

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010025835701**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: EI Asset Management, Inc.
Member Firm
CRD No. 46872, Respondent;

Ron Y. Itin
Registered Representative
CRD No. 2344151, Respondent; and

Ahsan R. Shaikh
Registered Representative
CRD No. 2306482, Respondent

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondents submit this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondents alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Respondent EI Asset Management, Inc., ("EI" or "the firm"), CRD No. 46872, has been registered as an introducing broker-dealer since September 1999. EI has its main office in Jersey City, New Jersey and branch offices in New York, New York, Cortlandt Manor, New York, and Alexandria, Virginia. Currently, 14 registered representatives are associated with EI.

Respondent Ron Y. Itin, CRD No. 2344151, entered the securities industry in 1993 and is currently registered with FINRA through EI as a General Securities Representative, General Securities Principal, Options Principal, and FINOP.

Respondent Ahsan R. Shaikh, CRD No. 2306482, entered the securities industry in 1992 and is currently registered with FINRA through EI as a General Securities Representative and General Securities Principal.

RELEVANT DISCIPLINARY HISTORY

Respondent EI entered into an AWC in June 2011 for conducting a securities business while maintaining insufficient net capital, failing to report to FINRA statistical and summary information about customer complaints, and various recordkeeping violations. EI was censured and fined \$75,000 (AWC No. 2010021038901).

Respondents Itin and Shaikh have no relevant disciplinary history.

OVERVIEW

Between July 2008 and April 2012 (the "relevant time period"), Respondents Itin and Shaikh were the principals of Respondent EI and were responsible for establishing and maintaining the firm's supervisory system. During the relevant time period, Respondent EI failed to establish and maintain a reasonable supervisory system. Respondents EI and Shaikh implemented an inadequate system to review registered representatives' electronic correspondence with the public; Respondents EI and Itin failed to conduct reasonable reviews designed to detect and prevent excessive trading in customer accounts; Respondents EI and Shaikh failed to implement suitability reviews of trading in new customer accounts; Respondents EI and Itin failed to document suitability reviews and supervisory approvals of leveraged exchange traded fund ("leveraged ETF") transactions in customer accounts; and Respondents EI and Itin failed to enforce the firm's Heightened Supervision Program. Accordingly, by failing to establish and maintain a reasonable supervisory system, Respondents EI, Itin, and Shaikh violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

Additionally, Respondent EI entered into numerous settlement agreements with various firm customers during the relevant time period. The settlement agreements contained an ambiguous confidentiality clause that could have been interpreted by customers as prohibiting them from cooperating with securities regulators. By using confidentiality provisions that could potentially impede regulatory investigations or enforcement actions, Respondent EI violated NASD Rule 2111 and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

During the relevant time period, Itin and Shaikh, as principals of EI, were responsible for establishing and maintaining the firm's overall supervisory system. Moreover, according to the firm's written supervisory procedures, Respondents Itin and Shaikh, among others, were responsible for the daily supervision of the firm and its registered representatives. Itin and

Shaikh delegated certain supervisory tasks to subordinate managers within the firm, but Itin and Shaikh remained ultimately responsible for the firm's compliance with FINRA and NASD regulations.

Supervisory Deficiencies

Electronic Correspondence Review

During the relevant time period, Respondent EI implemented a "flagging" system to supervise registered representatives' electronic communications with the public. This system, under the supervision of Respondent Shaikh, targeted certain words or phrases during random searches of the firm's e-mail database, and flagged e-mails containing such words and phrases for further review. This supervisory method, however, failed to detect and prevent the dissemination of misleading e-mails to the public.

Firm registered representatives JK and OA drafted and disseminated e-mails during the relevant time period that predicted or projected the performance of certain securities, failed to provide information that could establish a sound basis for the predictions, and failed to disclose risks. Moreover, JK and other representatives disseminated e-mails in foreign languages, yet EI did not have procedures to review foreign-language e-mails. Accordingly, Respondents EI and Shaikh failed to reasonably monitor or review e-mails to customers and prospects that had been disseminated in Spanish, Korean, Vietnamese, and Portuguese—some of which predicted future performance and failed to disclose risks.

Additionally, although Respondents prohibited firm registered representatives from using personal e-mail accounts to communicate with customers or prospects, registered representatives sent at least 47 business-related e-mails using personal e-mail addresses during the relevant time period. EI and Shaikh's supervisory procedures failed to detect and prevent these e-mails.

By failing to establish and maintain a reasonable supervisory system to monitor and review firm registered representatives' electronic correspondence with the public, Respondents EI and Shaikh violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

Excessive Trading Review

During the relevant time period, Respondents EI and Itin failed to establish reasonable supervisory processes or procedures to detect and monitor high-activity accounts. EI did not utilize exception reports or implement quantitative measures—such as portfolio turnover or cost-equity ratios—to identify red flags of excessive trading or excessive commissions.

As a result, Respondents EI and Itin failed to identify red flags of high trading volume and high commissions in customer accounts during the relevant time period. Between August 2008 and June 2010, firm customer MC was charged \$110,626 in commissions¹ for 89 trades—reflecting a cost/equity ratio² of 276%. Between October 2008 and November 2009, firm customer WEL was charged \$191,530 in commissions for 136 trades—reflecting a cost/equity ratio of 108%.

¹ Commissions include miscellaneous fees and services charges.

² Ratio indicates percentage of costs to average equity incurred over the given time period; not annualized.

Between January 2009 and June 2010, customer WR was charged \$159,322 in commissions for 342 trades—reflecting a cost/equity ratio of 89%. These cost-equity ratios indicate that the commissions and fees greatly hindered any possibility of positive returns, further demonstrating the need for reasonable supervisory reviews by Respondents.

By failing to establish procedures to detect high-volume trading and excessive commissions in customer accounts, Respondents EI and Itin violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

Suitability Review in New Customer Accounts

During the relevant time period, firm registered representatives used a two-part process to open customer accounts. First, representatives asked customers to provide basic information such as name and contact information in a preliminary account form; once this information was obtained, the firm opened an account and permitted trading. Next, the firm mailed a more comprehensive set of account opening paperwork to the new customer; this set of paperwork requested additional information such as investment objective, risk tolerance, investment experience, and financial profile.

The firm, under the supervision of Respondent Shaikh, requested new customers to complete the paperwork within 30 days of the account opening. During this 30-day time period, however, Respondents permitted trading in the account—even before receipt of the customer investment profile. This prohibited Respondents EI and Shaikh from conducting reasonable suitability reviews of transactions that preceded receipt of the account opening documents.

By failing to establish a reasonable procedure for conducting suitability reviews of trading in new customer accounts, Respondents EI and Shaikh violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

Suitability Review of Leveraged ETF Trading in Customer Accounts

During the relevant time period, the firm's procedures required supervisors to conduct a suitability review, and to provide written supervisory approval, before representatives could trade leveraged ETFs in a customer account. Specifically, the firm's procedures required Respondent Itin to document his suitability reviews in the customer account paperwork, and in an e-mail to the registered representative, indicating that he had approved the account for leveraged ETF trading.

Itin failed to document the requisite supervisory approval in 60 customer accounts that traded leveraged ETFs during the relevant time period.

By failing to document suitability reviews for leveraged ETF trading, thus failing to implement the firm's supervisory procedures, Respondents EI and Itin violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

Heightened Supervision Program

During the relevant time period, Respondent EI failed to establish, maintain, and enforce a system to reasonably supervise the activities of registered representatives subject to the firm's Heightened Supervision Program. Although the firm's written supervisory procedures provided criteria to determine whether a registered representative should be placed on heightened supervision, EI failed to establish, implement, enforce, and document an effective system.

Due to various customer complaints, EI and Itin placed firm registered representative JK under the firm's Heightened Supervision Program during the relevant time period. However, the firm and Itin failed to document any methods used to enhance the supervision of JK, failed to utilize exception reports to track or monitor the heightened supervision, and permitted JK to self-approve transactions and e-mails.

By failing to establish and implement a reasonable supervisory system with respect to registered representatives under heightened supervision, Respondents EI and Itin violated NASD Rules 3010 and 2110 and FINRA Rule 2010.

Impermissible Confidentiality Provisions in Customer Settlements

During the relevant time period, Respondent EI entered into 25 settlement and release agreements with various customers. The settlement agreements, however, contained ambiguous language that could have been interpreted by customers as prohibiting them from cooperating with regulatory investigations. Specifically, the settlement agreements required firm customers to agree not to "[c]ommence or prosecute, or assist in the filing, commencement or prosecution in any government agency, arbitral tribunal, self-regulatory body or court any claim or charge against EI Asset Management."

Firms are required to use clear and comprehensible language in settlement agreements with customers. The agreements must not impede, or have the potential to impede, any investigation or enforcement action by a securities regulator. Settlement agreements must be written clearly, without restriction or condition, to expressly allow persons to communicate freely with FINRA.³ Respondents' settlement language did not clearly and expressly allow customers to communicate freely with FINRA.

By executing settlement agreements that potentially could impede regulatory investigations, Respondent EI violated NASD Rule 2111 and FINRA Rule 2010.

- B. Respondent EI Asset Management, Inc. consents to the imposition of the following sanctions:
- (i) a censure; and
 - (ii) \$25,000 fine.⁴

³ See Notice to Members 95-87 (October 1995) and Notice to Members 04-44 (June 2004).

⁴ Pursuant to the General Principles Applicable to all Sanction Determinations contained in the Sanction Guidelines, FINRA imposed a lower fine in this case after it considered, among other things, the firm's revenues and financial resources. See Notice to Members 06-55.

Respondent Shaikh consents to the imposition of the following sanctions:
a one-month suspension in a supervisory capacity.⁵

Respondent Itin consents to the imposition of the following sanctions:⁶
a one-month suspension in a supervisory capacity, to be served upon
completion of Respondent Shaikh's suspension.⁷

Respondent EI Asset Management, Inc. agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. EI has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Respondent Itin and Respondent Shaikh understand that if they are suspended from associating with any FINRA member in a supervisory capacity, they become subject to a statutory disqualification as that term is defined in Article III, Section 4 of FINRA's By-Laws, incorporating Section 3(a)(39) of the Securities Exchange Act of 1934. Accordingly, they may not be associated with any FINRA member in a supervisory capacity during the period of the suspension (see FINRA Rules 8310 and 8311). Furthermore, because Respondents are subject to a statutory disqualification during the suspension, if they remain associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against them;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and

⁵ Respondent Shaikh has submitted a sworn financial statement and demonstrated a limited ability to pay. In light of the financial status of Respondent Shaikh, the sanctions do not include a monetary fine.

⁶ On January 30, 2015, Respondent Itin filed a Chapter 7 bankruptcy petition pursuant to Title 11, United States Code. Accordingly, no monetary sanction is being assessed against him in this matter.

⁷ Because Itin and Shaikh are responsible for supervising the firm, which is limited in size and resources, FINRA will permit Itin and Shaikh to serve their suspensions consecutively.

- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Respondents specifically and voluntarily waive any right to claim bias or prejudice of the Chief Legal Officer, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Respondents further specifically and voluntarily waive any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Respondents understand that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondents; and
- C. If accepted:
 - 1. This AWC will become part of Respondents' permanent disciplinary records and may be considered in any future actions brought by FINRA or any other regulator against Respondents;
 - 2. This AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondents may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondents may not take any

position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Respondents': (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondents may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that Respondents may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Respondents certify that they have read—and the undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read—and understands all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that they have agreed to its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce them to submit it.

Date

Date

Date

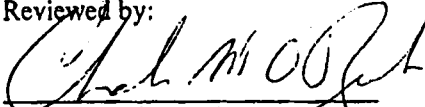
Respondent Ron Y. Lin

Respondent Ahsan R. Shaikh

Respondent E.I. Asset Management, Inc.

By:

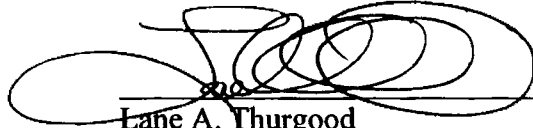
Reviewed by:


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Accepted by FINRA:

June 5, 2015
Date

Signed on behalf of the
Director of ODA, by delegated authority

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a solid horizontal line.

Lane A. Thurgood
Director

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