

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019064718701**

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

RE: HB Securities, LLC (Respondent)
Member Firm
CRD No. 140356

Seung Hoon Kang (Respondent)
Associated Person and Unregistered Indirect Owner
CRD No. 7172537

Pursuant to FINRA Rule 9216, Respondents HB Securities, LLC (HB Securities) and Seung Hoon Kang (Kang) 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

HB Securities has been a FINRA member since 2006. The firm is based in Newport Beach, California and has three registered representatives. The firm's securities business used to consist of Reg A and Reg A+ offerings and EB-5 transactions in the form of private placements sold to foreign accredited investors. Since the second quarter of 2020, the firm has not generated any new business, earning its revenue exclusively from trailing EB-5 commissions.

Kang entered the securities industry in March 2019 when he became an indirect owner of HB Securities. Since then, Kang has been associated with HB Securities. He has never been registered with FINRA.¹

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

OVERVIEW

From March 2019 through at least April 2023, Kang, with the knowledge and acquiescence of HB Securities, actively engaged in the management of HB Securities' securities business without being registered with FINRA as a principal through the firm, in violation of FINRA Rules 1210 and 2010.

During this same period, HB Securities and Kang permitted a statutorily disqualified person to continue to associate with HB Securities, in violation of Article III, Section 3(b) of FINRA's By-Laws and FINRA Rules 8311 and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from a FINRA examination of HB Securities.

A. Kang, with HB Securities' Permission, Acted in a Principal Capacity for HB Securities Without Being Registered with FINRA.

FINRA Rule 1210 provides that each person engaged in the investment banking or securities business of a member shall be registered with FINRA as a representative or principal in each category of registration appropriate to his or her functions and responsibilities, as specified in Rule 1220.

FINRA Rule 1220(a)(2)(A) states that each principal as defined in the rule shall be required to register with FINRA as a General Securities Principal. FINRA Rule 1220(a)(1) defines a "principal" as any person associated with a member "who is actively engaged in the management of the member's investment banking or securities business."

A violation of FINRA Rule 1210 also constitutes a violation of FINRA Rule 2010, which requires members and their associated persons to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

From March 2019 through at least April 2023, Kang acted in a principal capacity for HB Securities without registering with FINRA as a General Securities Principal. Specifically, Kang formed and participated in a management committee that had explicit control over firm management decisions, but in practice, Kang exerted authority over the responsibilities assigned to the committee. Kang exercised control over the firm's finances. He set and lowered the firm's monthly operating budget, used the continued lowering of the operating budget to control the work and compensation of registered principals, required that he approve payments of expenses outside the budget, and directed the firm on how much net capital the firm should keep above the minimum. Kang actively engaged in the firm's personnel decisions. He at times hired and fired HB Securities' registered principals and other employees, set and often negotiated employment terms and compensation, had final approval over firm personnel decisions, and exercised his authority to pause the payment of compensation to registered representatives and principals. Kang also directed key aspects of the firm's securities

business. He directed the firm's collection efforts on outstanding accounts and directed key operating decisions made by the firm, such as how to comply with Regulation Best Interest and how to exit the retail brokerage business.

During this period, HB Securities knew Kang was not registered with FINRA in any capacity but nonetheless allowed him to actively engage in the management of the firm's securities business.

By acting as an unregistered principal of HB Securities, Kang violated FINRA Rules 1210 and 2010, and by permitting Kang to act as an unregistered principal of HB Securities, HB Securities violated FINRA Rules 1210 and 2010.

B. Kang and HB Securities Permitted a Statutorily Disqualified Person to Continue to Associate with HB Securities.

Article III, Section 3(b) of FINRA's By-Laws provides that no person shall continue to be associated with a member if such person becomes subject to a disqualification. Article III, Section 4 of FINRA's By-Laws states that a person is subject to a "disqualification" with respect to association with a member if such person is subject to any "statutory disqualification" as such term is defined in Section 3(a)(39) of the Securities Exchange Act of 1934. Section 3(a)(39) of the Exchange Act provides that a person is subject to a "statutory disqualification" if, among other things, such person has been barred from being associated with any member of a self-regulatory organization.

In addition, FINRA Rule 8311(a) provides in part that:

If a person is subject to a suspension, revocation, cancellation of registration, bar from association with a member (each a "sanction") or other disqualification, a member shall not allow such person to be associated with it in any capacity that is inconsistent with the sanction imposed or disqualified status, including a clerical or ministerial capacity.

Violations of Article III, Section 3(b) of FINRA's By-Laws and FINRA Rule 8311 also are violations of FINRA Rule 2010.

From no later than March 2019 through at least April 2023, Kang and HB Securities each permitted a person (Individual A) to continue to associate with HB Securities while the person was barred by FINRA from associating with a member firm in any capacity and, therefore, statutorily disqualified. During this period, Kang and HB Securities allowed Individual A to be engaged in and direct the management of HB Securities and its securities business.

For example, Individual A exercised financial control over HB Securities. Among other things, Individual A, through Kang, directed the firm's operating budget and often directed Kang's approval of firm expenses outside of the budget. Individual A also controlled the firm's net capital by deciding for Kang how much net capital the firm

should retain and the timing and amounts of distributions made by the firm. In addition, Individual A, through Kang, often directed personnel issues at the firm, including the hiring of firm personnel and the amount and timing of compensation paid to firm personnel. Individual A, through Kang, also often directed the firm's collection efforts on outstanding accounts and other key aspects of the firm's securities business.

By allowing Individual A to continue to associate with HB Securities while statutorily disqualified, Kang and HB Securities violated Article III, Section 3(b) of FINRA's By-Laws and FINRA Rules 8311 and 2010.

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

For HB Securities:

- a censure;
- a \$70,000 fine; and
- an undertaking that, within 90 days of the date of the notice of acceptance of this AWC, a member of HB Securities' senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm currently has no unregistered individuals acting in a capacity that requires registration and no statutorily disqualified persons associating with the firm. HB Securities shall submit the certification to Lisa Lightbody, Counsel, Brookfield Place, 200 Liberty Street, New York, NY 10281, or electronically to lisa.lightbody@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

For Kang:

- a 24-month suspension from associating with any FINRA member in all capacities and
- a \$50,000 fine.

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

The fine for Respondent Kang shall be due and payable either immediately upon reassociation with a member firm or prior to any application or request for relief from any statutory disqualification resulting from this or any other event or proceeding, whichever is earlier.

Respondents HB Securities and Kang 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.

Respondent Kang understands that if he is barred or suspended from associating with any FINRA member, 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, he may not be associated with any FINRA member in any capacity, including clerical or ministerial functions, during the period of the bar or suspension. *See* FINRA Rules 8310 and 8311.

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 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 record 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' right 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 Respondent HB Securities, certifies that a person duly authorized to act on Respondent HB Securities' 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 Respondent 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 Respondent to submit this AWC.

Respondent Kang 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; that he 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 him to submit this AWC.

July 2, 2024

Date

Michael De Luz

HB Securities LLC
Respondent

Print Name: Michael De Luz

Title: CEO / CCO

July 9, 2024

Date

Seung Hoon Kang

Seung Hoon Kang
Respondent

Reviewed by:

Alan Wolper

Alan Wolper
Counsel for Respondent Seung Hoon Kang
UB Greensfelder
500 West Madison Street
Suite 3600
Chicago, IL 60661-4587

Accepted by FINRA:

August 1, 2024

Date

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



Lisa Lightbody
Counsel
FINRA
Department of Enforcement
Brookfield Place
200 Liberty Street
New York, NY 10281