

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017052070001**

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

RE: CIM Securities, LLC, Respondent
CRD No. 120852

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent CIM Securities, LLC. (Respondent) 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 herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent hereby accepts and consents, without admitting or denying the findings, 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, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Respondent has been a FINRA member firm since August 2002. The firm's business consists primarily of private placements and retailing equity securities. Respondent is based in Centennial, Colorado, has three branch offices, and has 26 registered representatives. Respondent has no relevant disciplinary history.

OVERVIEW

Between July and October 2016 ("Relevant Period"), Respondent failed to comply with its obligations to review, approve, document, and supervise approximately \$2.5 million in private securities transactions by three of its registered representatives as required by FINRA Rule 3280(c) and its own written supervisory procedures. As a result, Respondent violated FINRA Rules 3280(c), 3110(b) and 2010.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 3280(c) requires that after a member firm has received written notice of a private securities transaction wherein an associated person has received or may receive

selling compensation,¹ the firm must approve or disapprove the person's participation in writing. If the firm approves the associated person's participation in the transaction, the firm must then record the transaction on the firm's books and records and supervise the person's participation in the transaction as if the transaction was executed on behalf of the member. FINRA Rule 3110(b) requires each member to establish, maintain, and enforce written procedures for supervision that are "reasonably designed to achieve compliance" with federal securities laws and regulations and FINRA rules.

In May 2016, Respondent approved an outside business activity of three registered representatives who were engaging in private securities transactions for compensation through that outside business. Specifically, the three representatives formed a limited liability company to sell membership interests for the purpose of pooling investor funds to invest in a separate offering for which Respondent was serving as placement agent. The three representatives recommended this investment to certain of their retail customers, and consistent with the limited liability offering documents, they sold interests in the limited liability company totaling approximately \$2,500,000 and then invested those funds in the separate offering for which they received selling compensation in the form of commissions paid to the representatives by Respondent. Moreover, since at least May 2016, Respondent also was aware that the three representatives may receive additional compensation in the form of expense reimbursements, future profits, and an ownership interest in the limited liability company.

Consistent with the requirements of FINRA Rule 3280(c), Respondent's written procedures required the firm to supervise the three registered representatives' private securities transactions as if they were executed on behalf of the firm. The firm's procedures required that any recommended transactions to non-institutional customers be reviewed for suitability, and that books and records be maintained for the transactions among other supervisory and recordkeeping requirements designed to ensure that the private securities transactions engaged in by the firm's representatives comply with the federal securities laws and regulations and FINRA rules.

Notwithstanding the requirements of Rule 3280(c) and its own written procedures, and despite the fact that it knew about the transactions, Respondent failed to supervise and maintain on its books and records the private securities transactions engaged in by the three representatives. As a result of that failure, Respondent violated, FINRA Rule 3280(c), FINRA Rule 3110(b), and FINRA Rule 2010.

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

- A censure and a \$15,000 fine.

¹ "Selling compensation" is defined in Rule 3280(e)(2) as "any compensation paid directly or indirectly from whatever source in connection with or as a result of the purchase or sale of a security, including, though not limited to, commissions; finder's fees; securities or rights to acquire securities; rights of participation in profits, tax benefits, or dissolution proceeds, as a general partner or otherwise; or expense reimbursements."

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 it proposes to pay the fine imposed. Respondent specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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 it;
- 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 acceptance or rejection of this AWC.

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 it;
- C. If accepted:
 - 1. this AWC will become part of Respondent’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against it;
 - 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 the subject matter thereof 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: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- 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 it 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 or its staff.

The undersigned, on behalf of the Respondent, certifies that a person duly authorized to act on Respondent’s 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 its provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Respondent to submit it.

CIM Securities, LLC

5/7/2018
Date (mm/dd/yyyy)

By: 

Title: Principal/Compliance Officer

Accepted by FINRA:

10/3/18
Date

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



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