

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

CHRISTINE M. WOO-LEE,
Complainant,

v.

AMERICAN NATIONAL TRADING, CORPORATION
d/b/a ANCO DISCOUNT FUTURES,
Respondent.

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CFTC Docket No. 03-R009

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INITIAL DECISION

Christine Woo-Lee's principal allegation is that ANCO Discount Futures placed two unauthorized trades in her non-discretionary, discount account. ANCO denies the allegation. As explained below, Woo-Lee has failed to show by a preponderance of the evidence any violations causing damages by ANCO.

Findings

1. Christine Woo-Lee and her husband Robert Woo-Lee maintain residences in Mesa and Flagstaff, Arizona. During the relevant time, they were in Flagstaff. Christine Woo-Lee opened the account in her name, but authorized her husband to trade her account. Accordingly, subsequent references will be to Robert Woo-Lee, unless otherwise noted. Mr. Woo-Lee has a PhD in telecommunications, and was 48 years old at the relevant time.

Woo-Lee had no previous futures trading experience but had taken a Ken Roberts course. Woo-Lee would place all of his orders via ANCO's on-line trading platform. Woo-Lee asserts that he had intended to trade one contract per commodity then liquidate that contract after it rose or fell a predetermined amount. In the complaint, Woo-Lee stated that that amount was 100 points, and in his pre-hearing affidavit he stated that that amount was 10 points.

2. American National Trading Corporation, doing business as ANCO Discount Futures, is a registered futures commission merchant located in Los Angeles, California.

3. Rolfe & Nolan Systems Incorporated provides the order entry and routing service ("RANOrder") for ANCO. The RANOrder system consists of a back-end order routing server and web servers to host privately labeled front-end order entry applications. The front-end order entry application is an HTML browser application that can be accessed via a PC/Internet browser over a standard Internet connection.

An ANCO customer accesses the RANOrder front-end application by connecting to the Internet via the customer's Internet Provider, opening an Internet browser session, and keying in the ANCO website address. Next, the customer is presented with a log-on screen that requires the customer to enter a unique account ID and password. Upon valid entry, the customer is permitted to view the account and manage trading activity. Access to account ID and password data is limited to ANCO and Rolfe & Nolan. Orders placed by the customer have an order number with a "CUST" prefix. Orders placed by the ANCO order desk – such as the order canceling a defective order placed by Mr. Lee -- have an order number with a "JVAR" prefix.

The RANOrder front-end application operates on a request/response basis with the RANOrder server. When a customer submits an order, the HTML front-end sends an Application Programming Interface ("API") message to the RANOrder server that an order has been received. The RANOrder server responds to the API message by sending an order validation message to the customer that includes an order number and a read-back of the order for further end-user confirmation. The end-user re-validates and transmits the order for RANOrder credit validation and transmission to the exchange for execution. Each of these incoming and outgoing order messages is recorded in the RANOrder audit log. The recorded information includes the IP address of the origination site of the message. [See statement submitted by James M. Birney, CFO for Rolfe & Nolan.]

4. With one exception, Woo-Lee exclusively used market orders. For each order, ANCO e-mailed a confirmation to Woo-Lee. For each confirmation, the subject field of the header was identified as "Filled Order." [See copies of e-mail confirmations, produced as exhibits to complaint.]

5. Woo-Lee began trading the week before the disputed August 5th trades.

On Wednesday July 31st, Woo-Lee bought one November Light Crude (#1551). He next bought one December Euro (#1786), which was filled at 9726.

On Thursday August 1st, at 10:53, Woo-Lee deviated from his one-contract-per-commodity strategy when he bought a second December Euro (#2060), which was filled at 9784. At 13:17, he sold a December Euro (#2171), which was filled at 9785. Although Woo-Lee apparently had intended for #2171 to offset #1786, which would have resulted in a 59-point profit, he somehow entered the orders so that #2171 offset #2060, instead of #1786, which resulted in a negligible one-point profit.

On Friday August 2nd, Woo-Lee started the day by again deviating from his one-contract per commodity strategy. First he placed a market order to buy a November Light Crude (#2233), which left him long two November Light Crudes. Next, at 8:06 a.m., he placed a market order to buy a second December Euro (#2244), which left him long two light crudes.

At 8:19 a.m., he placed a market order to sell one December Euro (# 2277), which offset #1786, and which resulted in a 700-point profit. Later, at 11:09 a.m., he placed a market order to sell one December Euro (#2439), which offset #2233, and which resulted in a 20-point loss.

At 12:53 p.m. that day, Woo-Lee sent an e-mail to Nashi Rafii, a “customer relations representative” for ANCO, in which he indicated that he had experienced a problem placing an order:

When I went to take a profit on a specific contract the platform closed out the wrong contract. Using the O option in a specific contract should buy/sell that specific contract, right?

Rafii would respond to this e-mail the morning of Monday May 5th: “Yes, the O button will offset the holding.” Rafii did not follow up on Woo-Lee’s reference to the platform closing “the wrong contract,” and Woo-Lee never identified the trade or order where he had experienced this problem.

At the close on Friday August 2nd, Woo-Lee was short two November Light Crude contracts and out of the Euro market.

5. On Monday August 5th, the December Euro opened at 9780. The December Euro would hit the high of 9812 at 8:58 a.m., and hit the low of 9749 at the close.

At 7:41:45 a.m. on August 5th, Woo-Lee placed an order (#CUST02662) to “Buy 1 Dec IMM ECU 97.” (Underlining added for emphasis.) This was Woo-Lee’s first attempt to place an order that was not a market order. At 7:42:45, the ANCO order desk placed an order (#JVAR02664) canceling Woo-Lee’s order, because the Euro prices have four digits.

Soon afterwards, the two orders were placed in the Woo-Lee account that Woo-Lee claims he did not place. At 7:48, an order (#CUST02666) was placed in the Woo-Lee account to buy one December Euro at the market. At 7:49, second order (#CUST02668) was placed in the Woo-Lee account to buy one December Euro at the market. At 7:49:48, order 2666 was filled at 9790. At 7:50, ANCO e-mailed to Woo-Lee confirmation of the fill on order 2666. At 7:52:20, order 2668 was filled also at 9790. At 7:53, ANCO e-mailed to Woo-Lee confirmation of the fill on order 2668. The IMM Quotation Listing report confirms that the December Euro was trading at this price at the time of the fills.

In his subsequent verbal and written communications with ANCO, starting on August 6th, Woo-Lee would claim that he did not become aware of the two trades until the morning of the next day. Woo-Lee would repeat this assertion in his complaint and his testimony. At the hearing, Woo-Lee gave the following explanation for why he did not notice these e-mails until the next day:

I do an incredible amount of business online e-mail. If I don’t have a trade that I’m cognizant of, then there’s no reason for me to check e-mail.

[Page 45 of hearing transcript.]

However, this explanation cannot be squared with the fact that for both e-mail confirmations the subject of the message had been clearly identified as “Filled Order.”

The plausibility of Woo-Lee's explanation is further undermined by the fact that shortly after receipt of these e-mails, Woo-Lee and ANCO exchanged a series of e-mails. At 8:22, Woo-Lee e-mailed ANCO with a question about margin sheets. At 8:32, Nashi Raffi of ANCO e-mailed Woo-Lee in response to his August 2nd e-mail inquiry about using the "O" option to close out a position. At 8:49:31, Raffi e-mailed a reply about the margin sheets. At 11:57, ANCO e-mailed a confirmation for a fill on an order to buy one December crude oil contract. At 11:58, ANCO e-mailed a confirmation for a fill on an order to sell one November crude oil contract.

At the close on August 5th, Woo-Lee was long two December Euros, long one November Light Crude, long one December Light Crude.

6. On Tuesday August 6th, Woo-Lee called ANCO and complained that he had not placed orders to buy the two Euros and threatened to close the account. While he waited for a response from ANCO, Woo-Lee liquidated the two Light Crudes and realized an aggregate \$850 gross profit. Steve Roy called Woo-Lee and advised him that the RANOrder audit showed that the two trades had been placed from Woo-Lee's computer and thus were "definitely yours." Roy then asked Woo-Lee if he wanted to hold or liquidate the trades. In response, Woo-Lee asked: "How much am I down in the currency?" After Roy reported that he was down \$5,250, Woo-Lee replied that "I'm going to hang in there 'til it turns around. As soon as it's profit, then I'm going to close it. And then I'll close the account." [Pages 3 and 4 of transcript of August 6th conversation.]

7. After August 5th, Woo-Lee did more than wait for the December Euros to turn around, and made new trades on August 6, 7, 9, 11 and 15. On August 9, Woo-Lee placed an order offsetting the first of the disputed December Euro's and realized a loss of \$1,925. On August 15, Woo-Lee placed an order offsetting the second of the disputed December Euro's and realized a loss of \$87.50.

8. In early September, Woo-Lee sent a letter to ANCO complaining that he had not placed the two Euro market orders. In response, ANCO asked Rolfe & Nolan to provide background information about the disputed orders for account 32C54. Rolfe & Nolan reviewed the audit logs and advised ANTC that the IP address (24-121-12-48) for the end-user who originated the orders was associated with NPG Cable -- an Internet service provider in Flagstaff, Arizona -- and that Mr. Woo-Lee was a client of this Internet service provider. Woo-Lee has not produced any evidence contradicting this assertion. [See ANTC's and Woo-Lee's post-hearing documentary production, and Birney statement produced by ANTC.]

Conclusion

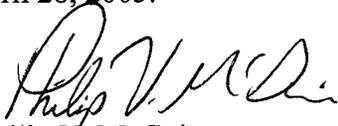
Woo-Lee's has failed to produce sufficiently reliable or plausible evidence in support of his claim that he did not place the two disputed market orders. Most significantly, Woo-Lee has produced no evidence that his IP address was different from the IP address that was the source of the two disputed orders. Woo-Lee further undermined his case by making too many unsubstantiated or implausible assertions. For example, his assertion that the two orders were

suspect because he had only traded one contract at a time was completely contradicted by the fact that he had held two-contract positions during the first round of undisputed orders on August 1st and 2nd. Also, Woo-Lee's assertion that he was not aware of the two orders cannot be reasonably squared with the fact that, at a time that Woo-Lee had been actively sending and receiving e-mails, ANTC had sent him two e-mails confirming the fills and ANTC had specifically and prominently identified "Filled Order" as the subject of each e-mail. In these circumstances, the weight of the evidence supports the conclusion that Woo-Lee's computer was the only plausible source for the disputed orders. Therefore, the complaint must fail .

ORDER

Complainant has failed to show by a preponderance of the evidence any violations causing damages by respondent. Accordingly, the complaint is DISMISSED.

Dated April 28, 2005.


Philip Y. McGuire,
Judgment Officer