

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2010020847501**

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

RE: IMS Securities, Inc., Respondent
Member Firm
CRD No. 35567

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, 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

IMS Securities, Inc. (IMS or the Firm), has been a member of FINRA since February 14, 1994. IMS is a full-service broker-dealer with its principal office located in Houston, Texas. IMS employs approximately 115 registered individuals.

RELEVANT DISCIPLINARY HISTORY

In November 2008, the Texas State Securities Board ordered (Order No. IC08-CAF-17) the Firm to pay a complaining customer \$927.16 for a delay in investing funds, and to pay a \$10,000 fine for failing to amend an agent's Form U4 to reflect the customer's complaint.

OVERVIEW

From May 2006 through March 2010, IMS failed to establish and maintain an adequate system to supervise the activities of wholesale representatives, including written supervisory procedures (WSP), reasonably designed to ensure compliance with securities laws and regulations, and NASD rules. In addition, IMS failed to retain emails, conduct audits at two of its Offices of Supervisory Jurisdiction, maintain compliant purchase and sales blotters, and maintain compliant checks received and forwarded blotters. By virtue of the conduct set forth herein, IMS violated SEC Rules 17a-3(a)(1) and 17a-4(b)(4), NASD Conduct Rules 3010(a), 3010(b), 3010(c)(1), 3010(d)(3), 3110(a) and 2110 (from May 2006 through December 14, 2008), and FINRA Rule 2010 (from December 15, 2008 through March 2010).

FACTS AND VIOLATIVE CONDUCT

1. The Firm's Failure to Supervise Wholesale Representatives

NASD Conduct Rule 3010(a) requires firms to "establish and maintain a system to supervise activities of each registered representative, registered principal, and other associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable NASD rules." Under NASD Conduct Rule 3010(b), these systems must be documented in the firm's WSPs and enforced. The procedures must be tailored to the specific nature of the business engaged in by the firm, and must put in place procedures to ensure compliance and detect violations.

In May 2006, IMS registered several wholesale representatives. But IMS did not tailor its supervisory system to the specific nature of its new wholesale business that was reasonably designed to achieve compliance with applicable securities laws and regulations, and NASD rules. Although supervising wholesale representatives was different than supervising retail representatives, IMS did not revise its WSPs or implement any procedures tailored to supervising the wholesale representatives until March 2010. As a result of the foregoing, IMS violated NASD Rules 3010(a), 3010(b) and 2110 (from May 2006 through December 14, 2008), and FINRA Rule 2010 (from December 15, 2008 through March 2010).

2. Additional Supervisory Failures

a. Written Supervisory Procedures

NASD Conduct Rule 3010(b) requires WSPs designed to ensure compliance and detect violations. From May 2006 through June 2009, IMS sold a wide range of securities products, including privately-traded real estate investment trusts and direct participation plans. During this time period, however, IMS did not have

sufficient WSPs detailing its procedures for assessing privately-traded real estate investment trusts and direct participation plans. As a result of the foregoing, IMS violated NASD Rules 3010(b) and 2110 (from May 2006 through December 14, 2008), and FINRA Rule 2010 (from December 15, 2008 through June 2009).

b. Failure to Audit Offices of Supervisory Jurisdiction

NASD Conduct Rule 3010(c)(1) requires firms to conduct annual audits of its Offices of Supervisory Jurisdiction (OSJ). IMS failed to conduct annual audits at two of its OSJ branch offices in 2009. As a result of the foregoing, IMS violated NASD Rule 3010(c)(1) and FINRA Rule 2010.

3. Books and Records Violations

a. Email Retention

SEC Rule 17a-4(b)(4) requires each broker-dealer to “preserve for a period of not less than 3 years, the first two years in an accessible place ... [o]riginals of all communications received and copies of all communications ... (including inter-office memoranda and communications) relating to its business as such.” This rule includes email communications relating to a firm’s business. Further, NASD Conduct Rule 3010(d)(3) requires each member to retain correspondence of registered representatives relating to its investment banking or securities business in accordance with NASD Rule 3110. NASD Conduct Rule 3110(a) provides that “each member shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by SEC Rule[s].”

At various times from May 2006 through March 2010, IMS’s wholesale representatives used outside email addresses to send electronic communications related to IMS’s securities business. IMS, however, failed to retain these emails. As a result of the foregoing, IMS violated SEC Rule 17a-4(b)(4), NASD Rules 3010(d)(3), 3110(a) and 2110 (from May 2006 through December 14, 2008), and FINRA Rule 2010 (from December 15, 2008 through March 2010).

b. Blotters

SEC Rule 17a-3(a)(1), and NASD Conduct Rules 3010(b) and 3110(a) require members to maintain blotters containing an itemized daily record of all purchases and sales of securities, all receipts and disbursements of cash, and all other debits and credits. These records are required to show “the account for which each such transaction was effected, the name and amount of securities, the unit and

aggregate purchase or sale price (if any), the trade date, and the name or other designation of the person from whom purchased or received or to whom sold or delivered.” From January 2007 through December 2008, IMS failed to adequately maintain purchase and sales blotters and checks received and forwarded blotters containing all of the required information. As a result of the foregoing, IMS violated SEC Rules 17a-3(a)(1), NASD Rules 3010(b), 3110(a) and 2110 (from January 2007 through December 14, 2008), and FINRA Rule 2010 (from December 15, 2008 through December 31, 2008).

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

A censure and a \$100,000 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 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 General Counsel, 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; and
- 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 response to public inquiries about Respondent's disciplinary record;
 - 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 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.

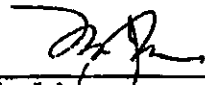
The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that the Firm has agreed to its provisions voluntarily; and that no offer, threat, 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 the Firm to submit it.

11/27/2012
Date (mm/dd/yyyy)


IMS Securities, Inc.
Respondent

By: Jackie Wadsworth, President

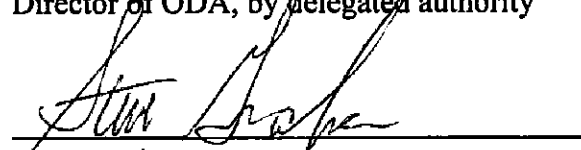
Reviewed by:


Tim Johnson
Counsel for Respondent
Locke Lord LLP
2800 JP Morgan Tower, 600 Travis
Houston, TX 77002
713-226-1200

Accepted by FINRA:

12/5/12
Date

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

A handwritten signature in black ink, appearing to read "Steve Graham", is written over a horizontal line.

Steve Graham
Senior Regional Counsel
FINRA Department of Enforcement
12801 North Central Expressway, Suite 1050
Dallas, TX 75243
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