

FINRA Bars Broker for Improper REIT Recommendations

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June 28, 2018



The Financial Industry Regulatory Authority has barred a former Independent Financial Group broker for making unsuitable alternative investment recommendations to many of his senior customers. He is also accused of inflating their net worth and investment experience to make the investments appear suitable.

FINRA claims that between 2008 and 2015, while associated with IFG, Kyusun Kim solicited numerous individuals who were retiring or had retired to liquidate their 401(k) and pension plans and invest in alternative investments, such as non-traded real estate investment trusts and structured notes.

All of the customers had moderate or conservative investment objectives and risk tolerances, which was inconsistent with Kim's recommendations to invest a large portion of their retirement assets and liquid net worth in illiquid alternative investments.



For example, Kim recommended that a 71 year-old customer with a moderate risk tolerance liquidate his 401(k) and pension in order to invest 75 percent of his net worth into non-traded REITs and structured notes. Similarly, he recommended that another elderly customer do the same and invest 50 percent of her net worth in the same securities.

FINRA claims that Kim failed to disclose the risks associated with these products, including their speculative nature and illiquidity. As such, his customers “suffered substantial losses”.

IFG’s policies limit the amount of a customer’s net worth that could be concentrated in alternative investments. In order to circumvent these procedures, Kim allegedly entered inaccurate and inflated net worth, liquid net worth, and investment experience figures for certain customers on their new account forms and other documents.

Kim left IFG in March 2016 and was associated with Sandlapper Securities LLC until April 2017. His BrokerCheck profile includes more than 20 customer dispute disclosures in the last decade, with many still pending.

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