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Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Texas State Securities Board

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.state.tx.us

Phone: (512) 305-8300
Facsimile: (512) 305-8310

IN THE MATTER OF THE §
DEALER REGISTRATION § **Order No. IC12 – CAF – 20**
OF IMS SECURITIES, INC. §

TO: Jackie Wadsworth, CEO
IMS Securities, Inc. (CRD # 35567)
10205 Westheimer, Suite 500
Houston, TX 77042

DISCIPLINARY ORDER

Be it remembered that IMS Securities, Inc. ("Respondent") appeared before the Securities Commissioner of the State of Texas ("Securities Commissioner") and consented to the entry of this Order and Undertaking and the Findings of Fact and Conclusions of Law contained herein.

FINDINGS OF FACT

1. Respondent has waived (a) Respondent's right to notice and hearing in this matter; (b) Respondent's right to appear and present evidence in this matter; (c) Respondent's right to appeal this Order; and (d) all other procedural rights granted to Respondent by The Securities Act, Tex. Rev. Civ. Stat. Ann. art. 581-1 et seq. (West 2010 & Supp. 2011) ("Texas Securities Act"), and the Administrative Procedure Act, Tex. Gov't Code Ann. § 2001.001 et seq. (West 2008 & Supp. 2011) ("Administrative Procedure Act").
 - I. **Background and Texas Disciplinary History**
2. On or about January 18, 1994, Respondent registered with the Securities Commissioner as a dealer. This registration is currently effective.
3. On November 14, 2008, in Order No. IC08-CAF-17, the Securities Commissioner entered findings that Respondent failed to enforce its written supervisory procedures and failed to disclose required information on a registration form. In

connection with Order No. IC08-CAF-17, Respondent was reprimanded and assessed an administrative fine of \$10,000.00.

II. Supervision of Agent with Termination Disclosure

4. On or about July 23, 2007, Respondent filed an application with the Securities Commissioner to register an individual ("Agent A") as an agent of Respondent.
5. On or about August 3, 2007, Agent A's prior employer disclosed on Agent A's Uniform Termination Notice for Securities Industry Registration ("Form U-5") that Agent A had been terminated for violations of National Association of Securities Dealers, Inc. (NASD) Rules.
6. On or about September 5, 2007, Agent A's registration as an agent of Respondent was approved. Due to Agent A's Form U-5 disclosure, Respondent considered placing Agent A on heightened supervision. Ultimately, Respondent decided not to place Agent A on heightened supervision.
7. At the time Respondent made its decision not to place Agent A on heightened supervision, Respondent had established the following written supervisory procedures:

After the determination [regarding heightened supervision] is made, the CCO will prepare a memorandum outlining action taken (or not taken).

Where it is determined that IMS's existing supervision is adequate to address oversight of the candidate, the CCO will document in the memorandum the reasons why existing supervision is adequate.

8. Despite such written supervisory procedures, a memorandum was not prepared in connection with Respondent's decision not to place Agent A on heightened supervision.
9. On or about August 28, 2008, Respondent inspected the branch office from which Agent A conducted business. During the inspection, Respondent asked Agent A questions related to Agent A's safeguarding of customer funds and securities, maintenance of books and records, and transmission of customer funds. In response, Agent A disclosed that he maintained a separate bank account for his business activities and that his business or personal account had been overdrawn.
10. At the time Respondent inspected Agent A's branch office, Respondent had established the following written supervisory procedures:

Written Reports of inspections will include:

. . .

- Areas reviewed which will include, at minimum (depending on type of business conducted in the office)
 - safeguarding of customer funds and securities;
 - maintaining books and records; [and]
 - . . .
 - transmitting funds between customers and RRs and between customers and third parties[.]
11. Despite such written supervisory procedures, Respondent did not review Agent A's business bank account records or ask for information about the overdrawn account.
 12. On or about September 8, 2009, Respondent terminated Agent A's registration as an agent of Respondent. Following the termination, Respondent received several complaints indicating that while Agent A was registered with Respondent, Agent A converted customer funds and took personal loans from clients. The clients' funds had been deposited in Agent A's business bank account. Respondent reimbursed some of the clients who complained.

CONCLUSIONS OF LAW

1. Respondent's failures to enforce its written supervisory procedures regarding heightened supervision and branch office inspections are violations of §115.10(b)(1) of the Rules and Regulations of the Texas State Securities Board ("Board Rules").
2. Pursuant to Section 14.A(6) of the Texas Securities Act, Respondent's violations of the Board Rules are bases for the issuance of an Order reprimanding Respondent.
3. Pursuant to Section 23-1 of the Texas Securities Act, Respondent's violations of the Board Rules are bases for the assessment of an administrative fine against Respondent.

UNDERTAKING

1. Respondent undertakes and agrees to retain an independent outside consultant ("Consultant") that is not unacceptable to the staff of the Texas State Securities Board, within thirty (30) days of the date this Order is entered by the Securities Commissioner.
2. Respondent further undertakes and agrees to submit, at least ten (10) days prior to retaining the Consultant, a letter to the Director of the Inspections and Compliance Division of the Texas State Securities Board ("Director") identifying: the Consultant, the Consultant's experience in the securities industry, and all pre-existing personal and business relationships between the Consultant and Respondent.

3. Respondent further undertakes and agrees to retain the Consultant to perform a review ("Review"), within sixty (60) days of the date this Order is entered by the Securities Commissioner, of Respondent's system for supervising and inspecting its branch offices and to recommend improvements to the system to ensure it is reasonably designed to achieve compliance with the Texas Securities Act, the Board Rules, and all applicable securities laws and regulations.
4. Respondent further undertakes and agrees to ensure that as part of the Review the Consultant examines no less than fifty percent (50%) of the office of supervisory jurisdiction ("OSJ") and non-OSJ branch office inspections conducted by Respondent over the past twelve (12) months and identifies any weaknesses, deficiencies, and failures by Respondent to enforce its own procedures.
5. Respondent further undertakes and agrees to require the Consultant to deliver to Respondent, within thirty (30) days of the Review, a report ("Report") describing the Review and the Consultant's recommendations.
6. Respondent further undertakes and agrees to submit to the Director within fifteen (15) days of receiving the Report: (1) the Report; and (2) a statement identifying all corrective measures taken by Respondent in response to the Report, and stating the reason(s) for not following any of the Consultant's recommendations.

ORDER

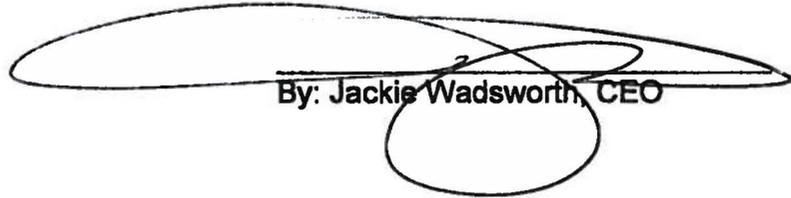
1. It is therefore ORDERED that IMS Securities, Inc. is hereby REPRIMANDED.
2. It is further ORDERED that IMS Securities, Inc. shall pay an ADMINISTRATIVE FINE in the amount of Twenty Thousand Dollars (\$20,000.00) to the general fund of the State of Texas within one business day of the date this Order is entered by the Securities Commissioner.
3. IMS Securities, Inc. is further ORDERED TO COMPLY with the terms of the Undertaking contained herein.

SIGNED AND ENTERED BY THE SECURITIES COMMISSIONER this 16th
day of November, 2012.


JOHN MORGAN
Securities Commissioner

Respondent:

IMS Securities, Inc.

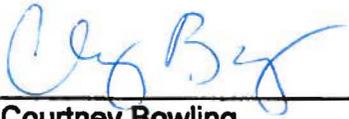


By: Jackie Wadsworth, CEO

Approved as to Form:



Ronak V. Patel
Deputy Securities Commissioner

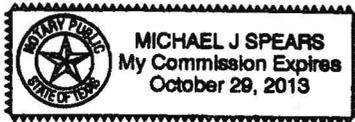


Courtney Bowling
Attorney
Inspections & Compliance Division

ACKNOWLEDGMENT

On the 12 day of November, 2012, IMS Securities, Inc. ("Respondent"), by and through Jackie Wadsworth, its CEO, personally appeared before me, executed the foregoing Order, and acknowledged that:

1. Jackie Wadsworth is duly authorized to enter into the foregoing Order on behalf of Respondent;
2. Jackie Wadsworth has read the foregoing Order;
3. Respondent has been fully advised of its rights under the Texas Securities Act and the Administrative Procedure Act;
4. Respondent knowingly and voluntarily consents to the entry of the foregoing Order and the Findings of Fact and Conclusions of Law contained therein; and,
5. Respondent, by consenting to the entry of the foregoing Order, has knowingly and voluntarily waived its rights as set forth therein.



[affix notary seal here]

Michael J Spears
Notary Public in and for
the State of TEXAS

My commission expires on: 10-29-2013