

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2021070771601**

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

RE: Michael Hong Cho (Respondent)
General Securities Representative
CRD No. 2456460

Pursuant to FINRA Rule 9216, Respondent Michael Hong Cho submits 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 Respondent alleging violations based on the same factual findings described in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Cho entered the securities industry in 1994 and first registered with FINRA in April 1995. In July 2000, Cho registered as a general securities representative through Morgan Stanley. In March 2021, Morgan Stanley filed a Uniform Termination Notice for Securities Industry Registration (Form U5) disclosing that Cho had been discharged following allegations he “both discussed and sent inaccurate, improper and unauthorized letters to others referencing a former client and funds that were not held at the firm.” Since April 2021, Cho has been registered with FINRA as a general securities representative through an association with another FINRA member firm.¹

OVERVIEW

Between July 2020 and January 2021, Cho drafted, signed, and distributed fifty comfort or proof of funds letters on Morgan Stanley letterhead (without firm authorization) that contained material misrepresentations in violation of FINRA Rule 2010.

¹ For more information about the respondent, visit BrokerCheck® at www.finra.org/brokercheck.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's review of the Form U5 filed by Morgan Stanley.

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" and encompasses any unethical, business-related misconduct, regardless of whether it involves a security. A registered representative who makes reckless misrepresentations of material fact violates FINRA Rule 2010.

At all relevant times, Morgan Stanley's written supervisory procedures required registered representatives to obtain supervisory review and approval prior to distributing any comfort or proof of funds letters, and to use the firm template when doing so. From July 2020 to January 2021, Cho drafted and signed fifty letters on Morgan Stanley letterhead that he sent to various third parties at the request of a firm customer. In every instance, contrary to the firm's policies, Cho did not use the firm's approved comfort letter template, nor did he obtain prior firm approval to send them. The customer requested the letters on behalf of his company that was listed as the buyer in purchase contracts for COVID-related personal protective equipment. The letters falsely represented that the customer held sufficient assets in a corporate account at Morgan Stanley to cover the purchase contracts, which ranged in value from \$2 billion to almost \$10.45 billion. In fact, the customer's corporate account at Morgan Stanley had been closed, and the only account at the time that Morgan Stanley held for the customer was a personal account with \$100,000.

Therefore, Cho violated FINRA Rule 2010.

B. Respondent also consents to the imposition of the following sanctions:

- a fifteen-month suspension from associating with any FINRA member in all capacities; and
- a \$5,000 fine.

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

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

Respondent 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

Respondent specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against him;
- 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, Respondent specifically and voluntarily waives 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.

Respondent further specifically and voluntarily waives 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

Respondent understands 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 Respondent; and
- C. If accepted:
1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
 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. Respondent 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. Respondent 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 Respondent's 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 Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent understands that he 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.

Respondent 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; Respondent 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.

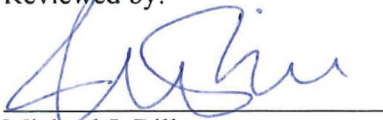
June 15, 2022

Date



Michael Hong Cho
Respondent

Reviewed by:



Michael J. Bill
Counsel for Respondent
Law Offices of Alan R. Miller, P.C.
370 East Maple Road, 4th Floor
Birmingham, MI 48009

Accepted by FINRA:

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

07/19/22

Date



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