

**SHINHAN INVESTMENT AMERICA INC.**

(A Wholly Owned Subsidiary of  
Shinhan Investment Corp.)

Statement of Financial Condition

December 31, 2021

(With Report of Independent Registered Public Accounting Firm Thereon)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL REPORTS  
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PART III

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Information Required Pursuant to Rules 17a-5, 17a-12, and 18a-7 under the Securities Exchange Act of 1934

FILING FOR THE PERIOD BEGINNING 01/01/2021 AND ENDING 12/31/2021  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF FIRM: SHINHAN INVESTMENT AMERICA INC.

TYPE OF REGISTRANT (check all applicable boxes):

- ☒ Broker-dealer ☐ Security-based swap dealer ☐ Major security-based swap participant  
☐ Check here if respondent is also an OTC derivatives dealer

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use a P.O. box no.)

1325 AVENUE OF THE AMERICAS, SUITE 2002A

(No. and Street)

NEW YORK

NY

10019

(City)

(State)

(Zip Code)

PERSON TO CONTACT WITH REGARD TO THIS FILING

JUN YOUNG KIM 212-397-0792

JKIM@SHINHAN-USA.COM

(Name)

(Area Code – Telephone Number)

(Email Address)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose reports are contained in this filing\*

SEJONG LLP

(Name – if individual, state last, first, and middle name)

65 CHALLENGER ROAD, SUITE 250

RIDGEFIELD PARK NJ

07660

(Address)

(City)

(State)

(Zip Code)

08/16/2011

5519

(Date of Registration with PCAOB)(If applicable)

(PCAOB Registration Number, if applicable)

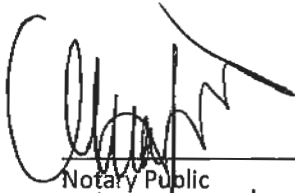
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\* Claims for exemption from the requirement that the annual reports be covered by the reports of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis of the exemption. See 17 CFR 240.17a-5(e)(1)(ii), if applicable.

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

## OATH OR AFFIRMATION

I, JUN YOUNG KIM, swear (or affirm) that, to the best of my knowledge and belief, the financial report pertaining to the firm of SHINHAN INVESTMENT AMERICA INC., as of 12/31, 2021, is true and correct. I further swear (or affirm) that neither the company nor any partner, officer, director, or equivalent person, as the case may be, has any proprietary interest in any account classified solely as that of a customer.



**MICHAEL YORIO**  
Notary Public, State of New York  
No. 01YO6266718  
Qualified in Nassau County  
Commission Expires April 30, 2024

Signature: 

Title:  
PRESIDENT

Notary Public

2/28/2022

**This filing\*\* contains (check all applicable boxes):**

- ☒ (a) Statement of financial condition.
- ☒ (b) Notes to consolidated statement of financial condition.
- ☐ (c) Statement of income (loss) or, if there is other comprehensive income in the period(s) presented, a statement of comprehensive income (as defined in § 210.1-02 of Regulation S-X).
- ☐ (d) Statement of cash flows.
- ☐ (e) Statement of changes in stockholders' or partners' or sole proprietor's equity.
- ☐ (f) Statement of changes in liabilities subordinated to claims of creditors.
- ☐ (g) Notes to consolidated financial statements.
- ☐ (h) Computation of net capital under 17 CFR 240.15c3-1 or 17 CFR 240.18a-1, as applicable.
- ☐ (i) Computation of tangible net worth under 17 CFR 240.18a-2.
- ☐ (j) Computation for determination of customer reserve requirements pursuant to Exhibit A to 17 CFR 240.15c3-3.
- ☐ (k) Computation for determination of security-based swap reserve requirements pursuant to Exhibit B to 17 CFR 240.15c3-3 or Exhibit A to 17 CFR 240.18a-4, as applicable.
- ☐ (l) Computation for Determination of PAB Requirements under Exhibit A to § 240.15c3-3.
- ☐ (m) Information relating to possession or control requirements for customers under 17 CFR 240.15c3-3.
- ☐ (n) Information relating to possession or control requirements for security-based swap customers under 17 CFR 240.15c3-3(p)(2) or 17 CFR 240.18a-4, as applicable.
- ☐ (o) Reconciliations, including appropriate explanations, of the FOCUS Report with computation of net capital or tangible net worth under 17 CFR 240.15c3-1, 17 CFR 240.18a-1, or 17 CFR 240.18a-2, as applicable, and the reserve requirements under 17 CFR 240.15c3-3 or 17 CFR 240.18a-4, as applicable, if material differences exist, or a statement that no material differences exist.
- ☐ (p) Summary of financial data for subsidiaries not consolidated in the statement of financial condition.
- ☒ (q) Oath or affirmation in accordance with 17 CFR 240.17a-5, 17 CFR 240.17a-12, or 17 CFR 240.18a-7, as applicable.
- ☐ (r) Compliance report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (s) Exemption report in accordance with 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (t) Independent public accountant's report based on an examination of the statement of financial condition.
- ☐ (u) Independent public accountant's report based on an examination of the financial report or financial statements under 17 CFR 240.17a-5, 17 CFR 240.18a-7, or 17 CFR 240.17a-12, as applicable.
- ☐ (v) Independent public accountant's report based on an examination of certain statements in the compliance report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☒ (w) Independent public accountant's report based on a review of the exemption report under 17 CFR 240.17a-5 or 17 CFR 240.18a-7, as applicable.
- ☐ (x) Supplemental reports on applying agreed-upon procedures, in accordance with 17 CFR 240.15c3-1e or 17 CFR 240.17a-12, as applicable.
- ☐ (y) Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit, or a statement that no material inadequacies exist, under 17 CFR 240.17a-12(k).
- ☐ (z) Other: \_\_\_\_\_

**\*\*To request confidential treatment of certain portions of this filing, see 17 CFR 240.17a-5(e)(3) or 17 CFR 240.18a-7(d)(2), as applicable.**



integrity·trust·professionalism

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WWW.SEJONGLLP.COM

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholder  
of Shinhan Investment America Inc.

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of Shinhan Investment America Inc. as of December 31, 2021, and the related notes (collectively referred to as the “financial statement”). In our opinion, the financial statement presents fairly, in all material respects, the financial position of Shinhan Investment America Inc. as of December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

This financial statement is the responsibility of Shinhan Investment America Inc.’s management. Our responsibility is to express an opinion on Shinhan Investment America Inc.’s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Shinhan Investment America Inc. in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

SEJONG LLP

We have served as Shinhan Investment America Inc.’s auditor since 2012.

Ridgefield Park, New Jersey

February 23, 2022

**SHINHAN INVESTMENT AMERICA INC.**

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**Statement of Financial Condition**

December 31, 2021

**Assets**

Cash and cash equivalents	\$	3,457,130
Certificates of deposit		2,219,193
Fixed assets, net		18,966
Right-of-use asset		271,538
Other assets		59,919
Total assets	\$	<u>6,026,746</u>

**Liabilities and Stockholder's Equity**

**Liabilities:**

Accrued expenses and other liabilities	\$	138,475
Lease liability		293,743
Total liabilities		<u>432,218</u>

**Stockholder's equity:**

Common stock, \$0.01 par value. Authorized, issued and outstanding, 25,000 shares		250
Additional paid-in capital		7,039,750
Accumulated deficit		<u>(1,445,472)</u>
Total stockholder's equity		<u>5,594,528</u>
	\$	<u>6,026,746</u>

See accompanying notes to statement of financial condition.

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Notes to Statement of Financial Condition

December 31, 2021

**(1) Description of Business**

Shinhan Investment America Inc. (the “Company”) was incorporated on February 1, 1993, under the laws of the State of New York to conduct a securities business in the United States of America. The Company, a wholly owned subsidiary of Shinhan Investment Corp. (the “Parent”), a Korean corporation, is a registered broker and dealer in securities under the Securities Exchange Act of 1934 and a member of the Financial Industry Regulatory Authority, Inc. (FINRA), and Securities Investor Protection Corporation (SIPC).

The Company provides placement services as an intermediary between Korean institutional investors and investment funds. The Company also engages in broker and dealer transactions of Korean securities. The Company has a clearing agreement with the Parent whereby the Parent clears Korean security transactions for the Company and the Company’s customers. The Company clears all transactions on a fully disclosed basis through the Parent. Accordingly, the Company does not carry customers’ accounts and does not receive, deliver, or hold cash or securities in connection with such transactions. The company claims exemption from SEC rule 15c3-3 under paragraph (k)(2)(i).

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accompanying statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States of America.

**(b) Cash Equivalents**

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**(c) Fair value of Financial Instruments**

In accordance with Financial Accounting Standard Board (FASB) Accounting, Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, the Company categorizes its assets and liabilities that are accounted for at fair value in the statement of financial condition in the fair value hierarchy as defined by ASC 820. The fair value hierarchy is directly related to the amount of subjectivity associated with the inputs utilized to determine the fair value of these assets and liabilities. See note 3 for further information about the fair value hierarchy and the Company’s assets and liabilities that are accounted for at fair value.

**(d) Leases**

The Company recognizes and measures its leases in accordance with FASB ASC 842, Leases. The Company is a lessee in one non-cancellable operating lease for office space. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based

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Notes to Statement of Financial Condition

December 31, 2021

on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of our leases are not readily determinable and accordingly, we use our incremental borrowing rate based on the information available at the commencement date for all leases. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. We recognize lease cost associated with our short-term leases on a straight-line basis over the lease term.

The Company made an accounting policy election by class of underlying asset, for vehicle and other office equipment, to account for each separate lease component of a contract and its associated non-lease components (lessor-provided maintenance) as a single lease component.

**(e) Fixed Assets**

Fixed assets are stated at cost, net of accumulated depreciation.

**(f) Income Taxes**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

**(g) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the

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December 31, 2021

financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**(h) Recent Accounting Pronouncement**

In December 2019, the FASB issued guidance which simplifies Accounting for Income Taxes (Topic 740). The ASU intends to reduce complexity through clarification and amendments of existing guidance. The updated guidance is effective for fiscal years beginning after December 15, 2021. Early adoption is permitted in any interim periods for which financial statements have not been issued. The Company is currently evaluating the impacts the adoption of this guidance will have on its financial statements, but do not expect it to have a material impact.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The standard provides for a new impairment model which requires measurement and recognition of expected credit losses for most financial assets held. The ASU is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted in any interim periods for which financial statements have not been issued. The Company currently evaluating the impacts the adoption of this guidance will have on its financial statements, but do not expect it to have a material impact.

**(3) Fair Value of Assets and Liabilities**

FASB ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value in accordance with U.S. generally accepted accounting principles, and requires disclosures about fair value measurements.

In accordance with ASC 820, the Company groups its financial assets and liabilities measured at fair value in three levels, based on markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobservable assumptions reflect the Company's own estimates of assumptions market participants would use in pricing the asset or liability. Valuation techniques include use of discounted cash flow models, options pricing models, and similar techniques.



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The balances of assets measured at fair value on a recurring basis as of December 31, 2021 are as follows:

<u>Description</u>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>		<u>Total</u>
Money market accounts	\$	661,401	—	—	\$	661,401
Certificates of deposit	\$	—	2,219,193	—	\$	2,219,193

**(4) Related Party Transactions**

The Company executes purchases and sales of Korean securities for customers through the Parent. Commissions on Korean equity security transactions for customers are collected by the Parent directly from the customers and remitted periodically to the Company. The Company also invests its cash surplus in the form of certificate of deposit and money market accounts with an affiliated bank. A summary of balances with the Parent and the affiliate as of December 31, 2021, is approximately as follows:

Certificates of deposit and money market accounts	\$	1,955,000
Commissions receivable		5,000
Accrued interest on certificates of deposit		1,000

**(5) Certificates of Deposit**

At December 31, 2021, certificates of deposit amounted to \$2,219,193, which mature through November 18, 2022, with interest rates ranging from 0.11% to 0.35% per annum.

**(6) Fixed Assets**

Fixed assets, at cost, at December 31, 2021, are summarized as follows:

Equipment	\$	92,647
Furniture and fixtures		64,521
Leasehold improvements		173,328
		<u>330,496</u>
Less accumulated depreciation and amortization		311,530
	\$	<u>18,966</u>

**(7) Leases**

The Company has obligations as a lessee for office space with initial noncancelable terms in excess of one year. The Company classified the lease as an operating lease. The lease generally contains renewal options for periods ranging from two to nine years. Because the Company is not reasonably certain to exercise the renewal option, the optional periods are not included in determining the lease term, and associated payments under these renewal options are excluded from lease payments. The Company's lease does not include termination options for either party to the lease or restrictive financial or other covenants. The Company's office space lease requires it to make variable payments for the Company's proportionate share of the

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December 31, 2021

building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

Maturities of lease liability under non-cancellable operating lease as of December 31, 2021, are approximately as follows:

<u>Years</u>	<u>Amount</u>
2022	\$ 238,000
2023	60,000
Total undiscounted lease payments	<u>298,000</u>
Less: Imputed interest	<u>4,000</u>
Total lease liabilities	<u>\$ 294,000</u>

**(8) Net Capital Requirements**

The Company, as a registered broker and dealer in securities, is subject to the Uniform Net Capital Rule 15c3-1 of the Securities and Exchange Commission. Such rule prohibits the Company from engaging in any securities transactions whenever its "aggregate indebtedness", as defined, exceeds 15 times its "net capital", as defined. Under such rule, and the related rules of FINRA, the Company may be required to reduce its business if its net capital ratio exceeds 12 to 1, and it may be prohibited from expanding its business if its net capital ratio exceeds 10 to 1.

At December 31, 2021, the Company had a minimum net capital requirement of \$250,000. The Company had a service agreement ("Chaperoning arrangement") with the Parent, which was regarded as a foreign broker-dealer under SEC Rule 15a-6(a)(3). SEC requires registered broker and dealers that enter into a service agreement with a foreign broker-dealer to maintain a minimum net capital of \$250,000. At December 31, 2021, the Company had net capital of \$3,560,745, which exceeded the minimum requirement by \$3,310,745. The Company's percentage of aggregate indebtedness to net capital was 4.51%.

**(9) Income Taxes**

The tax effects of temporary differences that give rise to the deferred tax assets (liability) at December 31, 2021, are as follows:

Deferred tax assets (liability):	
Net operating loss carry-forwards	\$ 627,661
Lease	(4,973)
Fixed assets	<u>12,812</u>
Total deferred tax assets, net	635,500
Less valuation allowance	<u>635,500</u>
Net deferred tax assets	<u>\$ —</u>

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The net change in the valuation allowance for the year ended December 31, 2021, was a decrease of approximately \$368,000. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that the company will not realize the benefits of these deductible differences. Accordingly, deferred tax assets have been reduced by a valuation allowance.

At December 31, 2021, the Company had net operating loss carryforwards available for federal income tax purpose of approximately \$1,050,000 which expire in various years through December 31, 2037, and approximately \$546,000 which will be carried forward indefinitely, with an 80% of limitation on the taxable income. The Company also has net operating loss carryforwards for New York state and New York city tax purposes amounting to approximately \$1,471,000 and \$3,784,000 respectively at December 31, 2021, which expire in various years through December 31, 2038.

FASB ASC 740-10, Income Taxes, requires the Company to determine whether it is more likely than not that a tax position will be sustained upon examination by the applicable tax authority based on technical merits of the position. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company remains subject to examination for the years ended December 31, 2018, 2019, and 2020 for the federal, state, and local jurisdictions.

**(10) Off-Balance-Sheet Risk**

The Company reviewed its exposure on off-balance-sheet credit risks regarding the creditworthiness of its customers to fulfill their contracted obligations of security transactions, and determined that the fair value of such exposure is not material. There were no customers' unsettled trades at December 31, 2021.

The Company's performance can be significantly influenced by economic factors and risks inherent in conducting business in foreign countries, including government regulations, currency restrictions and other factors that may significantly affect management's estimates and the Company's performance.

**(11) Concentration of Credit Risk**

Concentrations of credit risk that arise from financial instruments (whether on or off-balance sheet) exist for group of counterparties when they have similar economic characteristics that would cause their ability to meet obligations to be similarly affected by economic, industry or geographic factors. There were no significant concentrations of credit risk at December 31, 2021. The Company seeks to control its credit risk and the potential for risk concentration through a variety of reporting and control procedures.

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Cash and certificates of deposit in banks periodically exceeds the Federal Deposit Insurance Corporation's (FDIC) insurance coverage of \$250,000. The Company has not experienced any losses in such accounts and does not believe there to be any significant credit risk with respect to these deposits.

**(12) Risks and Uncertainties**

The global pandemic caused by COVID-19 developed rapidly in 2020 and resulted in a high level of uncertainty and volatility that impacted businesses in all sectors.

At this stage, the impact to the Company's business and financial results has not been significant based on the type of business conducted. Based on management's experience to date, management expects this to remain the case. The Company has taken certain health and safety operational measures and continues to follow government policies and advice. While there has not been a material impact thus far, the timeframe and outcome of the pandemic are uncertain.

**(13) Subsequent Events**

The Company has evaluated subsequent events from the date of the statement of financial condition through February 23, 2022, the date at which the financial statements were available to be issued and determined that there were no other items which required accounting for or disclosure in the financial statements.