

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2015045211101**

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

RE: Sheik F. (Abida) Khan, Respondent
Investment Company Shares and Variable Contracts Representative
CRD No. 2448117

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, I 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 me alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. I 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

Khan entered the securities industry in 1994. From May 2002 to December 2013, Khan was associated with Ameritas Investment Corp. ("Ameritas"), a FINRA broker-dealer, as an Investment Company Shares and Variable Contracts Representative.

Although Khan has not been associated with a FINRA broker-dealer since December 2013, she remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws.

RELEVANT DISCIPLINARY HISTORY

Khan has no relevant disciplinary history.

OVERVIEW

Between 2011 and 2013, Khan failed to provide written notice of three outside business activities to Ameritas, the broker-dealer with which she was registered. Those activities included the sale of a list of Ameritas customers to an entity intending to move the customers to a different broker-dealer. In connection with that transaction, Khan sent a letter to several of her Ameritas customers that contained multiple misleading and false statements.

Also in 2013 Khan participated in a private securities transaction and opened an outside brokerage account, both acting on her daughter's behalf under power of attorney.

Through this conduct, Khan violated NASD Conduct Rules 3040 and 3050, and FINRA Rules 2210(d), 3270, and 2010.

FACTS AND VIOLATIVE CONDUCT

Failure to disclose sale of customer list as outside business activity

FINRA Rule 3270 provides that no registered person "may be an employee, independent contractor, sole proprietor, officer, director or partner of another person, or be compensated, or have the reasonable expectation of compensation, from any other person as a result of any business activity outside the scope of the relationship with his or her member firm" unless he or she has provided prior written notice to the firm. Upon receipt of such notice, the "Supplementary Material" to Rule 3270 provides that the firm, among other things, shall consider whether the proposed activity will be viewed by their customers or the public as part of the firm's business, and, as such, whether to limit or prohibit the activity.

In mid-2013, Khan decided to leave the financial industry. At that time, her business consisted of insurance products, which she sold as an independent agent of multiple insurers, and securities business conducted through Ameritas. While still registered with Ameritas, Khan contacted a business broker ("Business Broker") that provides a listing service and representation in connection with the sale of brokerage firms and related assets. The Business Broker agreed to attempt to sell certain assets related to Khan's securities and insurance business – specifically, a list of 31 customers, the customers' approximate net-worth amounts, and a brief description of their investment holdings ("the Asset") – in exchange for a 10 per cent commission on any eventual sale. The listing price was \$375,000. Although three of the listed customers were also customers of Ameritas, Khan did not notify the firm of her intention to sell the Asset.

The Asset was listed for sale on the Business Broker's website beginning in May 2013. This led eventually to a written Asset Purchase Agreement between Khan and a New York-based entity ("the Purchaser"). Khan's only obligation under the agreement was to deliver the Asset to the Purchaser. The transaction was

completed in late July 2013. As agreed, the Business Broker retained ten percent of the \$375,000 purchase amount.

The Purchaser's agent ("Agent") who negotiated and signed the Asset Purchase Agreement described the Purchaser as a group of professionals licensed at more than ten different broker-dealers and other financial institutions. The Agent referred to these professionals as "RIA members," although the Purchaser was not itself registered with the SEC as an Investment Advisor. According to the Agent, the Purchaser was involved in raising money for various public offerings, and as such could ostensibly offer private-placement investment opportunities at attractive prices.

Based on conversations with the Agent, Khan believed that the Agent hoped to have some of Khan's customers open accounts with a broker-dealer at which one or more of the Purchaser's "members" was a registered representative and, through those accounts, invest in one or more of the private placements for which the Purchaser raised money. Several of Khan's customers eventually did so.

Although Khan visited the Purchaser's website in an attempt to learn more about its business, she did not attempt to look into the Agent's background at that time. In November 2014, however, she learned from a financier acquaintance that the Agent had likely used a pseudonym in his dealings with her and her customers, and that, if so, the Agent had been barred by the SEC for stock manipulation in 2003. Khan subsequently contacted federal regulators to disclose this information.

Khan did not give Ameritas prior written notice of her agreement with the Business Broker or of her sale of Ameritas customer information to the Purchaser, thus preventing Ameritas from evaluating her outside business activity and determining whether to place conditions on or prohibit it. Through this conduct, Khan violated FINRA Rules 3270 and 2010.

Other outside business activities

While she was registered with Ameritas, Khan was also involved in the formation of two limited-liability companies. In January 2011, Khan helped to form CDA Wealth Consulting, LLC, and in August 2013, Khan and her daughter formed Ashira Consulting, LLC. Both companies' articles of incorporation designated Khan as a "Manager."

Khan did not provide Ameritas with prior written notice of her involvement with either of these outside entities, thus preventing Ameritas from evaluating her outside business activity and determining whether to place conditions on or prohibit it. This conduct constituted additional violations of FINRA Rules 3270 and 2010.

Communications with the public

Following her transaction with the Purchaser, Khan facilitated meetings between the Agent and some of her Ameritas customers. In connection with these introductions, Khan sent a letter to several of her customers in August 2013 that was false and misleading.

The letter stated that Khan had joined the Purchaser and that she would now be able to convert the customers' existing portfolios into "shorter term higher yield, targeted growth vehicles with greater security." These statements were untrue, as Khan was not employed by the Purchaser and would not be servicing the brokerage accounts of customers who left Ameritas.

In addition to referring to "shorter term higher yield, targeted growth vehicles with greater security," the letter stated that the Purchaser had the ability to offer convertible bonds paying yields of approximately 10%. It did not, however, describe any risk factors or other characteristics. Thus, with regard to these bonds, the letter was not fair and balanced, as it did not provide sufficient information for customers to evaluate the pertinent facts.

Through this conduct, Khan violated FINRA Rules 2210(d) and 2010.

Failure to disclose private securities transaction

In October 2013, Khan assisted her daughter in purchasing 100,000 shares of stock through a private offering. The purchase price was \$45,000. Khan participated in this private securities transaction by signing the stock-purchase agreement as someone with power of attorney for her daughter. Before participating in this transaction, Khan failed to provide written notice to Ameritas regarding the details of the proposed transaction and her proposed role therein.

Through this conduct, Khan violated NASD Conduct Rule 3040 and FINRA Rule 2010.

Failure to disclose outside brokerage account

While registered with Ameritas, Khan, through her power of attorney, opened a brokerage account for her daughter at another broker-dealer. Before doing so, Khan failed to notify Ameritas in writing of her intentions and failed to notify the other broker-dealer of her association with Ameritas.¹

Through this conduct, Khan violated NASD Conduct Rule 3050(c) and FINRA Rule 2010.

B. I also consent to the imposition of the following sanctions:

¹ No transactions occurred in the outside account while Khan was registered with Ameritas.

- A suspension from associating with any FINRA broker-dealer in any capacity for a period of four months plus ten additional business days;

I understand that if I am barred or suspended from associating with any FINRA member, I 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, I may not be associated with any FINRA member in any capacity during the period of the bar or suspension (*see* FINRA Rules 8310 and 8311).

Respondent has submitted a sworn financial statement and demonstrated an inability to pay. In light of the financial status of Respondent, no monetary sanctions have been imposed.

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

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against me;
- 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
- 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, I specifically and voluntarily waive any right to claim bias or prejudgment 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.

I 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

I 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 me; and**
- C. If accepted:**
 - 1. this AWC will become part of my permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against me;**
 - 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. I 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. I 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 my: (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. I may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. I understand that I 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.**

I certify that I have read and understand all of the provisions of this AWC and have been given a full opportunity to ask questions about it; that I 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 me to submit it.

11/09/2015
Date (mm/dd/yyyy)

Sheikh Khan
Respondent
aka Abida Khan

Accepted by FINRA:

11/10/2015
Date

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

Adam B. Walker
Adam B. Walker
Senior Regional Counsel
FINRA Department of Enforcement
120 W. 12th Street
Kansas City, Missouri 64105
(816) 802-4751
adam.b.walker@finra.org