

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2018059121201**

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

RE: E1 Asset Management, Inc. (Respondent)
Member Firm
CRD No. 46872

Ron Y. Itin (Respondent)
General Securities Principal
CRD No. 2344151

Pursuant to FINRA Rule 9216, Respondents E1 Asset Management, Inc. and Ron Y. Itin 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

A. Respondents accept and consent to the following findings by FINRA without admitting or denying them:

BACKGROUND

E1 Asset Management, Inc. has been a FINRA member since September 1999. The firm has its headquarters in Jersey City, New Jersey, and has 15 registered representatives and four branch offices. The firm started selling corporate debt securities in January 2018.

Itin first registered with FINRA in May 1993. In September 1999, Itin registered with FINRA as a General Securities Representative, General Securities Principal, Registered Options Principal, and Financial and Operations Principal through an association with E1. Itin subsequently registered through E1 as an Operations Professional in June 2013 and a Compliance Officer in October 2018. Itin remains registered in those capacities through E1.

In June 2015, E1 and Itin entered into a Letter of Acceptance, Waiver, and Consent with FINRA through which they consented to the entry of findings that they violated NASD Rules 3010 and 2110 and FINRA Rule 2010 by failing to establish and maintain a reasonable supervisory system concerning, among other things, excessive trading and

sales of leveraged exchange traded funds. The AWC censured E1 and fined it \$25,000. The AWC suspended Itin in a supervisory capacity for one month.¹

OVERVIEW

From January 2018 through June 2020, E1 and Itin failed to reasonably supervise the fairness of mark-ups the firm charged to retail customers through one registered representative. As a result, E1 and Itin violated FINRA Rules 3110 and 2010. In addition, E1 violated FINRA Rules 2121 and 2010 by charging unfair mark-ups to customers in connection with 80 sales of corporate bonds.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a review by FINRA’s Fixed Income Investigation Team.

FINRA Rule 3110(a) requires a member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules. The duty to supervise under Rule 3110 also includes the responsibility to reasonably investigate red flags that suggest that misconduct may be occurring and to act upon the results of such investigation. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010, which requires member firms and associated persons to observe high standards of commercial honor and just and equitable principles of trade, in the conduct of their business.

FINRA Rule 2121 provides that:

[I]f a member ... sells [a security] for his own account to his customer, he shall ... sell at a price which is fair, taking into consideration all relevant circumstances, including market conditions with respect to such security at the time of the transaction, the expense involved, and the fact that he is entitled to a profit[.]

FINRA Rule 2121 Supplementary Material .01 (Rule 2121.01) provides that the long-standing guideline of five percent for determining whether a mark-up is unfair “is a guide, not a rule,” and that mark-ups of less than five percent may be considered unfair, depending on the circumstances. FINRA Rule 2121.01 identifies other factors that member firms should consider in determining the fairness of a mark-up, including: (i) the type of security involved; (ii) the availability of the security in the market; (iii) the price of the security; (iv) the size of the transaction; (v) whether the member disclosed the

¹ For more information about the Respondents, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

transaction cost to the customer prior to the trade; (vi) any pattern of mark-ups; and (vii) the nature of the member's business, including the cost of providing services to customers, particularly when they are of a continuing nature.

From January 2018 through June 2020, E1's written supervisory procedures (WSPs), which Itin approved, designated Itin as the principal responsible for reviewing the "reasonableness of mark-ups ... on customer trades." The WSPs identified factors relevant to that review, including the price and availability of the security and the expense of executing and filling the order. In practice, however, E1 and Itin reviewed mark-ups primarily to determine whether they exceeded the five percent guideline. E1 and Itin did not reasonably consider the factors listed in E1's WSPs, such as the type, availability, and price of the security being sold and the firm's expense in executing and filling the order.

As a result, between January 2018 and June 2020, E1 and Itin failed to identify that the firm charged mark-ups that were not fair and reasonable on 80 corporate bond transactions, when trading for its own account. For such transactions, the firm charged mark-ups of 3.75 percent even though the underlying security was widely available, and the firm incurred minimal expenses executing and filling the customer orders. Moreover, beginning in June 2018, E1 and Itin reviewed monthly reports from FINRA's Trade Reporting and Compliance Engine (TRACE), which compared mark-ups charged by E1 on particular trades with mark-ups charged by other broker-dealers for similar products. Those reports showed the markups charged by E1 on the 80 transactions at issue were unreasonable; indeed, for certain of the transactions identified above, E1 charged a mark-up of 3.75 percent when the median mark-up was .15 percent. Nonetheless, E1 and Itin did not take any steps to investigate whether the mark-ups charged by E1 were fair or reasonable.

Collectively, these mark-ups caused customers to pay \$37,629.82 in excessive fees.

As a result of the foregoing, E1 and Itin violated FINRA Rules 3110 and 2010, and E1 violated FINRA Rules 2121 and 2010.

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

For E1:²

- a censure;
- restitution of \$37,629.82 plus interest as described below; and

² Pursuant to the General Principles Applicable to all Sanction Determinations contained in FINRA's *Sanction Guidelines*, FINRA imposed no fine against E1 after considering, among other things, the firm's revenues and financial resources, as well as its agreement to pay full restitution plus prejudgment interest to the affected customers.

- an undertaking that within 90 days of the Notice of Acceptance of this AWC, a registered principal on behalf of E1 shall certify in writing to Alex Boudreau, Principal Counsel, that the firm's WSPs and supervisory system are reasonably designed to achieve compliance with FINRA Rule 2121.

For Itin:

- a one-month suspension from associating with any FINRA member in all principal capacities with the exception of activities requiring registration as a Financial and Operations Principal;
- a fine of \$5,000; and
- a requirement that within 90 days of the Notice of Acceptance of this AWC, Itin will undertake to attend and satisfactorily complete 20 hours of continuing education concerning supervisory responsibilities by a provider not unacceptable to FINRA. Itin will notify Alex Boudreau of the name and contact information of the provider who is providing the continuing education at least 10 days prior to attending the training. Within 30 days following completion of such training, Itin will submit written proof that the continuing education program has been satisfactorily completed to Alex Boudreau, by email to alexandra.boudreau@finra.org. All correspondence must identify the respondent and matter number.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments are due and payable. Itin has submitted an Election of Payment form showing the method by which he proposes to pay the fine imposed.

Respondents specifically and voluntarily waive any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanctions imposed in this matter.

Restitution is ordered to be paid by E1 to the customers listed on Attachment A to this AWC in the total amount of \$37,629.82, plus interest at the rate set forth in Section 6621(a)(2) of the Internal Revenue Code, 26 U.S.C. § 6621(a)(2), from July 1, 2020 until the date this AWC is accepted by the National Adjudicatory Council (NAC).

A registered principal on behalf of E1 shall submit satisfactory proof of payment of restitution and prejudgment interest (separately specifying the date and amount of each paid to each customer listed on Attachment A) or of reasonable and documented efforts undertaken to effect restitution. Such proof shall be submitted by email to EnforcementNotice@FINRA.org from a work-related account of the registered principal of E1. The email must identify E1 and the case number and include a copy of the check, money order, or other method of payment. This proof shall be provided by email to EnforcementNotice@FINRA.org no later than 120 days after the date of the notice of acceptance of the AWC.

If for any reason E1 cannot locate any customer identified in Attachment A after reasonable and documented efforts within 120 days after the date of the notice of acceptance of the AWC, or such additional period agreed to by FINRA in writing, E1 shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed property, or abandoned property fund for the state in which the customer is last known to have resided. E1 shall provide satisfactory proof of such action to FINRA in the manner described above, within 14 calendar days of forwarding the undistributed restitution and interest to the appropriate state authority.

The imposition of a restitution order or any other monetary sanction in this AWC, and the timing of such ordered payments, does not preclude customers from pursuing their own actions to obtain restitution or other remedies.

Restitution payments to customers shall be preceded or accompanied by a letter, not unacceptable to FINRA, describing the reason for the payment and the fact that the payment is being made pursuant to a settlement with FINRA and as a term of this AWC.

As noted above, E1 has demonstrated a limited ability to pay. In light of E1's financial status, the sanctions against E1 do not include a monetary fine.

Itin understands that if he is barred or suspended from associating with any FINRA member in a principal capacity, he becomes 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, Itin may not be associated with any FINRA member in a principal capacity with the exception of any activities requiring registration as a Financial and Operations Principal, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311. Furthermore, because Itin is subject to a statutory disqualification during the suspension, if he remains associated with a member firm in a non-suspended capacity, an application to continue that association may be required.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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
- 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 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 its acceptance or rejection.

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 action 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 its subject matter 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' rights to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondents' testimonial obligations in any litigation or other legal proceedings.

- 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 they 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.

The undersigned, on behalf of E1, certifies that a person duly authorized to act on E1's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that E1 has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce E1 to submit this AWC.

On his own account, Itin certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Itin understands and acknowledges that FINRA does not represent or advise him and Itin cannot rely on FINRA for legal advice. Itin has agreed to the AWC's provisions voluntarily; and no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce him to submit this AWC.

September 8, 2022

Date

RON ITIN

E1 Asset Management, Inc.
Respondent

RON ITIN

Print Name: _____

Print Title: CEO

September 8, 2022

Date

RON ITIN

Ron Y. Itin
Respondent

Accepted by FINRA:

October 18, 2022

Date

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

Alexandra Boudreau

Alex Boudreau
Principal Counsel
FINRA
Department of Enforcement
99 High Street
Suite 900
Boston, MA 02110

Attachment A

Customer	Restitution Amount
1	\$868.65
2	\$385.72
3	\$830.99
4	\$854.64
5	\$6,720.25
6	\$672.07
7	\$1,885.39
8	\$297.48
9	\$385.72
10	\$385.72
11	\$1,368.23
12	\$165.50
13	\$589.67
14	\$245.45
15	\$245.45
16	\$1,413.69
17	\$5,176.46
18	\$8,333.58
19	\$1,586.49
20	\$3,344.19
21	\$723.17
22	\$50.00
23	\$672.07
24	\$429.24