

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
OFFICE OF HEARING OFFICERS**

Department of Enforcement,

Complainant,

v.

James D. Grimes,
CRD No. 4106942,

Respondent.

Disciplinary Proceeding
No. 2011028219201

Hearing Officer – SNB

**ORDER ACCEPTING OFFER
OF SETTLEMENT**

Date: December 31, 2012

INTRODUCTION

Disciplinary Proceeding No. 2011028219201 was filed on October 5, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent James D. Grimes submitted an Offer of Settlement (Offer) to Complainant dated December 18, 2012. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent has consented, without admitting or denying the allegations of the Complaint, 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, to the entry of

findings and violations consistent with the allegations of the Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

James D. Grimes entered the securities industry in April 2001 with a FINRA member firm, and first became registered as a General Securities Representative in June 2001. From April 2006 to April 2010, Grimes was registered with Financial Network Investment Corporation (FNIC). Most recently, Grimes was registered with Triad Advisors from April 2011 to August 2011. Although Grimes is no longer registered or associated with a FINRA member, he remains subject to FINRA's jurisdiction for purposes of this proceeding, pursuant to Article V, Section 4 of FINRA's By-Laws, because (1) the Complaint was filed within two years after the effective date of termination of Grimes's registration with Triad Advisors, namely, August 23, 2011; and (2) the Complaint charges him with misconduct committed while he was registered or associated with a FINRA member.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:

Between approximately January 2007 and February 2010, while associated with Financial Network Investment Corporation (FNIC), Respondent transferred \$306,000 from three different customer accounts to a business account owned by another customer, without the consent or knowledge of any of the customers. Respondent then wrote checks totaling \$250,446 from the business account into which the funds had been transferred, without that customer's knowledge or authorization, and converted those funds to his personal use. By these actions,

Respondent violated NASD Rules 2110, 2330(a) and 3110(a), and FINRA Rules 2010 and 2150(a).

During the time period at issue, Respondent was the registered representative for the four FNIC customer accounts involved in the unauthorized transfers. Between January 2007 and February 2010, Respondent effected four unauthorized money transfers totaling \$306,000 from three different customer accounts to the business account. The transfers were as follows:

- (a) On or about February 8, 2007, Respondent transferred \$137,000 from a customer account to the business account.
- (b) On or about February 13, 2008, Respondent transferred \$123,000 from the same customer account to the business account.
- (c) On or about February 13, 2009, Respondent transferred \$17,000 from a second customer account to the business account.
- (d) On or about February 12, 2010, Respondent transferred \$29,000 from a third customer account to the business account.

These transfers occurred without the knowledge or authorization of the owners of the accounts. Respondent effected the unauthorized transfers by submitting written journal request forms to FNIC that contained forged client signatures.

Between January 2007 and February 2010, Respondent wrote numerous checks, totaling \$250,446, withdrawing funds from the business account. Most of the checks were made payable to cash. All of the proceeds were converted by Respondent for his personal use. Respondent forged the signature of the owner of the business account on those checks.

NASD Rule 2330(a) and FINRA Rule 2150(a) prohibit a registered representative from making improper use of customer funds or securities. NASD Rule 2330(a) applies to conduct

occurring before December 14, 2009. FINRA Rule 2150(a) applies to conduct on and after December 14, 2009. NASD Rule 2110 and FINRA Rule 2010 require a registered representative, in the conduct of his or her business, to “observe high standards of commercial honor and just and equitable principles of trade.” NASD Rule 2110 applies to conduct occurring before December 15, 2008. FINRA Rule 2010 applies to conduct on and after December 15, 2008.

Respondent transferred \$306,000 to the business account from the other three customer accounts, without authorization, then wrongfully converted \$250,446 of those funds from the business account for his own use. By performing unauthorized transfers and converting customer funds, Respondent violated NASD Conduct Rules 2330(a) and 2110, and FINRA Conduct Rules 2150(a) and 2010.

Former NASD Rule 3110(a), which applies to conduct prior to December 5, 2011, required FINRA member firms to “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 17a-3.” SEC Rule 17a-3(a)(1) requires member firms to make and keep current certain books and records relating to their business activities, including blotters or other records of original entry regarding all receipts and disbursements of cash and all other debits and credits.

The four journal request forms and the numerous checks described above were maintained by FNIC as part of its books and records. Those documents appeared to contain genuine customer signatures but the signatures were forged. The records were therefore inaccurate. By falsifying journal requests and checks, Respondent caused FNIC’s books and

records to be inaccurate. He thereby violated NASD Conduct Rules 3110(a) and 2110 and FINRA Rule 2010.

Based on the foregoing, Respondent violated NASD Rules 2110, 2330(a) and 3110(a), and FINRA Rules 2010 and 2150(a).

Based on these considerations, the sanctions hereby imposed by the acceptance of the Offer are in the public interest, are sufficiently remedial to deter Respondent from any future misconduct, and represent a proper discharge by FINRA of its regulatory responsibility under the Securities Exchange Act of 1934.

SANCTIONS

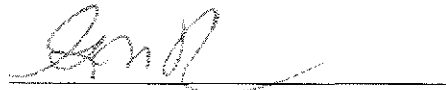
It is ordered that Respondent be permanently barred in all capacities.

The sanctions imposed herein shall be effective on a date set by FINRA staff. Pursuant to FINRA Rule 8313(c), a bar or expulsion shall become effective upon approval or acceptance of this Order.

SO ORDERED.

FINRA

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



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