

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

Yoon Sik Chung
CRD No. 5978168,

Respondent.

Disciplinary Proceeding
No. 2020067734201

Hearing Officer—RES

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: November 2, 2022

INTRODUCTION

Disciplinary Proceeding No. 2020067734201 was filed on October 7, 2022, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA or Complainant). Respondent Yoon Sik Chung (Chung or Respondent) submitted an Offer of Settlement (Offer) to Complainant dated 10/19/2022. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of

Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

Chung entered the securities industry in September 2011 and has been associated with several FINRA member firms.

In or around January 2020, Chung applied to become an insurance agent and registered representative with NYLife. During March 2020, after Chung resigned from his previous member firm, NYLife filed a Form NRF for Chung and commenced steps to hire Chung.

On July 10, 2020, Chung became associated with NYLife for the purpose of determining jurisdiction pursuant to Article I(rr) of FINRA's By-Laws, after engaging in the securities business by soliciting a customer for a securities product.

On July 31, 2020, Chung became registered with FINRA as a General Securities Representative (GS) through his association with NYLife.

On October 9, 2020, NYLife filed a Uniform Termination Notice for Securities Industry Registration (Form U5), stating that Chung had voluntarily resigned from the firm, effective October 7, 2020.

Although Chung is no longer registered or associated with a FINRA member firm, he remains subject to FINRA's jurisdiction for purposes of this proceeding pursuant to Article V, Section 4 of FINRA's By-Laws because (i) the Complaint was filed within two years after October 9, 2020, which was the effective date of the termination of Chung's registration with NYLife; and (ii) the Complaint charges Chung with misconduct committed while he was registered and/or associated with a FINRA member firm.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

SUMMARY

During the period July 10, 2020 through October 9, 2020, Chung, while associated with NYLife Securities LLC (NYLife), accepted more than \$14,000 thousand dollars from two individuals, Person H and Person R, whom he met online but never met in person or spoke to over the phone. Then, acting at their direction, Chung transferred most of those funds to third parties he did not know. In return for facilitating these transactions, Chung kept a portion of the funds he received from Persons H and R and used them for personal and business-related expenses. Chung facilitated these money movements even though he believed the funds were the proceeds of illegal activities and part of money laundering activities. By virtue of the foregoing, Chung engaged in unethical conduct in violation of FINRA Rule 2010.

FACTS

Chung Receives Extensive Anti-Money Laundering Training

Prior to transferring funds for Persons H and R in 2020, Chung completed numerous anti-money laundering (AML) trainings required by a FINRA member firm with which Chung was associated from December 2016 through January 2020. At least five of these trainings were on the topic of fraud awareness; the importance of obtaining accurate, verifiable information from transaction counterparties; anti-money laundering; and fraud risks associated with digital assets.

Due in part to these AML trainings, Chung learned about money laundering and was trained to identify common red flags of money laundering, including cash and cryptocurrency transactions, counterparties who are evasive about their source of funds and/or business, and the use of multiple accounts for complex money movements.

Upon applying for a position at NYLife, on January 29, 2020, Chung signed the NYLife Registered Representative Acknowledgment (Acknowledgement), attesting that he read and

understood the NYLife Registered Representative Handbook (Handbook). By signing this Acknowledgment, Chung agreed to be bound by NYLife's AML policies as disclosed in its Handbook.

The Handbook provided Chung with extensive information about money laundering and its red flags including, among others, cash transactions, cash conversion transactions, counterparties who refuse to or fail to identify a legitimate source of their funds, counterparties who resist or have difficulty describing the nature of their business, and the use of multiple accounts for complex money movements.

While Chung is Experiencing Financial Distress, Chung Agrees to Transfer Funds for Two Individuals He Knew Only Online

All throughout 2020, Chung was experiencing financial distress. His association with his previous firm had ended in January 2020 because he could not meet the firm's production requirements and was not earning enough income to support himself. From approximately January 2020 through May 2020, Chung's main source of income was as a driver for a food delivery company. During this period, Chung needed additional money to cover his basic living expenses. Chung also was without means to repay the approximately \$40,000 in personal and credit card debts that he owed.

In March 2020, Chung began communicating with Person H through an online dating application.

In July 2020—at the same time Chung became associated with NYLife—Chung restarted conversations with Person R, whom he first met online around 2018, through the same online dating application.

Chung never met Persons H or R in person, nor did he ever communicate with them by telephone or through videoconference. Rather, he communicated with them exclusively in written online messages through the dating application, email, text message, and internet chats.

During March 2020, through one of their first communications, Chung informed Person H that he worked in the financial services industry and was soon beginning employment at NYLife.

Immediately thereafter, Person H asked Chung to facilitate money transfers for her, using one of Chung's personal bank accounts. Chung agreed and provided Person H with his personal and account information so that she could facilitate deposits into his account.

Chung also opened new accounts in his name only with at least three different banks and with at least six different peer-to-peer applications between April 2020 and June 2020 to be used exclusively for Person H's transactions. Chung again provided Person H with his account and personal information so that she could arrange for funds to be deposited into these accounts.

Between May 14, 2020 and June 9, 2020, Chung received into one of the bank accounts he agreed to use for Person H 17 deposits of unemployment benefit funds totaling over \$35,000 from four different states bearing names of beneficiaries whom Chung did not know and with whom he never communicated. Chung believed that Person H arranged for the funds to be deposited into his account, using his personal information.

At Person H's request, Chung used peer-to-peer payment applications to transfer certain of the unemployment benefit funds to other persons whom he did not know and with whom he had never communicated. Chung did not investigate the identities of these persons. Chung also withdrew certain of the unemployment benefit funds in cash and deposited the cash into

cryptocurrency machines using his cryptocurrency account, before transferring the cryptocurrency to digital wallets that Chung believed Person H controlled.

With Person H's permission, Chung used a portion of the unemployment benefit funds to pay for his personal expenses.

Person H claimed to Chung that the transfers of the unemployment benefit funds related to her purported aloe vera business and that she was helping the beneficiaries who lacked bank accounts receive their funds. Person H never explained to Chung how the funds pertained to her purported business or why she needed Chung to assist with the transactions. Chung did not inquire further. He did not attempt to obtain additional information about how Person H was connected to the beneficiaries of the deposits, all of whom appeared to reside in different states than Chung and Person H.

At the time he accepted the funds, Chung doubted that Person H was actually engaged in an aloe vera business. Further, Chung believed that the deposits of the unemployment benefit funds were fraudulent.

Despite this belief, Chung did not investigate Person H's identity. He never asked her for a copy of any driver's license, passport, or other identification. Chung also did not investigate either the existence or nature of her purported business. He never asked her for the name of her business or conducted any internet searches about it.

Chung also did not contact the beneficiaries of the funds or the government agencies that issued the unemployment benefit funds. Nor did Chung investigate the identity of the beneficiaries, whether they had any relationship with Person H, whether they actually lacked bank accounts of their own to receive the funds directly from the government agencies, or

whether they were aware that Chung was receiving unemployment benefit funds issued in their names.

On or around May 23, 2020, one of the banks at which Chung maintained an account informed him that it had placed a freeze on the account he was using to receive the unemployment benefit funds because it was investigating those deposits for fraud. By July 30, 2020, the bank returned certain of the unemployment benefit funds that remained in Chung's account to the originating government agencies. In addition, the bank closed Chung's account by August 6, 2020.

Despite these red flags, Chung continued to facilitate money transfers at Person H's request through at least October 2020.

At Person H's request and at her expense, Chung also purchased a new iPhone to use in opening additional accounts with peer-to-peer applications for the purpose of transferring additional funds for Person H.

In addition to accepting unemployment benefits from the states, Chung used these bank accounts and peer-to-peer payment applications to accept, at Person H's request, deposits from third parties he did not know and with whom he had never communicated.

Chung then used his peer-to-peer payment applications to transfer certain of the funds he received to other persons whom he did not know and with whom he had never communicated. Chung also withdrew certain of the funds in cash and deposited the cash into cryptocurrency machines using his cryptocurrency account, before transferring the cryptocurrency to digital wallets that he believed Person H controlled. Additionally, Chung continued to use some of the deposited funds to pay his living expenses with Person H's permission.

In or around June 2020, another bank, at which Chung held one of his newly-opened accounts that he used exclusively to transfer funds for Person H, informed Chung that it was closing this account. Despite the bank's action, Chung continued accepting and transferring money for Person H using his other accounts.

In or around the period from May 2020 to June 2020, Person H also arranged for cash to be sent to Chung's residence. During this period, Chung accepted approximately 10 to 12 envelopes containing cash, each bearing handwritten return addresses and the purported names of various senders. Upon receiving these envelopes, Chung counted the cash, photographed it, and sent those photos to Person H. Chung then deposited the cash into cryptocurrency machines using his cryptocurrency account, before transferring the cryptocurrency to digital wallets that he believed Person H controlled.

Chung did not investigate the source of the funds. He did not ask Person H to identify the source of the funds, why she was asking him to receive it, or why she was asking him to convert it to cryptocurrency. Chung also did not perform any research about the purported senders' identities, addresses, professions, or businesses.

Chung's Conduct Continues During His Association with NYLife

Chung continued to receive and transfer funds for Person H while he was associated with NYLife, between July 10, 2020 and October 9, 2020. He also continued to use some of those funds for personal expenses with Person H's permission.

Additionally, during this period, Person R asked Chung to facilitate money transfers for her. Chung agreed.

During his association with NYLife, Chung requested that Person R compensate him with half of all funds that passed through his accounts. Person R agreed to the arrangement.

Further, Person R provided Chung with limited amounts of money which Chung used to pay for personal expenses.

Person R told Chung that the transfers would help her family or support her purported fashion business. Person R did not provide the name of her business or the source of the funds, nor did Chung ask her for this information. Chung doubted Person R's assertions but agreed to assist without asking Person R why she needed him to be involved in the transfers. In addition, Chung obtained very little information about Person R's identity, and he never asked Person R for a copy of her driver's license, passport, or other form of identification, and never conducted any internet searches on Person R's business.

Chung provided Person R with the account information for certain of his bank accounts and peer-to-peer payment applications to facilitate deposits.

Chung accepted deposits from Person R, and continued to accept deposits from Person H, into at least two of the bank accounts that he opened for the purpose of transferring funds for them. These deposits totaled more than \$14,000 from July 2020 to October 2020, while Chung was associated with NYLife, and were made in the form of electronic checks and transfers from peer-to-peer payment applications from third parties he did not know, nor made any effort to investigate.

Chung spent at least between 7 and 14 hours per week effecting transactions for Persons H and R, during the time he was associated with NYLife.

Chung believed, during the time he was associated with NYLife, that the transactions he was facilitating for Persons H and R were part of money laundering activities.

While associated with NYLife, Chung accepted, transferred, and/or used nearly \$17,000 that he received through arrangements by Persons H and R as follows:

- Chung used, with Person H's permission, at least \$230 to pay for certain business expenses associated with his work at NYLife, including to purchase a NYLife Errors & Omissions insurance policy which he was required to hold as a condition of working at NYLife and which he otherwise was unable to afford.
- Chung transferred approximately \$6,400 to at least one peer-to-peer payment application he controlled. Chung then transferred some of those funds to other persons he did not know and with whom he had never communicated, using peer-to-peer payment applications. Chung also withdrew some of these funds as cash, changed a portion of the cash into cryptocurrency at cryptocurrency machines using his cryptocurrency accounts, and then sent the cryptocurrency to digital wallets he believed Persons H and R controlled.
- Chung withdrew approximately \$7,680 as cash, using multiple automatic teller machines (ATMs) to circumvent ATM withdrawal limits. Chung then changed a portion of the cash into cryptocurrency at cryptocurrency machines using his cryptocurrency accounts, and then sent the cryptocurrency to digital wallets he believed Persons H and R controlled.
- Chung transferred approximately \$1,700 to third parties he did not know and with whom he had never communicated, using at least one peer-to-peer payment application.
- Chung used, with the permission of Person H and/or Person R, at least \$750 for his own personal expenses, including food, gas, and cell phone expenses.

By the end of July 2020, another one of the accounts that Chung used exclusively to transfer funds for Persons H was closed by a bank. Chung opened this account approximately one month before the bank closed it and used it to transfer funds for Person H while associated with NYLife prior to its closure.

Chung's Misconduct Continues After He Leaves NYLife

After Chung's registration with NYLife was terminated on October 9, 2020, he continued to accept funds into, and transfer funds out of, various bank and peer-to-peer accounts at the direction of Persons H and R at least until January 2021, despite his belief that Persons H and R were involved in illegal activity.

In addition to the two banks which had previously closed Chung's accounts, more of Chung's accounts were either frozen or closed after he left NYLife. Chung informed Person R that he believed one of these accounts was being closed due to a fraud investigation.

In total, Chung effected upwards of \$1,000,000 in transfers from March 2020 through January 2021 at the direction of Persons H and R.

CAUSE OF ACTION Unethical Conduct (FINRA Rule 2010)

FINRA Rule 2010 requires associated persons, in the conduct of their business, to "observe high standards of commercial honor and just and equitable principles of trade."

FINRA Rule 2010 encompasses business-related conduct that is inconsistent with just and equitable principles of trade, even if that activity does not involve a security.

An associated person violates FINRA Rule 2010 when he engages in unethical conduct that reflects on his ability to comply with the regulatory requirements of the securities business and to handle customer funds.

Between July 10, 2020 and October 9, 2020, while associated with NYLife, Chung engaged in an unethical course of conduct when he accepted approximately \$14,000 at the direction of Persons H and R, and transferred those funds, along with additional funds totaling approximately \$3,000 that Chung previously accepted, despite believing that the funds were proceeds of illicit activities and that he was facilitating money laundering. Chung engaged in this

activity at least in part to obtain funds to pay for his personal expenses and business expenses at NYLife.

By virtue of the foregoing conduct, Chung engaged in an unethical conduct in violation of FINRA Rule 2010.

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA, of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

It is ordered that Respondent be barred from associating with any FINRA member in all capacities.

The sanctions imposed herein shall be effective on a date set by FINRA staff. A bar shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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

John Baraniak

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