

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2019060957101**

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

RE: CIM Securities, LLC (Respondent or CIM Securities)
Member Firm
CRD No. 120852

Pursuant to FINRA Rule 9216, Respondent CIM Securities, LLC 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

CIM Securities is headquartered in Centennial, Colorado and has been a FINRA member since August 2002. Respondent employs 11 registered representatives in two branch offices, and conducts a business consisting primarily of private placements and retail brokerage.¹

OVERVIEW

Between September 1, 2018, and February 23, 2020, CIM Securities failed to establish, maintain, and enforce written procedures (WSPs) reasonably designed to achieve compliance with FINRA Rules 2111 and 4512(a)(1)(D). As a result, Respondent failed to obtain required suitability information for customers investing in three private placement offerings and failed to document principal acceptance of customer accounts opened to invest in those offerings. Therefore, Respondent violated FINRA Rules 3110(a), 3110(b), 4512(a)(1)(D), and 2010.

Between September 1, 2018, and February 23, 2020, CIM Securities also failed to establish a reasonable supervisory system for email review, including WSPs. Respondent also failed to enforce its WSPs for documenting email reviews between September 1,

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

2018, and July 31, 2019. As a result, Respondent violated FINRA Rules 3110(a), 3110(b), and 2010.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's 2019 cycle examination of Respondent.

I. CIM Securities failed to establish and enforce a supervisory system, including WSPs, reasonably designed to achieve compliance with FINRA Rules 2111 and 4512(a)(1)(D).

FINRA Rule 3110(a) requires that FINRA members "establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules." FINRA Rule 3110(b) requires that each FINRA member "establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with the applicable securities laws and regulations, and with applicable FINRA Rules."

A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires member firms to "observe high standards of commercial honor and just and equitable principles of trade" in the conduct of their business.

FINRA Rule 2111 requires that a firm

have a reasonable basis to believe that recommended transaction or investment strategy involving a security or securities is suitable for the customer, based on the information obtained through the reasonable diligence of the member . . . to ascertain the customer's investment profile. A customer's investment profile includes, but is not limited to, the customer's age, other investments, financial situation and needs, tax status, investment objectives, investment experience, investment time horizon, liquidity needs, risk tolerance, and any other information the customer may disclose to the member . . . in connection with such recommendation.

FINRA Rule 4512(a)(1)(D) requires member firms to maintain specified account information, specifically the "signature of [a] partner, officer or manager denoting [that] the account has been accepted [by the firm] in accordance with the member's policies and procedures for acceptance of accounts."

Between September 1, 2018, and February 23, 2020, after receiving warnings from FINRA about its supervisory systems for obtaining and maintaining suitability information about customers and about documenting principal acceptance of new account forms for customers investing in Respondent's private placement offerings, Respondent's WSPs required that the underwriting principal or a designee "review each subscription agreement for the purchase of privately placed securities" and evidence the review with a

signature. However, Respondent's WSPs cited NASD Rule 2310, instead of FINRA Rule 2111, even though FINRA Rule 2111 superseded NASD Rule 2310 on July 9, 2012, and differs from Rule 2310 by requiring member firms to exercise reasonable diligence in ascertaining each customer's investment profile, including investment experience, investment time horizon, liquidity needs, and risk tolerance. Respondent cited NASD 2310 in the WSPs despite previous warnings from FINRA that the rule had been superseded by FINRA Rule 2111.²

A. CIM Securities failed to collect and address required suitability information.

Between September 1, 2018, and February 23, 2020, Respondent sold investments to approximately 46 customers in three high-risk private placement offerings that were suitable only for investors who did not require liquidity from the investment and could bear the risk of a total loss. Nonetheless, Respondent failed to obtain certain suitability information required by FINRA Rule 2111 from eight investing customers, who collectively invested a total of \$680,000 in the offerings, including information about the customers' risk tolerance and liquidity needs.

Additionally, although there were no customer complaints or harm, two of the above-described customers and 15 additional customers, who collectively invested approximately \$1.3 million in the private placements, provided information that suggested that the private placements may not be suitable for those customers. Specifically, ten of these customers stated that they had a moderate risk tolerance, six customers stated that liquidity was "somewhat important," and 13 customers specified that they had limited time horizons for investing.

Respondent's failure to establish and maintain a supervisory system reasonably designed to achieve compliance with the suitability rule resulted in risks to customers who received private placement recommendations.

Therefore, CIM Securities violated FINRA Rules 3110(a) and (b) and 2010.

B. Respondent failed to document principal acceptance of customer accounts.

Respondent also failed to obtain and maintain a principal signature denoting the acceptance of 49 accounts held by 46 of the investors in the above-referenced private placements, as required by its WSPs. Therefore, CIM Securities violated FINRA Rules 4512(a)(1)(D), 3110(b), and 2010.

² On February 24, 2020, CIM Securities revised its WSPs and supervisory system to address the requirements of FINRA Rule 2111.

II. Respondent failed to maintain and enforce a reasonable supervisory system for email review.

FINRA Rule 3110(b)(4) requires every firm's WSPs to "include procedures for the review of incoming and outgoing written (including electronic) correspondence..." Such procedures "must be appropriate for the member's business, size, structure, and customers." Rule 3110(b)(4) also requires that "reviews of correspondence ... must be conducted by a registered principal and must be evidenced in writing, either electronically or on paper."

Between September 2018 and July 2019, Respondent failed to document any principal review of employee emails.

Between September 1, 2018, and February 23, 2020, despite Respondent receiving previous warnings from FINRA that its supervisory system for email review was not reasonable, Respondent's WSPs did not specify the required frequency for outgoing email review, the size and parameters of the relevant samples, or the required steps for escalation of any issues or problems identified through email review.

Additionally, during the same period, Respondent's WSPs did not contain any information about documenting the review of incoming email, the size and parameters of the relevant samples, or the required steps for escalating any issues or problems identified during email review, apart from complaints from customers.³

Therefore, CIM Securities violated FINRA Rules 3110(a) and (b) and 2010.¹

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

- a censure and
- a \$35,000 fine.⁴

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.

³ On February 24, 2020, Respondent revised its WSPs.

⁴ Pursuant to the General Principles Applicable to all Sanction Determinations contained in FINRA's *Sanction Guidelines*, FINRA imposed a lower fine in this case after it considered, among other things, Respondent's revenues and financial resources. See Notice to Members 06-55.

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.

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 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 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 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.

The undersigned, on behalf of 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 the AWC's provisions voluntarily; and that 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 Respondent to submit this AWC.

Date _____

CIM Securities, LLC
Respondent

Print Name: JAMES T. HOLT

Title: President

Reviewed by:

Stoneleigh

Stephen Csajaghy
Counsel for Respondent
Condit Csajaghy LLC
695 S. Colorado Blvd., Suite 270
Denver, Colorado 80246

Accepted by FINRA:

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

January 31, 2022

Date _____

Carolyn O'Leary
Senior Counsel
FINRA
Department of Enforcement
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