DECISION**

The trading facts in this matter are not substantially in dispute and are established by the documentary evidence, particularly the floor tickets and the time and sales records from the Chicago Mercantile Exchange. Facts relating to complainant's actions are taken from his amended complaint, with which respondents have indicated no dispute. Those facts establish that respondent LFG (formerly, Linnco Futures Group) may have provided erroneous and untimely information to its customer, the complainant, but did not commit any violations entitling complainant to reparations.

On April 25, 1996, complainant placed an order to buy 4 July CME pork belly contracts. He placed his order at 8:42, prior to the opening of the market, as a market-if-touched order at a price of \$79.60, meaning that the order would become a market order the moment the market price hit \$79.60. Respondent prepared order ticket number 382 and sent this order to the floor broker.

The pork belly market opened at 9:10 a.m. at \$82.57 and stayed at that price for over an hour. During that period of time, at approximately 9:24, the complainant placed a cancel/replace order to cancel the earlier market-if-touched order and replace it with a market order for 4 of the same contracts. Respondent's floor desk prepared order ticket number 410 and sent it to the floor broker.

At 11:45 or so, complainant received a telephone call from the floor desk to inform him that the cancellation of his first order had been too late and the order had been executed at a price of \$79.50. However, at 12:45 p.m., respondent's floor desk again called complainant, this time to confirm the execution of complainant's *second* order, number 410, at a price of \$82.57. The desk informed complainant that the confirmation of order 382 at \$79.50 had been in error.

Complainant contends that respondent improperly changed his fill price from the first confirmed price, at \$79.50, to the higher price of \$82.57. He seeks the difference between the lower

price and the higher price in damages.<sup>1</sup> Complainant's calculations are based on a liquidation price of 90, so the only question is whether respondent's actions improperly deprived complainant of a larger profit than the one he received.

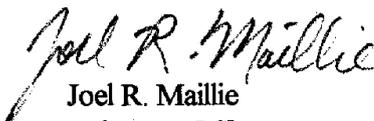
The order tickets and time and sales reports establish that the problem here was not that respondent switched complainant's fill but that respondent's floor broker did not report the *first* fill back to the desk in timely fashion. The floor clerk obviously assumed (incorrectly) that the \$79.50 fill of order number 382 meant that the cancellation/replace market order number 410 had been too late. In fact, however, the replacement order *had* been executed but the floor broker thereafter *also* mistakenly executed the *original* market-if-touched order. As respondent has noted in its submission of August 22, 1996, the only time that order 410 could have been executed was long before the market moved to the price that triggered order number 382 (*see* April 25, 1996, CME Time and Sales).

The problem, therefore, is simply that LFG did not provide its customer a timely and accurate execution report. Had complainant suffered losses because of the confusion, he might be entitled to damages, but he is not arguing that he would have taken any different action had he received the \$82.57 confirmation earlier. Furthermore, the \$79.50 execution was a mistake by the floor broker, and therefore never belonged to (or burdened) the complainant. Since that mistake was corrected without any cost to the complainant, he cannot argue that he has suffered any losses from the mistake.<sup>2</sup>

These problems might cause a customer to find another firm which might promise better timeliness and accuracy. But such business problems did not change complainant's overall experience in this transaction from what he initiated when he placed the cancel/replace order, and therefore he is not entitled to a different price from the market price he obtained.

For the reasons stated, the complaint is DISMISSED.

Dated: June 13, 1996

  
Joel R. Maillie  
Judgment Officer

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<sup>1</sup> In the alternative, complainant argues that he should have had *both* fills that were confirmed to him. Considering that complainant never at any time voiced any desire to take 8 contracts, and that nothing respondent did ever exposed complainant to the market at twice his intended level, this argument is dismissed as a clear attempt to retroactively secure a windfall from respondent's floor desk confusion.

<sup>2</sup> Of course, had complainant demonstrated improper actions by the floor broker resulting in damages, LFG would be liable as the principal for whom its floor broker agent was acting. *See* Section 2(a)(1)(A)(iii) of the Commodity Exchange Act.