U.S. COMMODITY FUTURES TRADING COMMISSION
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ZEINAB KHALIL, Complainant,	*	
v.	*	CFTC Docket No. 06-R003
INFINITY FUTURES, INC., and LARRY GENE YOUNG, Respondents.	*	

INITIAL DECISION

Zeinab Khalil, a retired business finance professor with over fifteen years experience trading commodity futures and options, maintained for about six weeks a non-discretionary account with respondents, and lost a total of $5,654. Khalil typically selected the bulk of her trades from a newsletter with no connection to respondents. This newsletter featured a short-term options trading strategy designed to get in and out of positions with small profits and small losses.[1] Most of these trades involved initiating option positions shortly before the expiration date. Khalil's account executive, Larry Young, credibly testified that she had regularly rejected his advice to avoid this sort of trade because it is highly risky.[2] Nonetheless, Khalil seeks to recover all of her losses, principally because Young did "not have enough time to advise me correctly." [Page 14 of hearing transcript.]

[1] Respondents charged a $40 round-turn commission per contract.

[2] I found that Young offered more plausible and convincing testimony than did Khalil, who offered confused and inconsistent testimony about crucial matters, such as the source of the recommendations to trade the near-expiration options. *See* cross examination of Khalil at pages 29-35 of hearing transcript.

Khalil's core complaint is focused on two transactions. The first transaction involved a September silver put that she had instructed Young to short, just two days before expiration. Young advised her that this was an overly risky strategy, because she would likely be assigned a futures contract in a volatile market. However, Khalil rejected this advice, and Young placed the order. A day couple days later, the option expired in the money and a September silver future was assigned to Khalil's account. Shortly afterward, the market moved against Khalil, and she accepted Young's advice to limit her losses and liquidate the position for a total loss of about $1,250. The second disputed transaction involved a crude oil trade recommended by Young. However, Khalil asked for much tighter stops than the stops recommended by Young. Young warned her that she was likely to be quickly bounced from the volatile market. However, Khalil refused to adjust her requested stops, and shortly afterwards the market hit her stop price, converting her stop order into a market order, which was promptly filled, for a loss of about $360.

For both transactions, Young had clearly and succinctly warned Khalil about the risk factors that would end up directly causing her losses. Once Khalil had decided to discount Young's warnings and to reject his advice not to place these particular orders, he was obligated to execute the orders which she insisted on placing. In these circumstances, Khalil bears full responsibility for her losses. Accordingly, it is concluded that Khalil has failed to show by a preponderance of the evidence any violations by respondents, and the complaint is dismissed.

Dated June 28, 2007.

Philip V. McGuire,
Judgment Officer