

BrokerCheck Report

WEDBUSH SECURITIES INC.

CRD# 877

<u>Section Title</u>	<u>Page(s)</u>
Report Summary	1
Firm Profile	2 - 10
Firm History	11
Firm Operations	12 - 26
Disclosure Events	27



Please be aware that fraudsters may link to BrokerCheck from phishing and similar scam websites, trying to steal your personal information or your money. Make sure you know who you're dealing with when investing, and contact FINRA with any concerns.

For more information read our [investor alert](#) on imposters.

About BrokerCheck®

BrokerCheck offers information on all current, and many former, registered securities brokers, and all current and former registered securities firms. FINRA strongly encourages investors to use BrokerCheck to check the background of securities brokers and brokerage firms before deciding to conduct, or continue to conduct, business with them.

- **What is included in a BrokerCheck report?**

- BrokerCheck reports for individual brokers include information such as employment history, professional qualifications, disciplinary actions, criminal convictions, civil judgments and arbitration awards. BrokerCheck reports for brokerage firms include information on a firm's profile, history, and operations, as well as many of the same disclosure events mentioned above.

- Please note that the information contained in a BrokerCheck report may include pending actions or allegations that may be contested, unresolved or unproven. In the end, these actions or allegations may be resolved in favor of the broker or brokerage firm, or concluded through a negotiated settlement with no admission or finding of wrongdoing.

- **Where did this information come from?**

- The information contained in BrokerCheck comes from FINRA's Central Registration Depository, or CRD® and is a combination of:
 - information FINRA and/or the Securities and Exchange Commission (SEC) require brokers and brokerage firms to submit as part of the registration and licensing process, and
 - information that regulators report regarding disciplinary actions or allegations against firms or brokers.

- **How current is this information?**

- Generally, active brokerage firms and brokers are required to update their professional and disciplinary information in CRD within 30 days. Under most circumstances, information reported by brokerage firms, brokers and regulators is available in BrokerCheck the next business day.

- **What if I want to check the background of an investment adviser firm or investment adviser representative?**

- To check the background of an investment adviser firm or representative, you can search for the firm or individual in BrokerCheck. If your search is successful, click on the link provided to view the available licensing and registration information in the SEC's Investment Adviser Public Disclosure (IAPD) website at <https://www.adviserinfo.sec.gov>. In the alternative, you may search the IAPD website directly or contact your state securities regulator at <http://www.finra.org/Investors/ToolsCalculators/BrokerCheck/P455414>.

- **Are there other resources I can use to check the background of investment professionals?**

- FINRA recommends that you learn as much as possible about an investment professional before deciding to work with them. Your state securities regulator can help you research brokers and investment adviser representatives doing business in your state.

• **Thank you for using FINRA BrokerCheck.**



Using this site/information means that you accept the FINRA BrokerCheck Terms and Conditions. A complete list of Terms and Conditions can be found at brokercheck.finra.org



For additional information about the contents of this report, please refer to the User Guidance or www.finra.org/brokercheck. It provides a glossary of terms and a list of frequently asked questions, as well as additional resources. For more information about FINRA, visit www.finra.org.



WEDBUSH SECURITIES INC.

CRD# 877

SEC# 8-12987

Main Office Location

1000 WILSHIRE BLVD. SUITE 900
ATTN: COMPLIANCE
LOS ANGELES, CA 90017-2457
Regulated by FINRA Los Angeles Office

Mailing Address

1000 WILSHIRE BLVD. SUITE 900
ATTN: COMPLIANCE
LOS ANGELES, CA 90017-2457

Business Telephone Number

(213) 688-8090

This firm is a brokerage firm and an investment adviser firm. For more information about investment adviser firms, visit the SEC's Investment Adviser Public Disclosure website at:
<https://www.adviserinfo.sec.gov>

Report Summary for this Firm

This report summary provides an overview of the brokerage firm. Additional information for this firm can be found in the detailed report.

Firm Profile

This firm is classified as a corporation.
This firm was formed in California on 07/08/1966.
Its fiscal year ends in June.

Firm History

Information relating to the brokerage firm's history such as other business names and successions (e.g., mergers, acquisitions) can be found in the detailed report.

Firm Operations

This firm is registered with:

- the SEC
- 22 Self-Regulatory Organizations
- 52 U.S. states and territories

Is this brokerage firm currently suspended with any regulator?

No

This firm conducts 18 types of businesses.

This firm is affiliated with financial or investment institutions.

This firm does not have referral or financial arrangements with other brokers or dealers.

Disclosure Events

Brokerage firms are required to disclose certain criminal matters, regulatory actions, civil judicial proceedings and financial matters in which the firm or one of its control affiliates has been involved.

Are there events disclosed about this firm?

Yes

The following types of disclosures have been reported:

Type	Count
Regulatory Event	142
Civil Event	3
Arbitration	60
Bond	1



Firm Profile

This firm is classified as a corporation.
This firm was formed in California on 07/08/1966.
Its fiscal year ends in June.

Firm Names and Locations

This section provides the brokerage firm's full legal name, "Doing Business As" name, business and mailing addresses, telephone number, and any alternate name by which the firm conducts business and where such name is used.

WEDBUSH SECURITIES INC.
Doing business as WEDBUSH SECURITIES INC.
CRD# 877
SEC# 8-12987

Main Office Location
1000 WILSHIRE BLVD. SUITE 900
ATTN: COMPLIANCE
LOS ANGELES, CA 90017-2457
Regulated by FINRA Los Angeles Office

Mailing Address
1000 WILSHIRE BLVD. SUITE 900
ATTN: COMPLIANCE
LOS ANGELES, CA 90017-2457

Business Telephone Number
(213) 688-8090

Other Names of this Firm

Name	Where is it used
WEDBUSH PACGROW	AK, AL, AR, AZ, CA, CO, CT, DC, DE, FL, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, PR, RI, SC, SD, TN, TX,

UT, VA, VI, VT, WA,
WI, WV, WY



Firm Profile

This section provides information relating to all direct owners and executive officers of the brokerage firm.

Direct Owners and Executive Officers

Legal Name & CRD# (if any): WEDBUSH FINANCIAL SERVICES, LLC

Is this a domestic or foreign entity or an individual? Domestic Entity

Position OWNER

Position Start Date 01/2020

Percentage of Ownership 75% or more

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): BILLINGS, DANIEL ERIC

4568232

Is this a domestic or foreign entity or an individual? Individual

Position EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER, DIRECTOR

Position Start Date 12/2019

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): BLAND, GEOFFREY CONOR

7358773

Is this a domestic or foreign entity or an individual? Individual

Position DIRECTOR

Position Start Date 01/2022

Firm Profile



Direct Owners and Executive Officers (continued)

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): DEMPSEY, FRANCIS BURKE
2428325

Is this a domestic or foreign entity or an individual? Individual

Position EXECUTIVE VICE PRESIDENT

Position Start Date 09/2019

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): DRUCH, ANDREW WALTER
1688071

Is this a domestic or foreign entity or an individual? Individual

Position EXECUTIVE VICE PRESIDENT, GENERAL COUNSEL, CHIEF ADMINISTRATIVE OFFICER, DIRECTOR

Position Start Date 12/2019

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Firm Profile



Direct Owners and Executive Officers (continued)

Legal Name & CRD# (if any):	FITZSIMMONS, ROBERT GERARD 1878661
Is this a domestic or foreign entity or an individual?	Individual
Position	EXECUTIVE VICE PRESIDENT
Position Start Date	08/2018
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	FRAUNCES, KIRSTEN CAMPBELL 2933930
Is this a domestic or foreign entity or an individual?	Individual
Position	EXECUTIVE VICE PRESIDENT
Position Start Date	09/2019
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	HULTGREN, DONALD WAYNE 1475369
Is this a domestic or foreign entity or an individual?	Individual
Position	EXECUTIVE CHAIR, DIRECTOR
Position Start Date	01/2022
Percentage of Ownership	Less than 5%

Firm Profile



Direct Owners and Executive Officers (continued)

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): MONE, CHRISTOPHER MICHAEL
2401952

Is this a domestic or foreign entity or an individual? Individual

Position EXECUTIVE VICE PRESIDENT

Position Start Date 03/2019

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): PASET, ROBERT EDWARD
1055902

Is this a domestic or foreign entity or an individual? Individual

Position EXECUTIVE VICE PRESIDENT

Position Start Date 09/2019

Percentage of Ownership Less than 5%

Does this owner direct the management or policies of the firm? Yes

Is this a public reporting company? No

Legal Name & CRD# (if any): PRESTON, ERIN KATHLEEN
5314250

Firm Profile



Direct Owners and Executive Officers (continued)

Is this a domestic or foreign entity or an individual?	Individual
Position	CHIEF COMPLIANCE OFFICER
Position Start Date	02/2021
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any): WEDBUSH, GARY LANCE
2234455

Is this a domestic or foreign entity or an individual?	Individual
Position	PRESIDENT, DIRECTOR
Position Start Date	10/2020
Percentage of Ownership	Less than 5%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No



Firm Profile

This section provides information relating to any indirect owners of the brokerage firm.

Indirect Owners

Legal Name & CRD# (if any):	EDWARD AND JEAN WEDBUSH FAMILY TRUST
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	WEDBUSH FAMILY PARTNERS, LLC
Relationship to Direct Owner	SOLE MEMBER
Relationship Established	12/2020
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	WEDBUSH CAPITAL
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	WEDBUSH FINANCIAL SERVICES, LLC
Relationship to Direct Owner	SOLE MEMBER
Relationship Established	10/2019
Percentage of Ownership	75% or more
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	WEDBUSH FAMILY PARTNERS, LLC
Is this a domestic or foreign entity or an individual?	Domestic Entity

Firm Profile



Indirect Owners (continued)

Company through which indirect ownership is established	WEDBUSH CAPITAL
Relationship to Direct Owner	SHAREHOLDER
Relationship Established	12/2020
Percentage of Ownership	50% but less than 75%
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Legal Name & CRD# (if any):	THE BRYN MAWR TRUST COMPANY OF DELAWARE
Is this a domestic or foreign entity or an individual?	Domestic Entity
Company through which indirect ownership is established	EDWARD AND JEAN WEDBUSH FAMILY TRUST
Relationship to Direct Owner	TRUSTEE
Relationship Established	12/2020
Percentage of Ownership	Other General Partners
Does this owner direct the management or policies of the firm?	Yes
Is this a public reporting company?	No

Firm History

This section provides information relating to any successions (e.g., mergers, acquisitions) involving the firm.

No information reported.





Firm Operations

Registrations

This section provides information about the regulators (Securities and Exchange Commission (SEC), self-regulatory organizations (SROs), and U.S. states and territories) with which the brokerage firm is currently registered and licensed, the date the license became effective, and certain information about the firm's SEC registration.

This firm is currently registered with the SEC, 22 SROs and 52 U.S. states and territories.

Federal Regulator	Status	Date Effective
SEC	Approved	10/20/1966

SEC Registration Questions

This firm is registered with the SEC as:

A broker-dealer: Yes

A broker-dealer and government securities broker or dealer: Yes

A government securities broker or dealer only: No

This firm has ceased activity as a government securities broker or dealer: No

Self-Regulatory Organization	Status	Date Effective
FINRA	Approved	07/30/1955
BOX Exchange LLC	Approved	05/07/2012
Cboe BYX Exchange, Inc.	Approved	09/01/2010
Cboe BZX Exchange, Inc.	Approved	08/18/2008
Cboe C2 Exchange, Inc.	Approved	03/08/2012
Cboe EDGA Exchange, Inc.	Approved	05/27/2010
Cboe EDGX Exchange, Inc.	Approved	05/27/2010
Cboe Exchange, Inc.	Approved	08/13/2008
Investors' Exchange LLC	Approved	08/10/2016
MIAX PEARL, LLC	Approved	02/06/2017
Miami International Securities Exchange, LLC	Approved	12/07/2012
NYSE American LLC	Approved	02/25/1988
NYSE Arca, Inc.	Approved	10/29/2004
NYSE Chicago, Inc.	Approved	08/07/1990
NYSE National, Inc.	Approved	05/18/2018

Nasdaq BX, Inc.	Approved	01/12/2009
Nasdaq GEMX, LLC	Approved	07/29/2013
Nasdaq ISE, LLC	Approved	06/26/2007
Nasdaq MRX, LLC	Approved	02/10/2016
Nasdaq PHLX LLC	Approved	06/13/2006
Nasdaq Stock Market	Approved	07/12/2006
New York Stock Exchange	Approved	11/17/1982



Firm Operations

Registrations (continued)

U.S. States & Territories	Status	Date Effective
Alabama	Approved	01/28/1988
Alaska	Approved	04/30/1971
Arizona	Approved	05/22/1975
Arkansas	Approved	08/27/1997
California	Approved	03/01/1989
Colorado	Approved	02/01/1983
Connecticut	Approved	12/01/1988
Delaware	Approved	08/07/1987
District of Columbia	Approved	08/12/1987
Florida	Approved	04/27/1983
Georgia	Approved	07/11/1986
Hawaii	Approved	01/08/1970
Idaho	Approved	12/07/1987
Illinois	Approved	09/03/1982
Indiana	Approved	08/09/1985
Iowa	Approved	07/15/1983
Kansas	Approved	06/18/1987
Kentucky	Approved	01/28/1985
Louisiana	Approved	03/25/1986
Maine	Approved	05/18/1999
Maryland	Approved	12/05/1983
Massachusetts	Approved	10/09/1990
Michigan	Approved	12/10/1985
Minnesota	Approved	07/15/1982
Mississippi	Approved	03/21/1989
Missouri	Approved	08/23/1983
Montana	Approved	07/10/1984
Nebraska	Approved	03/07/1985
Nevada	Approved	07/19/1983
New Hampshire	Approved	12/20/1999
New Jersey	Approved	07/19/1983
New Mexico	Approved	02/05/1986
New York	Approved	01/02/1985

U.S. States & Territories	Status	Date Effective
North Carolina	Approved	07/15/1982
North Dakota	Approved	05/02/2001
Ohio	Approved	08/06/1984
Oklahoma	Approved	11/25/1986
Oregon	Approved	10/24/1981
Pennsylvania	Approved	02/20/1987
Puerto Rico	Approved	08/06/1998
Rhode Island	Approved	11/25/1987
South Carolina	Approved	02/12/1988
South Dakota	Approved	06/17/1986
Tennessee	Approved	10/20/2016
Texas	Approved	07/25/1983
Utah	Approved	04/21/1983
Vermont	Approved	12/03/1987
Virginia	Approved	04/25/1984
Washington	Approved	04/20/1983
West Virginia	Approved	05/04/1987
Wisconsin	Approved	01/22/1980
Wyoming	Approved	06/22/1982



Firm Operations

Types of Business

This section provides the types of business, including non-securities business, the brokerage firm is engaged in or expects to be engaged in.

This firm currently conducts 18 types of businesses.

Types of Business

Exchange member engaged in exchange commission business other than floor activities
Exchange member engaged in floor activities
Broker or dealer making inter-dealer markets in corporation securities over-the-counter
Broker or dealer retailing corporate equity securities over-the-counter
Broker or dealer selling corporate debt securities
Underwriter or selling group participant (corporate securities other than mutual funds)
Mutual fund retailer
U S. government securities dealer
U S. government securities broker
Municipal securities dealer
Municipal securities broker
Broker or dealer selling variable life insurance or annuities
Broker or dealer selling oil and gas interests
Put and call broker or dealer or option writer
Investment advisory services
Trading securities for own account
Private placements of securities
Other - MUNICIPAL FINANCE; INVESTMENT BANKING; PROVIDE SERVICES AS REGISTERED BROKER OR DEALER PURSUANT TO RULE 15A-6 UNDER THE SECURITIES EXCHANGE ACT OF 1934

Other Types of Business

This firm does effect transactions in commodities, commodity futures, or commodity options.

This firm does not engage in other non-securities business.

Non-Securities Business Description:

Firm Operations



Clearing Arrangements

This firm does hold or maintain funds or securities or provide clearing services for other broker-dealer(s).

Introducing Arrangements

This firm does not refer or introduce customers to other brokers and dealers.

Firm Operations

Industry Arrangements



This firm does have books or records maintained by a third party.

Name: ION TRADING UK LIMITED
Business Address: 10 QUEEN STREET PLACE
LONDON, UNITED KINGDOM EC4R 1BE
Effective Date: 08/24/2011
Description: THIS ORGANIZATION IS USED TO BOOK FX TRADES TO CLIENT ACCOUNTS. IN ADDITION TO TRADES, CLIENT STATIC DATA (CONTACT DETAILS) & SETTLEMENT INSTRUCTIONS ARE ALSO STORED.

Name: COMPLYSCI
Business Address: 136 MADISON AVE
NEW YORK, NY 10016
Effective Date: 03/22/2019
Description: THREE FILES ARE SENT DAILY TO COMPLYSCI INCLUDING ACCOUNT INFORMATION, POSITIONS, AND TRADING ACTIVITY FOR CERTAIN ACCOUNTS CUSTODIED AT WEDBUSH

Name: HEARSAY SOCIAL
Business Address: 600 HARRISON ST, SUITE 120
SAN FRANCISCO, CA 94107
Effective Date: 11/01/2017
Description: SOCIAL MEDIA ARCHIVING

Name: GLOBAL RELAY
Business Address: 286 MADISON AVENUE, 7TH FLOOR
NEW YORK, NY 10017
Effective Date: 08/19/2019
Description: INSTANT MESSAGE STORAGE

Name: ULTIMATE SOFTWARE
Business Address: 2000 ULTIMATE WAY
WESTON, FL 22236
Effective Date: 11/22/2010
Description: EMPLOYMENT AND HR RECORDS

Firm Operations



Industry Arrangements (continued)

Name:	STAR COMPLIANCE
Business Address:	9200 CORPORATE BLVD SUITE 440 ROCKVILLE, MD 20850
Effective Date:	03/16/2021
Description:	ANNUAL ATTESTATIONS, TRADE APPROVALS, COMPLIANCE ATTESTATIONS, POLITICAL CONTRIBUTIONS, GIFT/ENTERTAINMENT LOGS, BROKER ACCOUNTS & TRANSACTIONS, PRIVATE INVESTMENTS, AND OBA APPROVALS
Name:	FIS
Business Address:	601 RIVERSIDE AVE JACKSONVILLE, FL 32204
Effective Date:	11/19/2013
Description:	TRADING INFORMATION, ACCOUNT INFORMATION, REGULATORY ACCOUNTING DATA AND PROTEGENT TRADE SURVEILLANCE SYSTEM DATA.
Name:	IRON MOUNTAIN INC.
Business Address:	ONE FEDERAL STREET BOSTON, MA 02111
Effective Date:	12/03/2013
Description:	MAINTAINS ACCOUNT INFORMATION AND GENERAL ORGANIZATIONAL DOCUMENTS.
Name:	REFINITIV BETA
Business Address:	350 NO. SUNNYSLOPE RD. BROOKFIELD, WI 53005
Effective Date:	02/01/1995
Description:	BETA SYSTEMS IS A DATA PROCESSING VENDOR SERVICE BUREAU FOR SECURITIES FIRMS. THE BOOKS AND RECORDS STORED WITH BETA ARE ELECTRONIC AND INCLUDE SECURITIES LEDGERS, CUSTOMER LEDGERS, AND CUSTOMER DATABASE INFORMATION.
Name:	FINANCIAL STATEMENTS SERVICES, INC. (FSSI)
Business Address:	3300 S. FAIRVIEW ST. SANTA ANA, CA 92704
Effective Date:	12/23/2013
Description:	FSSI PROVIDES CREATION, PRINTING, AND DELIVERY SERVICES

Firm Operations



Industry Arrangements (continued)

RELATED TO ACCOUNT STATEMENTS.

Name:	PROOFPOINT, INC.
Business Address:	892 ROSS DRIVE SUNNYVALE, CA 94089
Effective Date:	05/14/2021
Description:	ELECTRONIC COMMUNICATIONS
Name:	BROADRIDGE FINANCIAL SOLUTIONS, INC.
Business Address:	5 DAKOTA DRIVE, SUITE 300 LAKE SUCCESS, NY 11042
Effective Date:	07/01/1994
Description:	PROXY AND PROSPECTUS MAILINGS.
Name:	ENVESTNET
Business Address:	2399 GATEWAY OAKS DRIVE, SUITE 200 SACRAMENTO, CA 95833
Effective Date:	02/28/2020
Description:	ENVESTNET PROVIDES FINANCIAL INSTITUTIONS AND REGISTERED INVESTMENT ADVISORS WITH AN END-TO-END TECHNOLOGY SOLUTION WHICH INCLUDES A SUITE OF ADVISORY TOOLS THAT ASSIST ADVISORS IN CREATING MODEL PORTFOLIOS AND DELIVERING OVERLAY MANAGEMENT SERVICES.

This firm does not have accounts, funds, or securities maintained by a third party.

This firm does not have customer accounts, funds, or securities maintained by a third party.

Control Persons/Financing

This firm does not have individuals who control its management or policies through agreement.

This firm does not have individuals who wholly or partly finance the firm's business.



Firm Operations

Organization Affiliates

This section provides information on control relationships the firm has with other firms in the securities, investment advisory, or banking business.

This firm is, directly or indirectly:

- in control of
 - controlled by
 - or under common control with
- the following partnerships, corporations, or other organizations engaged in the securities or investment advisory business.

SEVEN CAPITAL II LLC is under common control with the firm.

Business Address:	455 DETROIT STREET DENVER, CO 80206
Effective Date:	10/31/2023
Foreign Entity:	No
Country:	
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND SEVEN CAPITAL II, LLC ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

VELOCITY TRADE CAPITAL LTD is under common control with the firm.

Business Address:	100 YONGE STREET SUITE 1800 TORONTO, ONTARIO, CANADA M5C 2W1
Effective Date:	08/31/2023
Foreign Entity:	Yes
Country:	CANADA
Securities Activities:	Yes
Investment Advisory Activities:	No
Description:	WEDBUSH SECURITIES INC. AND VELOCITY TRADE CAPITAL. ARE UNDER COMMON OWNERSHIP OF WEDBUSH FINANCIAL SERVICES, LLC. ("WFS") AND ULTIMATELY WEDBUSH CAPITAL. WFS IS THE PARENT COMPANY OF

Firm Operations



Organization Affiliates (continued)

WEDBUSH SECURITIES INC. WFS INDIRECTLY OWNS SHARES OF VELOCITY TRADE HOLDINGS LTD, WHICH OWNS VELOCITY TRADE CAPITAL.

ONWARD ADVISORS LLC is under common control with the firm.

CRD #: 316214

Business Address: 1000 WILSHIRE BOULEVARD, SUITE 900
LOS ANGELES, CA 90017

Effective Date: 09/08/2022

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND ONWARD ADVISORS ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

SEPULVEDA MANAGEMENT LLC is under common control with the firm.

CRD #: 284290

Business Address: 865 SOUTH FIGUEROA STREET, SUITE 1800
LOS ANGELES, CA 90017

Effective Date: 12/01/2016

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND SEPULVEDA MANAGEMENT LLC ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

WEDBUSH & CO., LLC is under common control with the firm.

CRD #: 328492

Firm Operations



Organization Affiliates (continued)

Business Address: 1000 WILSHIRE BLVD., SUITE 900
LOS ANGELES, CA 90017

Effective Date: 06/08/2022

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: THE APPLICANT AND WEDBUSH & CO., LLC (AN ENTITY CURRENTLY SEEKING BROKER-DEALER REGISTRATION) ARE UNDER COMMON CONTROL SINCE THEY ARE BOTH WHOLLY OWNED SUBSIDIARIES OF WEDBUSH FINANCIAL SERVICES, LLC.

WEDBUSH VENTURES MANAGEMENT is under common control with the firm.

CRD #: 312590

Business Address: 1000 WILSHIRE BLVD.
SUITE 830
LOS ANGELES, CA 90017

Effective Date: 01/13/2020

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND WEDBUSH VENTURES MANAGEMENT, LLC ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

MW INVESTMENT STRATEGY is under common control with the firm.

CRD #: 118433

Business Address: 4370 TOWN CENTER BLVD., SUITE 220
EL DORADO HILLS, CA 95762

Effective Date: 10/21/2016

Firm Operations



Organization Affiliates (continued)

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND MW INVESTMENT STRATEGY ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

QAPITAL INVEST, LLC is under common control with the firm.

CRD #: 283762

Business Address: 245 8TH AVENUE
NEW YORK, NY 10011

Effective Date: 01/22/2021

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND QAPITAL INVEST, LLC ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

WEDBUSH CAPITAL MANAGEMENT LLC is under common control with the firm.

Business Address: 1000 WILSHIRE BLVD
LOS ANGELES, CA 90017

Effective Date: 06/03/2005

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL

Firm Operations



Organization Affiliates (continued)

SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND WEDBUSH CAPITAL MANAGEMENT LLC ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

VAN HULZEN ASSET MANAGEMENT is under common control with the firm.

CRD #: 116632

Business Address: 4370 TOWN CENTER DRIVE, SUITE 220
EL DORADO HILLS, CA 95762

Effective Date: 08/21/2014

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND 30% OF VAN HULZEN ASSET MANAGEMENT, LLC ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

WEDBUSH ASSET MANAGEMENT, LLC is under common control with the firm.

CRD #: 161183

Business Address: 1000 WILSHIRE BLVD. SUITE 830
LOS ANGELES, CA 90017

Effective Date: 01/13/2012

Foreign Entity: No

Country:

Securities Activities: No

Investment Advisory Activities: Yes

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND WEDBUSH ASSET MANAGEMENT, LLC ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

WEDBUSH EUROPE LTD. is under common control with the firm.

Firm Operations



Organization Affiliates (continued)

Business Address: 10 IRONMONGER LANE
LONDON, UNITED KINGDOM EC2V 8EY

Effective Date: 06/16/2011

Foreign Entity: Yes

Country: UNITED KINGDOM

Securities Activities: Yes

Investment Advisory Activities: No

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES LLC. WEDBUSH SECURITIES INC AND WEDBUSH EUROPE LTD ARE UNDER COMMON OWNERSHIP OF WEDBUSH FINANCIAL SERVICES LLC.

LIGHTSPEED FINANCIAL SERVICES GROUP LLC is under common control with the firm.

CRD #: 104369

Business Address: 625 BROADWAY 12TH FLOOR
NEW YORK, NY 10012

Effective Date: 06/10/2011

Foreign Entity: No

Country:

Securities Activities: Yes

Investment Advisory Activities: No

Description: WEDBUSH SECURITIES INC'S PARENT COMPANY IS WEDBUSH FINANCIAL SERVICES, LLC. WEDBUSH FINANCIAL SERVICES, LLC AND LIGHTSPEED FINANCIAL SERVICES GROUP LLC ARE UNDER COMMON OWNERSHIP OF WEDBUSH CAPITAL.

This firm is not directly or indirectly, controlled by the following:

- bank holding company
- national bank
- state member bank of the Federal Reserve System
- state non-member bank
- savings bank or association
- credit union

Firm Operations



Organization Affiliates (continued)

- or foreign bank



Disclosure Events

All firms registered to sell securities or provide investment advice are required to disclose regulatory actions, criminal or civil judicial proceedings, and certain financial matters in which the firm or one of its control affiliates has been involved. For your convenience, below is a matrix of the number and status of disclosure events involving this brokerage firm or one of its control affiliates. Further information regarding these events can be found in the subsequent pages of this report.

	Pending	Final	On Appeal
Regulatory Event	0	142	0
Civil Event	0	3	0
Arbitration	N/A	60	N/A
Bond	N/A	1	N/A



Disclosure Event Details

What you should know about reported disclosure events:

1. **BrokerCheck provides details for any disclosure event that was reported in CRD. It also includes summary information regarding FINRA arbitration awards in cases where the brokerage firm was named as a respondent.**
2. **Certain thresholds must be met before an event is reported to CRD, for example:**
 - A law enforcement agency must file formal charges before a brokerage firm is required to disclose a particular criminal event.
3. **Disclosure events in BrokerCheck reports come from different sources:**
 - Disclosure events for this brokerage firm were reported by the firm and/or regulators. When the firm and a regulator report information for the same event, both versions of the event will appear in the BrokerCheck report. The different versions will be separated by a solid line with the reporting source labeled.
4. **There are different statuses and dispositions for disclosure events:**
 - A disclosure event may have a status of *pending*, *on appeal*, or *final*.
 - A "pending" event involves allegations that have not been proven or formally adjudicated.
 - An event that is "on appeal" involves allegations that have been adjudicated but are currently being appealed.
 - A "final" event has been concluded and its resolution is not subject to change.
 - A final event generally has a disposition of *adjudicated*, *settled* or *otherwise resolved*.
 - An "adjudicated" matter includes a disposition by (1) a court of law in a criminal or civil matter, or (2) an administrative panel in an action brought by a regulator that is contested by the party charged with some alleged wrongdoing.
 - A "settled" matter generally involves an agreement by the parties to resolve the matter. Please note that firms may choose to settle customer disputes or regulatory matters for business or other reasons.
 - A "resolved" matter usually involves no payment to the customer and no finding of wrongdoing on the part of the individual broker. Such matters generally involve customer disputes.
5. **You may wish to contact the brokerage firm to obtain further information regarding any of the disclosure events contained in this BrokerCheck report.**

Regulatory - Final

This type of disclosure event involves (1) a final, formal proceeding initiated by a regulatory authority (e.g., a state securities agency, self-regulatory organization, federal regulator such as the U.S. Securities and Exchange Commission, foreign financial regulatory body) for a violation of investment-related rules or regulations; or (2) a revocation or suspension of the authority of a brokerage firm or its control affiliate to act as an attorney, accountant or federal contractor.

Disclosure 1 of 142

Reporting Source: Firm

Current Status: Final



Allegations: WITHOUT ADMITTING OR DENYING THE RULE VIOLATIONS OR FACTUAL FINDINGS UPON WHICH THE PENALTY IS BASED, A PANEL OF THE CME/CBOT/NYMEX/COMEX BUSINESS CONDUCT COMMITTEE ("THE BCC PANEL") FOUND THAT ON FEBRUARY 24, 2022, WEDBUSH SECURITIES INC. ("WS") FAILED TO MAINTAIN RECORDS OF CLEARED TRADES AFTER ITS SETTLEMENT PLATFORM REACHED AN UPPER LIMIT OF TRADED CONTRACTS DUE TO EXTREMELY HIGH TRADING VOLUME. AS A RESULT, FROM FEBRUARY 24, 2022 THROUGH MARCH 2022, WS: (1) SUBMITTED INACCURATE LARGE TRADER POSITION REPORTS TO THE EXCHANGE; (2) FAILED TO SUBMIT POSITION CHANGE DATA TO THE CLEARING HOUSE IN A TIMELY MANNER; AND (3) FAILED TO ACCURATELY REPORT CONCURRENT LONG AND SHORT POSITIONS AS OPEN POSITIONS AND/OR ACCURATE REPORT REDUCTIONS TO THESE POSITIONS.

THE BCC PANEL ALSO FOUND THAT, FROM MARCH 2022 TO APRIL 2022, WS FAILED TO RESPOND TO REQUESTS FROM EXCHANGE STAFF IN A TIMELY MANNER.

Initiated By: COMEX

Date Initiated: 11/17/2023

Docket/Case Number: COMEX 22-1591-BC

Principal Product Type: Futures - Commodity

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Settled

Resolution Date: 11/17/2023

Sanctions Ordered: Monetary/Fine \$175,000.00

Other Sanctions Ordered:

Sanction Details: WEDBUSH IS TO PAY A FINE IN THE AMOUNT OF \$175,000 IN CONNECTION WITH THIS CASE AND COMPANION CASES CBOT 22-1591-BC, NYMEX 22-1591-BC AND CME 22-1591-BC (\$30,000 ALLOCATED TO COMEX)

Disclosure 2 of 142

Reporting Source: Firm



Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE RULE VIOLATIONS OR FACTUAL FINDINGS UPON WHICH THE PENALTY IS BASED, A PANEL OF THE CME/CBOT/NYMEX/COMEX BUSINESS CONDUCT COMMITTEE ("THE BCC PANEL") FOUND THAT ON FEBRUARY 24, 2022, WEDBUSH SECURITIES INC. ("WS") FAILED TO MAINTAIN RECORDS OF CLEARED TRADES AFTER ITS SETTLEMENT PLATFORM REACHED AN UPPER LIMIT OF TRADED CONTRACTS DUE TO EXTREMELY HIGH TRADING VOLUME. AS A RESULT, FROM FEBRUARY 24, 2022 THROUGH MARCH 2022, WS: (1) SUBMITTED INACCURATE LARGE TRADER POSITION REPORTS TO THE EXCHANGE; (2) FAILED TO SUBMIT POSITION CHANGE DATA TO THE CLEARING HOUSE IN A TIMELY MANNER; AND (3) FAILED TO ACCURATELY REPORT CONCURRENT LONG AND SHORT POSITIONS AS OPEN POSITIONS AND/OR ACCURATE REPORT REDUCTIONS TO THESE POSITIONS.</p> <p>THE BCC PANEL ALSO FOUND THAT, FROM MARCH 2022 TO APRIL 2022, WS FAILED TO RESPOND TO REQUESTS FROM EXCHANGE STAFF IN A TIMELY MANNER.</p>
Initiated By:	NYMEX
Date Initiated:	11/17/2023
Docket/Case Number:	NYMEX 22-1591-BC
Principal Product Type:	Futures - Commodity
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Settled
Resolution Date:	11/17/2023
Sanctions Ordered:	Monetary/Fine \$175,000.00
Other Sanctions Ordered:	
Sanction Details:	WEDBUSH IS TO PAY A FINE IN THE AMOUNT OF \$175,000 IN CONNECTION WITH THIS CASE AND COMPANION CASES CBOT 22-1591-BC, COMEX 22-1591-BC, AND CME 22- 1591-BC (\$30,000 ALLOCATED TO NYMEX).



Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE RULE VIOLATIONS OR FACTUAL FINDINGS UPON WHICH THE PENALTY IS BASED, A PANEL OF THE CME/CBOT/NYMEX/COMEX BUSINESS CONDUCT COMMITTEE ("THE BCC PANEL") FOUND THAT ON FEBRUARY 24, 2022, WEDBUSH SECURITIES INC. ("WS") FAILED TO MAINTAIN RECORDS OF CLEARED TRADES AFTER ITS SETTLEMENT PLATFORM REACHED AN UPPER LIMIT OF TRADED CONTRACTS DUE TO EXTREMELY HIGH TRADING VOLUME. AS A RESULT, FROM FEBRUARY 24, 2022 THROUGH MARCH 2022, WS: (1) SUBMITTED INACCURATE LARGE TRADER POSITION REPORTS TO THE EXCHANGE; (2) FAILED TO SUBMIT POSITION CHANGE DATA TO THE CLEARING HOUSE IN A TIMELY MANNER; (3) SUBMITTED POSITION ADJUSTMENTS TO THE EXCHANGE THAT WERE GREATER THAN TWO PERCENT; AND (4) FAILED TO ACCURATELY REPORT CONCURRENT LONG AND SHORT POSITIONS AS OPEN POSITIONS AND/OR ACCURATE REPORT REDUCTIONS TO THESE POSITIONS.</p> <p>THE BCC PANEL ALSO FOUND THAT, FROM MARCH 2022 TO APRIL 2022, WS FAILED TO RESPOND TO REQUESTS FROM EXCHANGE STAFF IN A TIMELY MANNER.</p>
Initiated By:	CBOT
Date Initiated:	01/17/2023
Docket/Case Number:	CBOT 22-1591-BC
Principal Product Type:	Futures - Commodity
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Settled
Resolution Date:	11/17/2023
Sanctions Ordered:	Monetary/Fine \$175,000.00
Other Sanctions Ordered:	
Sanction Details:	WEDBUSH IS TO PAY A FINE IN THE AMOUNT OF \$175,000 IN CONNECTION WITH THIS CASE AND COMPANION CASES NYMEX 22-1591-BC, COMEX 22-1591-BC, AND CME 22-1591-BC (\$75,000 ALLOCATED TO CBOT).



Disclosure 4 of 142

Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE RULE VIOLATIONS OR FACTUAL FINDINGS UPON WHICH THE PENALTY IS BASED, A PANEL OF THE CME/CBOT/NYMEX/COMEX BUSINESS CONDUCT COMMITTEE ("THE BCC PANEL") FOUND THAT ON FEBRUARY 24, 2022, WEDBUSH SECURITIES INC. ("WS") FAILED TO MAINTAIN RECORDS OF CLEARED TRADES AFTER ITS SETTLEMENT PLATFORM REACHED AN UPPER LIMIT OF TRADED CONTRACTS DUE TO EXTREMELY HIGH TRADING VOLUME. AS A RESULT, FROM FEBRUARY 24, 2022 THROUGH MARCH 2022, WS: (1) SUBMITTED INACCURATE LARGE TRADER POSITION REPORTS TO THE EXCHANGE; AND (2) FAILED TO SUBMIT POSITION CHANGE DATA TO THE CLEARING HOUSE IN A TIMELY MANNER.</p> <p>THE BCC PANEL ALSO FOUND THAT, FROM MARCH 2022 TO APRIL 2022, WS FAILED TO RESPOND TO REQUESTS FROM EXCHANGE STAFF IN A TIMELY MANNER.</p>
Initiated By:	CME
Date Initiated:	11/17/2023
Docket/Case Number:	CME 22-1591-BC
Principal Product Type:	Futures - Commodity
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Settled
Resolution Date:	11/17/2023
Sanctions Ordered:	Monetary/Fine \$175,000.00
Other Sanctions Ordered:	
Sanction Details:	WEDBUSH IS TO PAY A FINE IN THE AMOUNT OF \$175,000 IN CONNECTION WITH THIS CASE AND COMPANION CASES NYMEX 22-1591-BC, COMEX 22-1591-BC, AND CBOT 22-1591-BC (\$40,000 ALLOCATED TO CME).

**Disclosure 5 of 142****Reporting Source:** Regulator**Current Status:** Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE FIRM'S OBLIGATION TO MONITOR TRANSMITTALS OF CUSTOMER FUNDS TO THIRD PARTIES. THE FINDINGS STATED THAT THE FIRM RECEIVED AND APPROVED FOUR FRAUDULENT WIRE TRANSFER REQUESTS FROM A HACKER WITHOUT TAKING REASONABLE STEPS TO CONFIRM WHETHER THE REQUESTS WERE GENUINE. THE HACKER, WHO HAD GAINED ACCESS TO AN EMAIL ACCOUNT BELONGING TO A REGISTERED REPRESENTATIVE AT ONE OF THE FIRM'S CORRESPONDENT FIRMS, REQUESTED THAT THE FIRM SEND FOUR WIRES TOTALING MORE THAN \$6.6 MILLION DOLLARS FROM A JOINT BROKERAGE ACCOUNT HELD BY TWO CUSTOMERS TO TWO THIRD PARTIES. IN APPROVING THE REQUESTS, THE FIRM FAILED TO REASONABLY INVESTIGATE RED FLAGS THAT THE WIRE REQUESTS WERE FRAUDULENT, INCLUDING THAT THE WIRES WERE FOR LARGE AND INCREASING AMOUNTS IN A SHORT PERIOD OF TIME AND THE WIRES WERE BEING SENT TO THIRD-PARTY RECIPIENTS (BOTH OF WHOM WERE LOCATED IN FOREIGN COUNTRIES) WHO LACKED ANY CONNECTION TO THE CUSTOMERS. THE FIRM DID NOT TAKE REASONABLE STEPS TO CONFIRM THAT THE WIRE REQUESTS WERE GENUINE, SUCH AS CONTACTING AN AUTHORIZED REPRESENTATIVE OF THE CORRESPONDENT FIRM BY TELEPHONE. INSTEAD, THE FIRM APPROVED THE FOUR WIRES AFTER ONLY SENDING QUESTIONS TO THE HACKER WHO WAS USING THE COMPROMISED EMAIL ACCOUNT. AFTER THE FIRM'S CORRESPONDENT FIRM NOTIFIED IT OF THE FRAUD, THE FIRM AND THE CORRESPONDENT FIRM REIMBURSED THE CUSTOMERS FOR THEIR LOSSES. ULTIMATELY, THE FIRM REVISED ITS WSPS CONCERNING PROCESSING LETTERS OF AUTHORIZATION, INCLUDING REQUIRING FIRM PERSONNEL TO CALL A RECOGNIZED PERSON AT A CORRESPONDENT FIRM USING A KNOWN TELEPHONE NUMBER PRIOR TO APPROVING WIRES OVER A CERTAIN AMOUNT.

Initiated By: FINRA**Date Initiated:** 11/15/2023**Docket/Case Number:** 2021070332301**Principal Product Type:** Other



Other Product Type(s):	N/A
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/15/2023
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$350,000.00
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	THE FIRM WAS CENSURED, FINED \$350,000, AND REQUIRED TO REMEDIATE THE ISSUES IDENTIFIED IN THE AWC AND IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULE 3110 REGARDING THE ISSUES IDENTIFIED IN THE AWC. FINE PAID IN FULL ON JANUARY 3, 2024.
<hr/>	
Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES INC. ("WS") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH WS'S OBLIGATION TO MONITOR THIRD-PARTY WIRE INSTRUCTIONS RECEIVED THROUGH ONE OF WS'S CORRESPONDENT BROKER-DEALERS. THE FINDINGS STATED THAT WS RECEIVED AND APPROVED FOUR FRAUDULENT WIRE TRANSFER REQUESTS FROM A HACKER WITHOUT TAKING REASONABLE STEPS TO CONFIRM WHETHER THE REQUESTS WERE GENUINE. THE HACKER, WHO HAD GAINED ACCESS TO AN EMAIL ACCOUNT BELONGING TO A REGISTERED REPRESENTATIVE AT THE CORRESPONDENT FIRM, REQUESTED THAT WS SEND FOUR WIRES TOTALING MORE THAN \$6.6 MILLION DOLLARS FROM A JOINT BROKERAGE ACCOUNT HELD BY TWO CUSTOMERS TO TWO THIRD PARTIES.



FINRA FOUND THAT IN APPROVING THE REQUESTS, WS FAILED TO REASONABLY INVESTIGATE RED FLAGS, AND DID NOT TAKE REASONABLE STEPS TO CONFIRM THAT THE WIRES WERE GENUINE. AFTER WS'S CORRESPONDENT FIRM NOTIFIED WS OF THE FRAUD, WS AND THE CORRESPONDENT FIRM REIMBURSED THE CUSTOMERS FOR THEIR LOSSES, LARGELY AT WS'S EXPENSE, PRIOR TO FINRA'S INVESTIGATION.

WS SUBSEQUENTLY REVISED THE WSPS CONCERNING PROCESSING LETTERS OF AUTHORIZATION, INCLUDING REQUIRING WS PERSONNEL TO CALL A RECOGNIZED PERSON AT A CORRESPONDENT FIRM USING A KNOWN TELEPHONE NUMBER PRIOR TO APPROVING WIRES OVER A CERTAIN AMOUNT.

Initiated By: FINRA

Date Initiated: 11/15/2023

Docket/Case Number: 2021070332301

Principal Product Type: Other

Other Product Type(s): N/A

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/15/2023

Sanctions Ordered: Censure
Monetary/Fine \$350,000.00

Other Sanctions Ordered:

Sanction Details: HE FIRM WAS CENSURED, FINED \$350,000, AND REQUIRED TO REMEDIATE THE ISSUES IDENTIFIED IN THE AWC AND IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WSPS, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH FINRA RULE 3110 REGARDING THE ISSUES IDENTIFIED IN THE AWC.

Disclosure 6 of 142

Reporting Source: Firm

Current Status: Final



Allegations:	THE ICE FUTURES U.S. INC. (THE "EXCHANGE") ALLEGED THAT WEDBUSH VIOLATED THE FOLLOWING EXCHANGE RULES: 1: 6.15(A), BY FAILING TO ACCURATLEY REPORT LARGE TRADER POSITIONS IN A SAME DAY FIXED PRICE FUTURE OPTION. 2: 4.01(B), BY FAILING TO ESTABLISH, ADMINISTER, AND ENFORCE EFFECTIVE SUPERVISORY SYSTEMS, POLICIES, AND PROCEDURES TO ENSURE THE ACCURATE REPORTING OF LARGE TRADER POSITIONS TO THE EXCHANGE; AND 3: 21.04, BY FAILING TO RESPOND TO EXCHANGE INQUIRIES IN A TIMELY AND SUFFICIENT MANNER.
Initiated By:	ICE FUTURES U.S. INC.
Date Initiated:	09/19/2023
Docket/Case Number:	
Principal Product Type:	Other
Other Product Type(s):	FUTURES OPTION
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Settled
Resolution Date:	09/20/2023
Sanctions Ordered:	Monetary/Fine \$110,000.00
Other Sanctions Ordered:	
Sanction Details:	WEDBUSH SECURITIES HAS PAID THE \$110,000 FINE 10/06/2023.
Firm Statement	THE FIRM HAS TAKEN CORRECTIVE MEASURES AND HAS PAID THE ICE FUTURES U.S. INC. THE AGREED UPON \$110,000 FINE ON 10/06/2023.

Disclosure 7 of 142

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE BOURSE ALLEGED THAT: 1: DURING THE PERIOD FROM DECEMBER 16, 2014 TO DECEMBER 31,



2016, THE FIRM FAILED TO ESTABLISH AND MAINTAIN CONTROLS, POLICIES AND PROCEDURES THAT WERE REASONABLY DESIGNED TO MANAGE THE REGULATORY RISKS ASSOCIATED WITH PROVIDING ITS CLIENTS WITH ELECTRONIC ACCESS TO THE TRADING SYSTEM OF THE BOURSE, IN PARTICULAR WITH RESPECT TO POST-TRADE MONITORING AND CONTROLS, POLICIES AND PROCEDURES TO SPECIFICALLY MONITOR FOR POTENTIAL MANIPULATIVE OR DECEPTIVE METHODS OF TRADING.

2: DURING THE PERIOD FROM JANUARY 1 2017 TO NOVEMBER 30, 2018, THE FIRM FAILED TO PROVIDE, ADEQUATE EVIDENCE OF CERTAIN FOLLOW-UPS, DOCUMENTATION OF CERTAIN RESULTS OR EXPLANATIONS ON HOW CERTAIN ALERTS FOR POTENTIALLY MANIPULATIVE TRADING BY CLIENTS WITH ELECTRONIC ACCESS TO THE TRADING SYSTEM OF THE BOURSE WERE RESOLVED .

3: FOR THE YEARS 2015, 2016 AND 2017, THE FIRM FAILED TO PROPERLY ASSESS, CONFIRM AND DOCUMENT CLIENTS THAT WERE AUTHORIZED TO TRANSMIT ELECTRONICALLY ORDERS TO THE BOURSE.

4: DURING THE PERIOD FROM AUGUST 31, 2017 TO JUNE 14, 2019, THE FIRM CONTRAVENED SECTIONS OF ARTICLE 14102 (ARTICLE 6.500 AS OF JANUARY 1, 2019) - "REPORTS PERTAINING TO THE ACCUMULATION OF POSITIONS FOR DERIVATIVE INSTRUMENTS" OF THE RULES.

5: DURING THE PERIOD FROM AUGUST 31, 2017 TO JUNE 14, 2019, THE FIRM CONTRAVENED ARTICLE 3011 AND FAILED TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE REQUIREMENTS OF ARTICLE 14102 (ARTICLE 6.500 AS OF JANUARY 1, 2019) OF THE RULES.

Initiated By:	BOURSE DE MONTRÉAL INC. ("BOURSE")
Date Initiated:	08/25/2023
Docket/Case Number:	EN-DC-21001
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Settled
Resolution Date:	08/25/2023



Sanctions Ordered:	Monetary/Fine \$300,000.00
Other Sanctions Ordered:	
Sanction Details:	WEDBUSH SECURITIES HAS PAID THE \$300,000 FINE 8/25/2023.
Firm Statement	THE FIRM HAS TAKEN CORRECTIVE MEASURES AND HAS PAID THE BOURSE THE AGREED UPON \$300,000 FINE.

Disclosure 8 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>THE COMMODITY FUTURES TRADING COMMISSION ("COMMISSION") HAS REASON TO BELIEVE THAT FROM AT LEAST 2018 TO THE PRESENT ("RELEVANT PERIOD"), WEDBUSH SECURITIES INC. ("WEDBUSH" OR "RESPONDENT"), A COMMISSION-REGISTERED FUTURES COMMISSION MERCHANT ("FCM"), VIOLATED, AS SET FORTH BELOW, SECTION 4G OF THE COMMODITY EXCHANGE ACT ("ACT"), 7 U.S.C. § 6G, AND COMMISSION REGULATIONS ("REGULATIONS") 1.31, 1.35, AND 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2022). THEREFORE, THE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED TO DETERMINE WHETHER RESPONDENT ENGAGED IN THE VIOLATIONS SET FORTH HEREIN AND TO DETERMINE WHETHER ANY ORDER SHOULD BE ISSUED IMPOSING REMEDIAL SANCTIONS. THE COMMISSION FINDS THE FOLLOWING: WEDBUSH EMPLOYEES, INCLUDING THOSE AT SENIOR LEVELS, COMMUNICATED BOTH INTERNALLY AND EXTERNALLY USING PERSONAL TEXT MESSAGES. THESE WRITTEN COMMUNICATIONS WERE SENT AND RECEIVED BY WEDBUSH EMPLOYEES AND INCLUDED MESSAGES RELATED TO WEDBUSH'S BUSINESS AS A COMMISSION REGISTRANT THAT WERE REQUIRED TO BE MAINTAINED UNDER COMMISSION-MANDATED RECORDKEEPING REQUIREMENTS. THESE WRITTEN BUSINESS-RELATED COMMUNICATIONS VIA UNAPPROVED METHODS GENERALLY WERE NOT MAINTAINED AND PRESERVED BY WEDBUSH, AND WEDBUSH GENERALLY WOULD NOT HAVE BEEN ABLE TO FURNISH THE COMMUNICATIONS PROMPTLY TO A COMMISSION REPRESENTATIVE IF AND WHEN REQUESTED. AS A RESULT, WEDBUSH VIOLATED SECTION 4G OF THE ACT, 7 U.S.C. § 6G, AND REGULATIONS 1.31 AND 1.35, 17 C.F.R. §§ 1.31, 1.35 (2022). IN ADDITION, THE WIDESPREAD USE OF UNAUTHORIZED COMMUNICATION METHODS BY WEDBUSH'S EMPLOYEES TO CONDUCT FIRM BUSINESS VIOLATED WEDBUSH'S OWN POLICIES AND PROCEDURES, WHICH PROHIBITED SUCH COMMUNICATIONS. WEDBUSH DID NOT MAINTAIN ADEQUATE INTERNAL CONTROLS WITH RESPECT TO THE USE OF UNAPPROVED</p>



COMMUNICATION METHODS FOR BUSINESS-RELATED COMMUNICATIONS. BECAUSE WEDBUSH FAILED TO IMPLEMENT A DILIGENT SUPERVISORY SYSTEM TO ENSURE COMPLIANCE WITH COMMISSION RECORDKEEPING REQUIREMENTS AND THE FIRM'S OWN POLICIES AND PROCEDURES, AND BECAUSE THE WIDESPREAD USE OF UNAUTHORIZED COMMUNICATION METHODS RESULTED IN THE FIRM'S FAILURE TO MAINTAIN COMMISSION-REQUIRED RECORDS, WEDBUSH FAILED TO DILIGENTLY SUPERVISE MATTERS RELATED TO ITS BUSINESS AS A COMMISSION REGISTRANT IN VIOLATION OF REGULATION 166.3, 17 C.F.R. § 166.3 (2022).

Initiated By: COMMODITY FUTURES TRADING COMMISSION

Date Initiated: 08/08/2023

Docket/Case Number: 23-37

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Order

Resolution Date: 08/08/2023

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$6,000,000.00
Cease and Desist/Injunction

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: THE FIRM SHALL CEASE AND DESIST FROM VIOLATING SECTION 4G OF THE ACT, 7 U.S.C. § 6G, AND REGULATIONS 1.31, 1.35, AND 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2022), PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$6,000,000, AND SHALL COMPLY WITH THE CONDITIONS AND UNDERTAKINGS SET FORTH IN THE OFFER.

Regulator Statement RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT ("OFFER"), WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. ACCORDINGLY, IT IS HEREBY ORDERED THAT THE FIRM AND ITS SUCCESSORS AND ASSIGNS SHALL CEASE AND DESIST FROM VIOLATING SECTION 4G OF



THE ACT, 7 U.S.C. § 6G, AND REGULATIONS 1.31, 1.35, AND 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2022); SHALL PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$6,000,000 ("CMP OBLIGATION"), WITHIN FOURTEEN DAYS OF THE DATE OF THE ENTRY OF THIS ORDER; AND THE FIRM AND ITS SUCCESSORS AND ASSIGNS SHALL COMPLY WITH THE CONDITIONS AND UNDERTAKINGS SET FORTH IN THE OFFER. IF THE CMP OBLIGATION IS NOT PAID IN FULL WITHIN FOURTEEN DAYS OF THE DATE OF ENTRY OF THIS ORDER, THEN POST-JUDGMENT INTEREST SHALL ACCRUE ON THE CMP OBLIGATION.

Reporting Source:

Firm

Current Status:

Final

Allegations:

THE COMMODITY FUTURES TRADING COMMISSION (THE "COMMISSION") ALLEGED THAT FROM AT LEAST 2018 TO THE PRESENT (THE "RELEVANT PERIOD"), APPLICANT VIOLATED SECTION 4G OF THE COMMODITY EXCHANGE ACT ("ACT"), 7 U.S.C. § 6G, AND COMMISSION REGULATIONS ("REGULATIONS") 1.31, 1.35, AND 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2022). THE COMMISSION ALLEGED THE FOLLOWING: WEDBUSH EMPLOYEES, INCLUDING THOSE AT SENIOR LEVELS, COMMUNICATED BOTH INTERNALLY AND EXTERNALLY USING PERSONAL TEXT MESSAGES. THESE WRITTEN COMMUNICATIONS WERE SENT AND RECEIVED BY WEDBUSH EMPLOYEES AND INCLUDED MESSAGES RELATED TO WEDBUSH'S BUSINESS AS A COMMISSION REGISTRANT THAT WERE REQUIRED TO BE MAINTAINED UNDER COMMISSION-MANDATED RECORDKEEPING REQUIREMENTS. THESE WRITTEN BUSINESS-RELATED COMMUNICATIONS VIA UNAPPROVED METHODS GENERALLY WERE NOT MAINTAINED AND PRESERVED BY WEDBUSH, AND WEDBUSH GENERALLY WOULD NOT HAVE BEEN ABLE TO FURNISH THE COMMUNICATIONS PROMPTLY TO A COMMISSION REPRESENTATIVE IF AND WHEN REQUESTED. IN ADDITION, THE WIDESPREAD USE OF UNAUTHORIZED COMMUNICATION METHODS BY WEDBUSH'S EMPLOYEES TO CONDUCT FIRM BUSINESS VIOLATED WEDBUSH'S OWN POLICIES AND PROCEDURES, WHICH PROHIBITED SUCH COMMUNICATIONS. WEDBUSH DID NOT MAINTAIN ADEQUATE INTERNAL CONTROLS WITH RESPECT TO THE USE OF UNAPPROVED COMMUNICATION METHODS FOR BUSINESS-RELATED COMMUNICATIONS. BECAUSE WEDBUSH FAILED TO IMPLEMENT A DILIGENT SUPERVISORY SYSTEM TO ENSURE COMPLIANCE WITH COMMISSION RECORDKEEPING REQUIREMENTS AND THE FIRM'S OWN POLICIES AND PROCEDURES, AND BECAUSE THE WIDESPREAD USE OF UNAUTHORIZED COMMUNICATION METHODS RESULTED IN THE FIRM'S FAILURE TO MAINTAIN COMMISSION-REQUIRED RECORDS, WEDBUSH FAILED TO DILIGENTLY SUPERVISE MATTERS RELATED TO ITS BUSINESS AS A COMMISSION REGISTRANT IN VIOLATION OF REGULATION 166.3, 17



C.F.R. § 166.3 (2022).

Initiated By: COMMODITY FUTURES TRADING COMMISSION**Date Initiated:** 08/08/2023**Docket/Case Number:** 23-37**Principal Product Type:** No Product**Other Product Type(s):****Principal Sanction(s)/Relief Sought:** Other**Other Sanction(s)/Relief Sought:** N/A**Resolution:** Order**Resolution Date:** 08/08/2023**Sanctions Ordered:** Monetary/Fine \$6,000,000.00
Cease and Desist/Injunction**Other Sanctions Ordered:** UNDERTAKINGS**Sanction Details:** THE FIRM SHALL CEASE AND DESIST FROM VIOLATING SECTION 4G OF THE ACT, 7 U.S.C. § 6G, AND REGULATIONS 1.31, 1.35, AND 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2022), PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$6,000,000, AND SHALL COMPLY WITH THE CONDITIONS AND UNDERTAKINGS SET FORTH IN THE OFFER.**Firm Statement** APPLICANT ENTERED INTO A SETTLEMENT WITH THE CFTC, BY WHICH THE FIRM WAS ORDERED TO: CEASE AND DESIST FROM VIOLATING SECTION 4G OF THE ACT, 7 U.S.C. § 6G, AND REGULATIONS 1.31, 1.35, AND 166.3, 17 C.F.R. §§ 1.31, 1.35, 166.3 (2022); PAY A CIVIL MONETARY PENALTY IN THE AMOUNT OF \$6,000,000; AND COMPLY WITH THE CONDITIONS AND UNDERTAKINGS SET FORTH IN THE ORDER.**Disclosure 9 of 142****Reporting Source:** Regulator**Current Status:** Final**Allegations:** THE SEC DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, AGAINST WEDBUSH SECURITIES INC. IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT THAT THE COMMISSION HAS DETERMINED TO ACCEPT. THE COMMISSION FINDS THAT THE FEDERAL



SECURITIES LAWS IMPOSE RECORDKEEPING REQUIREMENTS ON BROKER-DEALERS AND REGISTERED INVESTMENT ADVISERS TO ENSURE THAT THEY RESPONSIBLY DISCHARGE THEIR CRUCIAL ROLE IN OUR MARKETS. THE COMMISSION HAS LONG SAID THAT COMPLIANCE WITH THESE REQUIREMENTS IS ESSENTIAL TO INVESTOR PROTECTION AND THE COMMISSION'S EFFORTS TO FURTHER ITS MANDATE OF PROTECTING INVESTORS, MAINTAINING FAIR, ORDERLY, AND EFFICIENT MARKETS, AND FACILITATING CAPITAL FORMATION. THESE PROCEEDINGS ARISE OUT OF THE WIDESPREAD AND LONGSTANDING FAILURE OF WEDBUSH EMPLOYEES THROUGHOUT WEDBUSH, INCLUDING AT SENIOR LEVELS, TO ADHERE TO CERTAIN OF THESE ESSENTIAL REQUIREMENTS AND WEDBUSH'S OWN POLICIES. USING THEIR PERSONAL DEVICES, THESE EMPLOYEES COMMUNICATED BOTH INTERNALLY AND EXTERNALLY BY PERSONAL TEXT MESSAGES, OR OTHER TEXT MESSAGING PLATFORMS SUCH AS WHATSAPP ("OFF-CHANNEL COMMUNICATIONS"). FROM AT LEAST JANUARY 2019, WEDBUSH EMPLOYEES SENT AND RECEIVED OFF-CHANNEL COMMUNICATIONS THAT RELATED TO THE BUSINESS OF THE BROKER-DEALER AND REGISTERED INVESTMENT ADVISER OPERATED BY WEDBUSH. RESPONDENT DID NOT MAINTAIN OR PRESERVE THE SUBSTANTIAL MAJORITY OF THESE WRITTEN COMMUNICATIONS. RESPONDENT'S FAILURE WAS FIRM-WIDE, AND INVOLVED EMPLOYEES AT ALL LEVELS OF AUTHORITY. WEDBUSH'S SUPERVISORS, WHO WERE RESPONSIBLE FOR SUPERVISING JUNIOR EMPLOYEES, ROUTINELY COMMUNICATED OFF-CHANNEL USING THEIR PERSONAL DEVICES. IN FACT, HEADS OF DIVISIONS RESPONSIBLE FOR SUPERVISING JUNIOR EMPLOYEES THEMSELVES FAILED TO COMPLY WITH WEDBUSH'S POLICIES BY COMMUNICATING USING NON-WEDBUSH APPROVED METHODS ON THEIR PERSONAL DEVICES ABOUT WEDBUSH'S BROKER-DEALER AND INVESTMENT ADVISER BUSINESSES. WEDBUSH'S WIDESPREAD FAILURE TO IMPLEMENT ITS POLICIES AND PROCEDURES THAT PROHIBIT SUCH COMMUNICATIONS LED TO ITS FAILURE TO REASONABLY SUPERVISE ITS EMPLOYEES WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT AND SECTION 203(E)(6) OF THE ADVISERS ACT. DURING THE TIME PERIOD THAT WEDBUSH FAILED TO MAINTAIN AND PRESERVE OFF-CHANNEL COMMUNICATIONS THEIR EMPLOYEES SENT AND RECEIVED RELATED TO THE BROKER-DEALER AND INVESTMENT ADVISER'S BUSINESSES, WEDBUSH RECEIVED AND RESPONDED TO COMMISSION SUBPOENAS FOR DOCUMENTS AND RECORDS REQUESTS IN NUMEROUS COMMISSION INVESTIGATIONS. AS A RESULT, WEDBUSH'S RECORDKEEPING FAILURES LIKELY IMPACTED THE COMMISSION'S ABILITY TO CARRY OUT ITS REGULATORY FUNCTIONS AND INVESTIGATE VIOLATIONS OF THE FEDERAL SECURITIES LAWS ACROSS THESE INVESTIGATIONS. COMMISSION STAFF UNCOVERED WEDBUSH'S MISCONDUCT AFTER COMMENCING A RISK BASED INITIATIVE TO INVESTIGATE THE USE OF OFF-CHANNEL AND UNPRESERVED



COMMUNICATIONS AT BROKER DEALERS. WEDBUSH HAS INITIATED A REVIEW OF ITS RECORDKEEPING FAILURES AND BEGUN A PROGRAM OF REMEDIATION. WEDBUSH WILL RETAIN AN INDEPENDENT COMPLIANCE CONSULTANT TO REVIEW AND ASSESS WEDBUSH'S REMEDIAL STEPS RELATING TO WEDBUSH'S RECORDKEEPING PRACTICES, POLICIES AND PROCEDURES, RELATED SUPERVISORY PRACTICES, AND EMPLOYMENT ACTIONS.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	08/08/2023
Docket/Case Number:	3-21550
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	08/08/2023
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$10,000,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	THE FIRM IS ORDERED TO CEASE AND DESIST; IS CENSURED; SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE ORDER; AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$10,000,000 TO THE SEC.
Regulator Statement	AS A RESULT OF THIS CONDUCT, RESPONDENT WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER; WILLFULLY VIOLATED SECTION 204 OF THE ADVISERS ACT AND RULE 2042(A)(7) THEREUNDER, FAILED REASONABLY TO SUPERVISE THEIR EMPLOYEES WITH A VIEW TO PREVENTING OR DETECTING CERTAIN OF ITS EMPLOYEES' AIDING AND ABETTING VIOLATIONS OF



SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER, WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT; AND FAILED REASONABLY TO SUPERVISE ITS EMPLOYEES WITH A VIEW TO PREVENTING OR DETECTING CERTAIN OF ITS EMPLOYEES' AIDING AND ABETTING VIOLATIONS OF SECTION 204 OF THE ADVISERS ACT AND RULE 204-2(A)(7) THEREUNDER, WITHIN THE MEANING OF SECTION 203(E)(6) OF THE ADVISERS ACT. IT IS HEREBY ORDERED THAT RESPONDENT CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4 THEREUNDER; CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 204 OF THE ADVISERS ACT AND RULE 204-2 THEREUNDER; IS CENSURED; SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE ORDER; AND SHALL, WITHIN 14 DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$10,000,000 TO THE SEC.

Reporting Source:

Firm

Current Status:

Final

Allegations:

THE SEC ALLEGED THAT WEDBUSH FAILED TO ADHERE TO CERTAIN RECORDKEEPING REQUIREMENTS AND WEDBUSH'S OWN POLICIES. USING THEIR PERSONAL DEVICES, EMPLOYEES COMMUNICATED BOTH INTERNALLY AND EXTERNALLY BY PERSONAL TEXT MESSAGES, OR OTHER TEXT MESSAGING PLATFORMS SUCH AS WHATSAPP ("OFF-CHANNEL COMMUNICATIONS"). FROM AT LEAST JANUARY 2019, WEDBUSH EMPLOYEES SENT AND RECEIVED OFF-CHANNEL COMMUNICATIONS THAT RELATED TO THE BUSINESS OF THE BROKER-DEALER AND REGISTERED INVESTMENT ADVISER OPERATED BY WEDBUSH. RESPONDENT DID NOT MAINTAIN OR PRESERVE THE SUBSTANTIAL MAJORITY OF THESE WRITTEN COMMUNICATIONS. RESPONDENT'S FAILURE WAS FIRM-WIDE, AND INVOLVED EMPLOYEES AT ALL LEVELS OF AUTHORITY. WEDBUSH'S SUPERVISORS, WHO WERE RESPONSIBLE FOR SUPERVISING JUNIOR EMPLOYEES, ROUTINELY COMMUNICATED OFF-CHANNEL USING THEIR PERSONAL DEVICES. WEDBUSH'S WIDESPREAD FAILURE TO IMPLEMENT ITS POLICIES AND PROCEDURES THAT PROHIBIT SUCH COMMUNICATIONS LED TO ITS FAILURE TO REASONABLY SUPERVISE ITS EMPLOYEES WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT AND SECTION 203(E)(6) OF THE ADVISERS ACT. DURING THE TIME PERIOD THAT WEDBUSH FAILED TO MAINTAIN AND PRESERVE OFF-CHANNEL COMMUNICATIONS, WEDBUSH RECEIVED AND RESPONDED TO COMMISSION SUBPOENAS FOR DOCUMENTS AND RECORDS REQUESTS IN NUMEROUS COMMISSION INVESTIGATIONS. AS A RESULT, WEDBUSH'S RECORDKEEPING FAILURES LIKELY IMPACTED THE COMMISSION'S



ABILITY TO CARRY OUT ITS REGULATORY FUNCTIONS AND INVESTIGATE VIOLATIONS OF THE FEDERAL SECURITIES LAWS ACROSS THESE INVESTIGATIONS. COMMISSION STAFF UNCOVERED WEDBUSH'S MISCONDUCT AFTER COMMENCING A RISK BASED INITIATIVE TO INVESTIGATE THE USE OF OFF-CHANNEL AND UNPRESERVED COMMUNICATIONS AT BROKER DEALERS. WEDBUSH HAS INITIATED A REVIEW OF ITS RECORDKEEPING FAILURES AND BEGUN A PROGRAM OF REMEDIATION. WEDBUSH WILL RETAIN AN INDEPENDENT COMPLIANCE CONSULTANT TO REVIEW AND ASSESS WEDBUSH'S REMEDIAL STEPS RELATING TO WEDBUSH'S RECORDKEEPING PRACTICES, POLICIES AND PROCEDURES, RELATED SUPERVISORY PRACTICES, AND EMPLOYMENT ACTIONS.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	08/08/2023
Docket/Case Number:	3-21550
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	08/08/2023
Sanctions Ordered:	Censure Monetary/Fine \$10,000,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	THE FIRM IS ORDERED TO CEASE AND DESIST; IS CENSURED; SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE ORDER; AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$10,000,000 TO THE SEC.
Firm Statement	APPLICANT ENETERED INTO A SETTLEMENT WITH THE SEC IN WHICH IT ADMITTED TO FINDINGS THAT IT: WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER; WILLFULLY VIOLATED SECTION 204 OF THE ADVISERS ACT AND RULE 2042(A)(7) THEREUNDER; FAILED REASONABLY TO SUPERVISE ITS EMPLOYEES WITH A VIEW TO PREVENTING OR DETECTING CERTAIN OF ITS EMPLOYEES' AIDING AND ABETTING VIOLATIONS OF SECTION 17(A) OF THE EXCHANGE



ACT AND RULE 17A-4(B)(4) THEREUNDER, WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT; AND FAILED REASONABLY TO SUPERVISE ITS EMPLOYEES WITH A VIEW TO PREVENTING OR DETECTING CERTAIN OF ITS EMPLOYEES' AIDING AND ABETTING VIOLATIONS OF SECTION 204 OF THE ADVISERS ACT AND RULE 204-2(A)(7) THEREUNDER, WITHIN THE MEANING OF SECTION 203(E)(6) OF THE ADVISERS ACT. PURSUANT TO THE SETTLEMENT, APPLICANT WAS: ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4 THEREUNDER, AND CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 204 OF THE ADVISERS ACT AND RULE 204-2 THEREUNDER; CENSURED; ORDERED TO COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE ORDER; AND FINED A CIVIL MONEY PENALTY IN THE AMOUNT OF \$10,000,000.

Disclosure 10 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WEDBUSH SECURITIES, INC. FAILED TO ENSURE ONE OF ITS BROKER-DEALER AGENTS WAS PROPERLY REGISTERED PRIOR TO TRANSACTING BUSINESS IN MASSACHUSETTS.
Initiated By:	MASSACHUSETTS SECURITIES DIVISION
Date Initiated:	06/08/2023
Docket/Case Number:	R-2023-0045
URL for Regulatory Action:	
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	06/08/2023



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure
Monetary/Fine \$5,000.00
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details:

WEDBUSH SHALL PERMANENTLY CEASE AND DESIST FROM VIOLATIONS OF MASS. GEN. LAWS C. 110A, §201(A) AND 201(B). WEDBUSH SHALL REGISTER AND MAINTAIN REGISTRATION OF ITS BROKER-DEALER AGENTS WITH MASSACHUSETTS PRIOR TO THEM TRANSACTING ANY SECURITIES BUSINESS IN MASSACHUSETTS. WEDBUSH SHALL PAY RESTITUTION OF ALL REVENUE IT OR ANY BROKER-DEALER AGENT RECEIVED FROM THE UNREGISTERED AGENT'S ACTIVITY.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WEDBUSH SECURITIES, INC. FAILED TO ENSURE ONE OF ITS BROKER-DEALER AGENTS WAS PROPERLY REGISTERED PRIOR TO TRANSACTING BUSINESS IN MASSACHUSETTS.

Initiated By:

MASSACHUSETTS SECURITIES DIVISION

Date Initiated:

06/08/2023

Docket/Case Number:

R-2023-0045

Principal Product Type:

No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution:

Consent

Resolution Date:

06/08/2023

Sanctions Ordered:

Censure



Monetary/Fine \$5,000.00
 Disgorgement/Restitution
 Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details:

WEDBUSH SHALL PERMANENTLY CEASE AND DESIST FROM VIOLATIONS OF MASS. GEN. LAWS C. 110A, §201(A) AND 201(B). WEDBUSH SHALL REGISTER AND MAINTAIN REGISTRATION OF ITS BROKER-DEALER AGENTS WITH MASSACHUSETTS PRIOR TO THEM TRANSACTING ANY SECURITIES BUSINESS IN MASSACHUSETTS. WEDBUSH SHALL PAY RESTITUTION OF ALL REVENUE IT OR ANY BROKER-DEALER AGENT RECEIVED FROM THE UNREGISTERED AGENT'S ACTIVITY.

Disclosure 11 of 142

Reporting Source:

Firm

Current Status:

Final

Allegations:

WEDBUSH SECURITIES FAILED TO NOTIFY THE DELAWARE INSURANCE COMMISSIONER OF A FINRA SETTLEMENT IN VIOLATION OF THE STATE'S REQUIREMENTS.

Initiated By:

STATE OF DELAWARE INSURANCE DEPARTMENT

Date Initiated:

04/04/2023

Docket/Case Number:

5109-2023

Principal Product Type:

Insurance

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution:

Stipulation and Consent

Resolution Date:

04/04/2023

Sanctions Ordered:

Monetary/Fine \$500.00

Other Sanctions Ordered:

Sanction Details:

WS PAID A FINE OF \$500 TO THE DELAWARE INSURANCE DEPARTMENT PURSUANT TO THE STIPULATION AND CONSENT ORDER FOR FAILING TO NOTIFY THE DELAWARE INSURANCE COMMISSIONER OF A FINRA SETTLEMENT IN VIOLATION OF THE STATE'S REQUIREMENTS.



Disclosure 12 of 142

Reporting Source:	Firm
Current Status:	Final
Allegations:	WEDBUSH SECURITIES FAILED TO NOTIFY THE DELAWARE INSURANCE COMMISSIONER OF A FINRA SETTLEMENT IN VIOLATION OF THE STATE'S REQUIREMENTS.
Initiated By:	STATE OF DELAWARE INSURANCE DEPARTMENT
Date Initiated:	02/21/2023
Docket/Case Number:	5085-2022
Principal Product Type:	Insurance
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Stipulation and Consent
Resolution Date:	02/21/2023
Sanctions Ordered:	Monetary/Fine \$500.00
Other Sanctions Ordered:	
Sanction Details:	WS PAID A FINE OF \$500 TO THE DELAWARE INSURANCE DEPARTMENT PURSUANT TO THE STIPULATION AND CONSENT ORDER FOR FAILING TO NOTIFY THE DELAWARE INSURANCE COMMISSIONER OF A FINRA SETTLEMENT IN VIOLATION OF THE STATE'S REQUIREMENTS.

Disclosure 13 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WEDBUSH SECURITIES INC. VIOLATED BZX RULE 5.1 IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE FOR POTENTIALLY MANIPULATIVE TRADING.
Initiated By:	CBOE BZX EXCHANGE, INC.
Date Initiated:	01/04/2023



Docket/Case Number: FILE NO. USRI-9023-05/URE-19-05; STAR NO. 20170544910-03

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/05/2023

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered: AN UNDERTAKING

Sanction Details: A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO SUBMIT A WRITTEN REPORT THAT DETAILS THE STEPS TAKEN BY WEDBUSH SECURITIES INC. TO CORRECT THE SUPERVISORY DEFICIENCIES DESCRIBED IN THE LETTER OF CONSENT AND THE DATE(S) REVISED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE IMPLEMENTED.

Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH SECURITIES INC. VIOLATED BZX RULE 5.1 IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE FOR POTENTIALLY MANIPULATIVE TRADING.

Initiated By: CBOE BZX EXCHANGE, INC.

Date Initiated: 01/04/2023

Docket/Case Number: FILE NO. USRI-9023-05/URE-19-05; STAR NO. 20170544910-03

Principal Product Type: Equity Listed (Common & Preferred Stock)



Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	01/05/2023
Sanctions Ordered:	Censure Monetary/Fine \$100,000.00
Other Sanctions Ordered:	AN UNDERTAKING
Sanction Details:	A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO SUBMIT A WRITTEN REPORT THAT DETAILS THE STEPS TAKEN BY WEDBUSH SECURITIES INC. TO CORRECT THE SUPERVISORY DEFICIENCIES DESCRIBED IN THE LETTER OF CONSENT AND THE DATE(S) REVISED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE IMPLEMENTED.

Disclosure 14 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WEDBUSH SECURITIES INC. VIOLATED BYX RULE 5.1 IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE FOR POTENTIALLY MANIPULATIVE TRADING.
Initiated By:	CBOE BYX EXCHANGE, INC.
Date Initiated:	01/04/2023
Docket/Case Number:	FILE NO. USRI-9023-06/URE-19-06; STAR NO. 20170544910-02
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	01/05/2023



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered: AN UNDERTAKING

Sanction Details: A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO SUBMIT A WRITTEN REPORT THAT DETAILS THE STEPS TAKEN BY WEDBUSH SECURITIES INC. TO CORRECT THE SUPERVISORY DEFICIENCIES DESCRIBED IN THE LETTER OF CONSENT AND THE DATE(S) REVISED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE IMPLEMENTED.

Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH SECURITIES INC. VIOLATED BYX RULE 5.1 IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE FOR POTENTIALLY MANIPULATIVE TRADING.

Initiated By: CBOE BYX EXCHANGE, INC.

Date Initiated: 01/04/2023

Docket/Case Number: FILE NO. USRI-9023-06/URE-19-06; STAR NO. 20170544910-02

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/05/2023

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered: AN UNDERTAKING



Sanction Details: A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO SUBMIT A WRITTEN REPORT THAT DETAILS THE STEPS TAKEN BY WEDBUSH SECURITIES INC. TO CORRECT THE SUPERVISORY DEFICIENCIES DESCRIBED IN THE LETTER OF CONSENT AND THE DATE(S) REVISED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE IMPLEMENTED.

Disclosure 15 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WEDBUSH SECURITIES INC. VIOLATED EDGX RULE 5.1 IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE FOR POTENTIALLY MANIPULATIVE TRADING.

Initiated By: CBOE EDGX EXCHANGE, INC.

Date Initiated: 01/04/2023

Docket/Case Number: FILE NO. USRI-9023-07/URE-19-07; STAR NO. 20170544910-05

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/05/2023

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered: AN UNDERTAKING

Sanction Details: A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO SUBMIT A WRITTEN REPORT THAT DETAILS THE STEPS



TAKEN BY WEDBUSH SECURITIES INC. TO CORRECT THE SUPERVISORY DEFICIENCIES DESCRIBED IN THE LETTER OF CONSENT AND THE DATE(S) REVISED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE IMPLEMENTED.

Reporting Source:	Firm
Current Status:	Final
Allegations:	WEDBUSH SECURITIES INC. VIOLATED EDGX RULE 5.1 IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE FOR POTENTIALLY MANIPULATIVE TRADING.
Initiated By:	CBOE EDGX EXCHANGE, INC.
Date Initiated:	01/04/2023
Docket/Case Number:	FILE NO. USRI-9023-07/URE-19-07; STAR NO. 20170544910-05
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	01/05/2023
Sanctions Ordered:	Censure Monetary/Fine \$100,000.00
Other Sanctions Ordered:	AN UNDERTAKING
Sanction Details:	A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO SUBMIT A WRITTEN REPORT THAT DETAILS THE STEPS TAKEN BY WEDBUSH SECURITIES INC. TO CORRECT THE SUPERVISORY DEFICIENCIES DESCRIBED IN THE LETTER OF CONSENT AND THE DATE(S) REVISED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE IMPLEMENTED.

Disclosure 16 of 142

Reporting Source:	Regulator
Current Status:	Final



Allegations:	WEDBUSH SECURITIES INC. VIOLATED EDGA RULE 5.1 IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE FOR POTENTIALLY MANIPULATIVE TRADING.
Initiated By:	CBOE EDGA EXCHANGE, INC.
Date Initiated:	01/04/2023
Docket/Case Number:	FILE NO. USRI-9023-08/URE-19-08; STAR NO. 20170544910-04
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	01/05/2023
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$100,000.00
Other Sanctions Ordered:	AN UNDERTAKING
Sanction Details:	A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO SUBMIT A WRITTEN REPORT THAT DETAILS THE STEPS TAKEN BY WEDBUSH SECURITIES INC. TO CORRECT THE SUPERVISORY DEFICIENCIES DESCRIBED IN THE LETTER OF CONSENT AND THE DATE(S) REVISED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE IMPLEMENTED.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	WEDBUSH SECURITIES INC. VIOLATED EDGA RULE 5.1 IN THAT THE FIRM FAILED TO REASONABLY SUPERVISE FOR POTENTIALLY MANIPULATIVE TRADING.



Initiated By: CBOE EDGA EXCHANGE, INC.

Date Initiated: 01/04/2023

Docket/Case Number: FILE NO. USRI-9023-08/URE-19-08; STAR NO. 20170544910-04

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/05/2023

Sanctions Ordered: Censure
Monetary/Fine \$100,000.00

Other Sanctions Ordered: AN UNDERTAKING

Sanction Details: A CENSURE, A MONETARY FINE IN THE AMOUNT OF \$100,000, AND AN UNDERTAKING TO SUBMIT A WRITTEN REPORT THAT DETAILS THE STEPS TAKEN BY WEDBUSH SECURITIES INC. TO CORRECT THE SUPERVISORY DEFICIENCIES DESCRIBED IN THE LETTER OF CONSENT AND THE DATE(S) REVISED SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE IMPLEMENTED.

Disclosure 17 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS STATED THAT THE FIRM STOPPED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS, HOWEVER, IT STILL PROVIDED CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. THE FIRM MISTAKENLY BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR ANY TYPE OF POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, THE FIRM BELIEVED THAT THE



OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED SOLELY WITH THE EXECUTING BROKER-DEALERS. THUS, THE FIRM DID NOT CONDUCT ANY SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN. AS A RESULT, THE FIRM FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER, WHICH WAS COMPRISED OF HUNDREDS OF FOREIGN DAY TRADERS, ON VARIOUS EXCHANGES, INCLUDING NYSE. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, THE FIRM CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. THE FIRM, HOWEVER, DID NOT TAKE ANY STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING, OR TO IMPLEMENT ANY TYPE OF SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING. AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT BY THE FIRM TO ANY REVIEW FOR POTENTIALLY MANIPULATIVE TRADING. THE FINDINGS ALSO STATED THAT FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND ALL FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. THE FIRM FAILED TO IMPLEMENT ANY SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS"), TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY THE FIRM'S PROPRIETARY TRADERS AND ALL FIRM CUSTOMERS, INCLUDING THE FIRM'S ELECTRONIC TRADING CUSTOMERS. THE FIRM'S WSPS FAILED TO INCLUDE ANY PROCEDURES REQUIRING A REVIEW BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. THE FIRM LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN ITS WSPS, WHICH REQUIRED THE FIRM'S EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. THOSE REPORTS, HOWEVER, WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING. AS A RESULT, THE FIRM ALSO FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER FIRM CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING. BY VIRTUE OF THE FOREGOING, THE FIRM VIOLATED NYSE RULES 3110(A) AND (B) AND 2010.

Initiated By:

NEW YORK STOCK EXCHANGE



Date Initiated:	01/17/2023
Docket/Case Number:	2017054491011
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/17/2023
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$82,142.85
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$975,000, OR WHICH \$82,142.85 IS PAYABLE TO NYSE. THE REMAINDER OF THE FINE IS PAYABLE TO FINRA, NYSE ARCA, NASDAQ, BX, PHLX, EDGA, EDGX, BYX, BZX, AND IEX.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS NOTED THAT WS HAD PREVIOUSLY CEASED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS. HOWEVER, WS CONTINUED TO PROVIDE CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. WS BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITY SINCE



IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, WS BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED WITH THE EXECUTING BROKER-DEALERS. THUS, WS DID NOT CONDUCT SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN.

AS A RESULT, WS FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER THAT INCLUDED NUMEROUS FOREIGN DAY TRADERS. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, WS CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. HOWEVER, WS DID NOT TAKE STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING ACTIVITIES, OR IMPLEMENT SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING.

AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT TO ANY WS REVIEW FOR POTENTIALLY MANIPULATIVE TRADING.

THE FINDINGS ALSO STATED THAT WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. WS FAILED TO IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY PROPRIETARY TRADERS AND FIRM CUSTOMERS, INCLUDING WS'S ELECTRONIC TRADING CUSTOMERS. WS'S WSPS FAILED TO INCLUDE PROCEDURES REQUIRING A REVIEW BY WS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. WS LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN THE WSPS, REQUIRING THE WS EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. HOWEVER, THOSE REPORTS WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING.

AS A RESULT, WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER WS CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY WS FOR POTENTIAL LAYERING AND SPOOFING.



Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 01/17/2023

Docket/Case Number: 2017054491011

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/17/2023

Sanctions Ordered: Censure
Monetary/Fine \$82,142.85

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED A TOTAL OF \$975,000, OR WHICH \$82,142.85 IS PAYABLE TO NYSE. THE REMAINDER OF THE FINE IS PAYABLE TO FINRA, NYSE ARCA, NASDAQ, BX, PHLX, EDGA, EDGX, BYX, BZX, AND IEX.

Disclosure 18 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS STATED THAT THE FIRM STOPPED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS, HOWEVER, IT STILL PROVIDED CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. THE FIRM MISTAKENLY BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR ANY TYPE OF POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, THE FIRM BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED SOLELY WITH THE EXECUTING BROKER-DEALERS.



THUS, THE FIRM DID NOT CONDUCT ANY SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN. AS A RESULT, THE FIRM FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER, WHICH WAS COMPRISED OF HUNDREDS OF FOREIGN DAY TRADERS, ON VARIOUS EXCHANGES, INCLUDING NYSE ARCA. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, THE FIRM CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. THE FIRM, HOWEVER, DID NOT TAKE ANY STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING, OR TO IMPLEMENT ANY TYPE OF SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING. AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT BY THE FIRM TO ANY REVIEW FOR POTENTIALLY MANIPULATIVE TRADING. THE FINDINGS ALSO STATED THAT FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND ALL FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. THE FIRM FAILED TO IMPLEMENT ANY SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS"), TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY THE FIRM'S PROPRIETARY TRADERS AND ALL FIRM CUSTOMERS, INCLUDING THE FIRM'S ELECTRONIC TRADING CUSTOMERS. THE FIRM'S WSPS FAILED TO INCLUDE ANY PROCEDURES REQUIRING A REVIEW BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. THE FIRM LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN ITS WSPS, WHICH REQUIRED THE FIRM'S EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. THOSE REPORTS, HOWEVER, WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING. AS A RESULT, THE FIRM ALSO FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER FIRM CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING. BY VIRTUE OF THE FOREGOING, THE FIRM VIOLATED NYSE ARCA RULES 11.18(B) AND (C) AND 9.2010-E.

Initiated By: NYSE ARCA, INC.

Date Initiated: 01/17/2023

Docket/Case Number: 2017054491010



Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/17/2023
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$82,142.85
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$975,000, OR WHICH \$82,142.85 IS PAYABLE TO NYSE ARCA. THE REMAINDER OF THE FINE IS PAYABLE TO FINRA, NYSE, NASDAQ, BX, PHLX, EDGA, EDGX, BYX, BZX, AND IEX.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS NOTED THAT WS HAD PREVIOUSLY CEASED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS. HOWEVER, WS CONTINUED TO PROVIDE CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. WS BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, WS BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED WITH THE EXECUTING BROKER-



DEALERS. THUS, WS DID NOT CONDUCT SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN.

AS A RESULT, WS FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER THAT INCLUDED NUMEROUS FOREIGN DAY TRADERS. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, WS CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. HOWEVER, WS DID NOT TAKE STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING ACTIVITIES, OR IMPLEMENT SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING.

AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT TO ANY WS REVIEW FOR POTENTIALLY MANIPULATIVE TRADING.

THE FINDINGS ALSO STATED THAT WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. WS FAILED TO IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY PROPRIETARY TRADERS AND FIRM CUSTOMERS, INCLUDING WS'S ELECTRONIC TRADING CUSTOMERS. WS'S WSPS FAILED TO INCLUDE PROCEDURES REQUIRING A REVIEW BY WS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. WS LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN THE WSPS, REQUIRING THE WS EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. HOWEVER, THOSE REPORTS WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING.

AS A RESULT, WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER WS CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY WS FOR POTENTIAL LAYERING AND SPOOFING.

Initiated By: NYSE ARCA, INC.

Date Initiated: 01/17/2023



Docket/Case Number: 2017054491010

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/17/2023

Sanctions Ordered: Censure
Monetary/Fine \$82,142.85

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED A TOTAL OF \$975,000, OR WHICH \$82,142.85 IS PAYABLE TO NYSE ARCA. THE REMAINDER OF THE FINE IS PAYABLE TO FINRA, NYSE, NASDAQ, BX, PHLX, EDGA, EDGX, BYX, BZX, AND IEX.

Disclosure 19 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS STATED THAT THE FIRM STOPPED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS, HOWEVER, THE FIRM STILL PROVIDED CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. THE FIRM MISTAKENLY BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR ANY TYPE OF POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, THE FIRM BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED SOLELY WITH THE EXECUTING BROKER-DEALERS. THUS, THE FIRM DID NOT CONDUCT ANY SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN. AS A RESULT, THE FIRM



FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER, WHICH WAS COMPRISED OF HUNDREDS OF FOREIGN DAY TRADERS, ON VARIOUS EXCHANGES, INCLUDING PHLX. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, THE FIRM CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. THE FIRM, HOWEVER, DID NOT TAKE ANY STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING, OR TO IMPLEMENT ANY TYPE OF SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING. AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT BY THE FIRM TO ANY REVIEW FOR POTENTIALLY MANIPULATIVE TRADING. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND ALL FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. THE FIRM FAILED TO IMPLEMENT ANY SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY THE FIRM'S PROPRIETARY TRADERS AND ALL FIRM CUSTOMERS, INCLUDING THE FIRM'S ELECTRONIC TRADING CUSTOMERS. THE FIRM'S WSPS FAILED TO INCLUDE ANY PROCEDURES REQUIRING A REVIEW BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. THE FIRM LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN ITS WSPS, WHICH REQUIRED THE FIRM'S EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. THOSE REPORTS, HOWEVER, WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING. AS A RESULT, THE FIRM ALSO FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER FIRM CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING. THEREFORE, THE FIRM VIOLATED PHLX RULES GENERAL 9, SECTIONS 1(C) AND 20(A), AND PHLX RULES 707 AND 748.

Initiated By: NASDAQ PHLX LLC
Date Initiated: 01/19/2023
Docket/Case Number: 2017054491008
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/19/2023

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$82,142.86

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.86 IS PAYABLE TO PHLX, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA, CERTIFIED BY A REGISTERED PRINCIPAL OF THE FIRM, THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO FINRA; CBOE BYX EXCHANGE, INC. ("BYX"); BZX; EDGA EXCHANGE, INC. ("EDGA"); CBOE EDGX EXCHANGE, INC. ("EDGX"); NASDAQ; NASDAQ BX, INC. ("BX"); NEW YORK STOCK EXCHANGE LLC ("NYSE"); NYSE ARCA; AND INVESTORS EXCHANGE LLC ("IEX").

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS NOTED THAT WS HAD PREVIOUSLY CEASED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS. HOWEVER, WS CONTINUED TO PROVIDE CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. WS BELIEVED THAT IT WAS NOT REQUIRED TO



REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, WS BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED WITH THE EXECUTING BROKER-DEALERS. THUS, WS DID NOT CONDUCT SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN.

AS A RESULT, WS FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER THAT INCLUDED NUMEROUS FOREIGN DAY TRADERS. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, WS CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. HOWEVER, WS DID NOT TAKE STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING ACTIVITIES, OR IMPLEMENT SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING.

AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT TO ANY WS REVIEW FOR POTENTIALLY MANIPULATIVE TRADING.

THE FINDINGS ALSO STATED THAT WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. WS FAILED TO IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY PROPRIETARY TRADERS AND FIRM CUSTOMERS, INCLUDING WS'S ELECTRONIC TRADING CUSTOMERS. WS'S WSPS FAILED TO INCLUDE PROCEDURES REQUIRING A REVIEW BY WS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. WS LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN THE WSPS, REQUIRING THE WS EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. HOWEVER, THOSE REPORTS WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING.

AS A RESULT, WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER WS CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY WS FOR



POTENTIAL LAYERING AND SPOOFING.

Initiated By: NASDAQ PHLX LLC
Date Initiated: 01/19/2023
Docket/Case Number: 2017054491008
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 01/19/2023
Sanctions Ordered: Censure
 Monetary/Fine \$82,142.86
Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.86 IS PAYABLE TO PHLX, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA, CERTIFIED BY A REGISTERED PRINCIPAL OF THE FIRM, THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO FINRA; CBOE BYX EXCHANGE, INC. ("BYX"); BZX; EDGA EXCHANGE, INC. ("EDGA"); CBOE EDGX EXCHANGE, INC. ("EDGX"); NASDAQ; NASDAQ BX, INC. ("BX"); NEW YORK STOCK EXCHANGE LLC ("NYSE"); NYSE ARCA; AND INVESTORS EXCHANGE LLC ("IEX").

Disclosure 20 of 142

Reporting Source: Regulator
Current Status: Final
Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS STATED THAT THE FIRM STOPPED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS, HOWEVER, THE FIRM STILL PROVIDED CERTAIN ELECTRONIC TRADING



CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. THE FIRM MISTAKENLY BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR ANY TYPE OF POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, THE FIRM BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED SOLELY WITH THE EXECUTING BROKER-DEALERS. THUS, THE FIRM DID NOT CONDUCT ANY SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN. AS A RESULT, THE FIRM FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER, WHICH WAS COMPRISED OF HUNDREDS OF FOREIGN DAY TRADERS, ON VARIOUS EXCHANGES, INCLUDING BX. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, THE FIRM CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. THE FIRM, HOWEVER, DID NOT TAKE ANY STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING, OR TO IMPLEMENT ANY TYPE OF SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING. AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT BY THE FIRM TO ANY REVIEW FOR POTENTIALLY MANIPULATIVE TRADING. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND ALL FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. THE FIRM FAILED TO IMPLEMENT ANY SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY THE FIRM'S PROPRIETARY TRADERS AND ALL FIRM CUSTOMERS, INCLUDING THE FIRM'S ELECTRONIC TRADING CUSTOMERS. THE FIRM'S WSPS FAILED TO INCLUDE ANY PROCEDURES REQUIRING A REVIEW BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. THE FIRM LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN ITS WSPS, WHICH REQUIRED THE FIRM'S EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. THOSE REPORTS, HOWEVER, WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING. AS A RESULT, THE FIRM ALSO FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER FIRM CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS



INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING. THEREFORE, THE FIRM VIOLATED BX RULES GENERAL 9, SECTIONS 1(A) AND 20(A), AND BX RULES 3010(A) AND 2110.

Initiated By: NASDAQ BX, INC.

Date Initiated: 01/19/2023

Docket/Case Number: 2017054491007

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/19/2023

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$82,142.86

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.86 IS PAYABLE TO BX, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA, CERTIFIED BY A REGISTERED PRINCIPAL OF THE FIRM, THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO FINRA; CBOE BYX EXCHANGE, INC. ("BYX"); BZX; CBOE EDGA EXCHANGE, INC. ("EDGA"); CBOE EDGX EXCHANGE, INC. ("EDGX"); NASDAQ; NASDAQ PHLX LLC ("PHLX"); NEW YORK STOCK EXCHANGE LLC ("NYSE"); NYSE ARCA; AND INVESTORS EXCHANGE LLC ("IEX").

Reporting Source: Firm

**Current Status:**

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS NOTED THAT WS HAD PREVIOUSLY CEASED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS. HOWEVER, WS CONTINUED TO PROVIDE CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. WS BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, WS BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED WITH THE EXECUTING BROKER-DEALERS. THUS, WS DID NOT CONDUCT SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN.

AS A RESULT, WS FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER THAT INCLUDED NUMEROUS FOREIGN DAY TRADERS. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, WS CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. HOWEVER, WS DID NOT TAKE STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING ACTIVITIES, OR IMPLEMENT SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING.

AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT TO ANY WS REVIEW FOR POTENTIALLY MANIPULATIVE TRADING.

THE FINDINGS ALSO STATED THAT WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. WS FAILED TO IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY PROPRIETARY TRADERS AND FIRM CUSTOMERS, INCLUDING WS'S ELECTRONIC TRADING CUSTOMERS. WS'S WSPS FAILED TO INCLUDE PROCEDURES REQUIRING A REVIEW BY WS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. WS LATER ADDED A REFERENCE TO



LAYERING AND SPOOFING IN THE WSPS, REQUIRING THE WS EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. HOWEVER, THOSE REPORTS WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING.

AS A RESULT, WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER WS CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY WS FOR POTENTIAL LAYERING AND SPOOFING.

Initiated By:	NASDAQ BX, INC.
Date Initiated:	01/19/2023
Docket/Case Number:	2017054491007
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/19/2023
Sanctions Ordered:	Censure Monetary/Fine \$82,142.86
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.86 IS PAYABLE TO BX, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA, CERTIFIED BY A REGISTERED PRINCIPAL OF THE FIRM, THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO FINRA; CBOE BYX EXCHANGE, INC. ("BYX"); BZX; CBOE EDGA EXCHANGE, INC. ("EDGA"); CBOE EDGX EXCHANGE, INC. ("EDGX"); NASDAQ; NASDAQ PHLX LLC ("PHLX"); NEW YORK STOCK EXCHANGE LLC ("NYSE"); NYSE ARCA; AND INVESTORS EXCHANGE LLC ("IEX").

**Disclosure 21 of 142****Reporting Source:** Regulator**Current Status:** Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS STATED THAT THE FIRM STOPPED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS, HOWEVER, THE FIRM STILL PROVIDED CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. THE FIRM MISTAKENLY BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR ANY TYPE OF POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, THE FIRM BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED SOLELY WITH THE EXECUTING BROKER-DEALERS. THUS, THE FIRM DID NOT CONDUCT ANY SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN. AS A RESULT, THE FIRM FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER, WHICH WAS COMPRISED OF HUNDREDS OF FOREIGN DAY TRADERS, ON VARIOUS EXCHANGES, INCLUDING NASDAQ. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, THE FIRM CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. THE FIRM, HOWEVER, DID NOT TAKE ANY STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING, OR TO IMPLEMENT ANY TYPE OF SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING. AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT BY THE FIRM TO ANY REVIEW FOR POTENTIALLY MANIPULATIVE TRADING. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND ALL FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. THE FIRM FAILED TO IMPLEMENT ANY SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY THE FIRM'S PROPRIETARY TRADERS AND ALL FIRM CUSTOMERS, INCLUDING THE FIRM'S ELECTRONIC TRADING CUSTOMERS. THE FIRM'S WSPS FAILED TO



INCLUDE ANY PROCEDURES REQUIRING A REVIEW BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. THE FIRM LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN ITS WSPS, WHICH REQUIRED THE FIRM'S EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. THOSE REPORTS, HOWEVER, WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING. AS A RESULT, THE FIRM ALSO FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER FIRM CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING. THEREFORE, THE FIRM VIOLATED NASDAQ RULES GENERAL 9, SECTIONS 1(A) AND 20(A), AND NASDAQ RULES 3010(A) AND 2010A.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 01/19/2023

Docket/Case Number: 2017054491009

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/19/2023

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$82,142.86

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH



\$82,142.86 IS PAYABLE TO PHLX, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA, CERTIFIED BY A REGISTERED PRINCIPAL OF THE FIRM, THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO FINRA; CBOE BYX EXCHANGE, INC. ("BYX"); BZX; CBOE EDGA EXCHANGE, INC. ("EDGA"); CBOE EDGX EXCHANGE, INC. ("EDGX"); NASDAQ BX, INC. ("BX"); NASDAQ PHLX LLC ("PHLX"); NEW YORK STOCK EXCHANGE LLC ("NYSE"); NYSE ARCA; AND INVESTORS EXCHANGE LLC ("IEX").

Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS NOTED THAT WS HAD PREVIOUSLY CEASED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS. HOWEVER, WS CONTINUED TO PROVIDE CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. WS BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, WS BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED WITH THE EXECUTING BROKER-DEALERS. THUS, WS DID NOT CONDUCT SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN.</p> <p>AS A RESULT, WS FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER THAT INCLUDED NUMEROUS FOREIGN DAY TRADERS. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, WS CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. HOWEVER, WS DID NOT TAKE STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING ACTIVITIES, OR IMPLEMENT SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING.</p>



AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT TO ANY WS REVIEW FOR POTENTIALLY MANIPULATIVE TRADING.

THE FINDINGS ALSO STATED THAT WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. WS FAILED TO IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY PROPRIETARY TRADERS AND FIRM CUSTOMERS, INCLUDING WS'S ELECTRONIC TRADING CUSTOMERS. WS'S WSPS FAILED TO INCLUDE PROCEDURES REQUIRING A REVIEW BY WS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. WS LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN THE WSPS, REQUIRING THE WS EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. HOWEVER, THOSE REPORTS WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING.

AS A RESULT, WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER WS CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY WS FOR POTENTIAL LAYERING AND SPOOFING.

Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	01/19/2023
Docket/Case Number:	2017054491009
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/19/2023
Sanctions Ordered:	Censure Monetary/Fine \$82,142.86



Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.86 IS PAYABLE TO PHLX, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA, CERTIFIED BY A REGISTERED PRINCIPAL OF THE FIRM, THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO FINRA; CBOE BYX EXCHANGE, INC. ("BYX"); BZX; CBOE EDGA EXCHANGE, INC. ("EDGA"); CBOE EDGX EXCHANGE, INC. ("EDGX"); NASDAQ BX, INC. ("BX"); NASDAQ PHLX LLC ("PHLX"); NEW YORK STOCK EXCHANGE LLC ("NYSE"); NYSE ARCA; AND INVESTORS EXCHANGE LLC ("IEX").

Disclosure 22 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS STATED THAT THE FIRM STOPPED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS, HOWEVER, THE FIRM STILL PROVIDED CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. THE FIRM MISTAKENLY BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR ANY TYPE OF POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, THE FIRM BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED SOLELY WITH THE EXECUTING BROKER-DEALERS. THUS, THE FIRM DID NOT CONDUCT ANY SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN. AS A RESULT, THE FIRM FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER, WHICH WAS COMPRISED OF HUNDREDS OF FOREIGN DAY TRADERS, ON VARIOUS EXCHANGES, INCLUDING IEX. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, THE FIRM CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. THE FIRM, HOWEVER, DID NOT TAKE ANY STEPS TO DETECT AND PREVENT OTHER ELECTRONIC



TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING, OR TO IMPLEMENT ANY TYPE OF SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING. AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT BY THE FIRM TO ANY REVIEW FOR POTENTIALLY MANIPULATIVE TRADING. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND ALL FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. THE FIRM FAILED TO IMPLEMENT ANY SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY THE FIRM'S PROPRIETARY TRADERS AND ALL FIRM CUSTOMERS, INCLUDING THE FIRM'S ELECTRONIC TRADING CUSTOMERS. THE FIRM'S WSPS FAILED TO INCLUDE ANY PROCEDURES REQUIRING A REVIEW BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. THE FIRM LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN ITS WSPS, WHICH REQUIRED THE FIRM'S EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. THOSE REPORTS, HOWEVER, WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING. AS A RESULT, THE FIRM ALSO FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER FIRM CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.5 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 4.9 BILLION SHARES WERE NOT REVIEWED BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING. THEREFORE, THE FIRM VIOLATED IEX RULES 5.110 AND 3.110(A).

Initiated By: INVESTORS' EXCHANGE LLC

Date Initiated: 01/19/2023

Docket/Case Number: 2017054491006

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/19/2023



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$82,142.85
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.85 IS PAYABLE TO IEX, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA, CERTIFIED BY A REGISTERED PRINCIPAL OF THE FIRM, THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO FINRA; CBOE BYX EXCHANGE, INC. ("BYX"); BZX; CBOE EDGA EXCHANGE, INC. ("EDGA"); CBOE EDGX EXCHANGE, INC. ("EDGX"); NASDAQ; NASDAQ BX, INC. ("BX"); NASDAQ PHLX LLC ("PHLX"); NEW YORK STOCK EXCHANGE LLC ("NYSE"); AND NYSE ARCA.

Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS NOTED THAT WS HAD PREVIOUSLY CEASED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS. HOWEVER, WS CONTINUED TO PROVIDE CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. WS BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, WS BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED WITH THE EXECUTING BROKER-DEALERS. THUS, WS DID NOT CONDUCT SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN.



AS A RESULT, WS FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER THAT INCLUDED NUMEROUS FOREIGN DAY TRADERS. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, WS CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. HOWEVER, WS DID NOT TAKE STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING ACTIVITIES, OR IMPLEMENT SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING.

AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT TO ANY WS REVIEW FOR POTENTIALLY MANIPULATIVE TRADING.

THE FINDINGS ALSO STATED THAT WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. WS FAILED TO IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY PROPRIETARY TRADERS AND FIRM CUSTOMERS, INCLUDING WS'S ELECTRONIC TRADING CUSTOMERS. WS'S WSPS FAILED TO INCLUDE PROCEDURES REQUIRING A REVIEW BY WS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. WS LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN THE WSPS, REQUIRING THE WS EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. HOWEVER, THOSE REPORTS WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING.

AS A RESULT, WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER WS CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY WS FOR POTENTIAL LAYERING AND SPOOFING.

Initiated By: INVESTORS' EXCHANGE LLC
Date Initiated: 01/19/2023
Docket/Case Number: 2017054491006
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/19/2023

Sanctions Ordered: Censure
Monetary/Fine \$82,142.85

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.85 IS PAYABLE TO IEX, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA, CERTIFIED BY A REGISTERED PRINCIPAL OF THE FIRM, THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO FINRA; CBOE BYX EXCHANGE, INC. ("BYX"); BZX; CBOE EDGA EXCHANGE, INC. ("EDGA"); CBOE EDGX EXCHANGE, INC. ("EDGX"); NASDAQ; NASDAQ BX, INC. ("BX"); NASDAQ PHLX LLC ("PHLX"); NEW YORK STOCK EXCHANGE LLC ("NYSE"); AND NYSE ARCA.

Disclosure 23 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS STATED THAT THE FIRM STOPPED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS. HOWEVER, THE FIRM STILL PROVIDED CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-DEALERS FOR EXECUTION. THE FIRM MISTAKENLY BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR ANY TYPE OF POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, THE FIRM BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED SOLELY WITH THE EXECUTING BROKER-DEALERS. THUS, THE FIRM DID NOT CONDUCT ANY SUPERVISORY REVIEWS OF THE



TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN. AS A RESULT, THE FIRM FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER, WHICH WAS COMPRISED OF HUNDREDS OF FOREIGN DAY TRADERS. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, THE FIRM CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. THE FIRM, HOWEVER, DID NOT TAKE ANY STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING, OR TO IMPLEMENT ANY TYPE OF SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING. AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT BY THE FIRM TO ANY REVIEW FOR POTENTIALLY MANIPULATIVE TRADING. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND ALL FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. THE FIRM FAILED TO IMPLEMENT ANY SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY THE FIRM'S PROPRIETARY TRADERS AND ALL FIRM CUSTOMERS, INCLUDING THE FIRM'S ELECTRONIC TRADING CUSTOMERS. THE FIRM'S WSPS FAILED TO INCLUDE ANY PROCEDURES REQUIRING A REVIEW BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. THE FIRM LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN ITS WSPS, WHICH REQUIRED THE FIRM'S EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. THOSE REPORTS, HOWEVER, WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING. AS A RESULT, THE FIRM ALSO FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER FIRM CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY THE FIRM FOR POTENTIAL LAYERING AND SPOOFING.

Initiated By: FINRA
Date Initiated: 01/19/2023
Docket/Case Number: 2017054491001
Principal Product Type: Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/19/2023
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$82,142.85
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.85 IS PAYABLE TO FINRA, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO CBOE BYX EXCHANGE, INC (BYX); BZX; CBOE EDGA EXCHANGE, INC. (EDGA); CBOE EDGX EXCHANGE, INC. (EDGX); NASDAQ; NASDAQ BX, INC. (BX); NASDAQ PHLX LLC (PHLX); NEW YORK STOCK EXCHANGE LLC (NYSE); NYSE ARCA; AND INVESTORS EXCHANGE LLC (IEX). FINE PAID IN FULL ON JANUARY 31,2023.

Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS FAILED TO REVIEW ELECTRONIC TRADING CUSTOMERS' TRADING ACTIVITIES FOR POTENTIAL MANIPULATION. THE FINDINGS NOTED THAT WS HAD PREVIOUSLY CEASED PROVIDING MARKET ACCESS SERVICES TO ITS CUSTOMERS. HOWEVER, WS CONTINUED TO PROVIDE CERTAIN ELECTRONIC TRADING CUSTOMERS WITH ACCESS TO THIRD-PARTY ELECTRONIC TRADING PLATFORMS, WHICH ROUTED THESE CUSTOMERS' ORDERS TO OTHER BROKER-



DEALERS FOR EXECUTION. WS BELIEVED THAT IT WAS NOT REQUIRED TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITY SINCE IT WAS NO LONGER PROVIDING MARKET ACCESS. INSTEAD, WS BELIEVED THAT THE OBLIGATION TO REVIEW THIS TRADING FOR POTENTIALLY MANIPULATIVE ACTIVITIES RESTED WITH THE EXECUTING BROKER-DEALERS. THUS, WS DID NOT CONDUCT SUPERVISORY REVIEWS OF THE TRADING ACTIVITIES BY ITS ELECTRONIC TRADING CUSTOMERS FOR POTENTIALLY MANIPULATIVE TRADING, SUCH AS LAYERING, SPOOFING, WASH SALES, OR MARKING THE CLOSE OR OPEN.

AS A RESULT, WS FAILED TO DETECT POTENTIAL LAYERING ACTIVITY BY AN INSTITUTIONAL ELECTRONIC TRADING CUSTOMER THAT INCLUDED NUMEROUS FOREIGN DAY TRADERS. UPON RECEIVING NOTICE OF THE POTENTIAL LAYERING ACTIVITY FROM THE EXECUTING BROKER-DEALER, WS CLOSED THE ELECTRONIC TRADING CUSTOMER'S ACCOUNT. HOWEVER, WS DID NOT TAKE STEPS TO DETECT AND PREVENT OTHER ELECTRONIC TRADING CUSTOMERS FROM ENGAGING IN POTENTIALLY MANIPULATIVE TRADING ACTIVITIES, OR IMPLEMENT SUPERVISORY REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING.

AS A RESULT, APPROXIMATELY 90 ELECTRONIC TRADING CUSTOMERS EFFECTED MORE THAN 3.4 MILLION TRANSACTIONS INVOLVING 13.5 BILLION SHARES WITHOUT BEING SUBJECT TO ANY WS REVIEW FOR POTENTIALLY MANIPULATIVE TRADING.

THE FINDINGS ALSO STATED THAT WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS' AND FIRM CUSTOMERS' TRANSACTIONS FOR POTENTIAL LAYERING AND SPOOFING. WS FAILED TO IMPLEMENT A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") TO REVIEW FOR POTENTIAL LAYERING AND SPOOFING BY PROPRIETARY TRADERS AND FIRM CUSTOMERS, INCLUDING WS'S ELECTRONIC TRADING CUSTOMERS. WS'S WSPS FAILED TO INCLUDE PROCEDURES REQUIRING A REVIEW BY WS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY. WS LATER ADDED A REFERENCE TO LAYERING AND SPOOFING IN THE WSPS, REQUIRING THE WS EQUITY TRADING MANAGERS TO CONDUCT WEEKLY REVIEWS OF CERTAIN SUPERVISORY REPORTS TO DETECT POTENTIAL LAYERING AND SPOOFING. HOWEVER, THOSE REPORTS WERE DESIGNED TO CAPTURE OTHER FORMS OF POTENTIAL MANIPULATIVE TRADING, SUCH AS WASH SALES AND MARKING THE OPEN AND CLOSE, AND WERE NOT REASONABLY DESIGNED TO DETECT LAYERING AND SPOOFING.

AS A RESULT, WS FAILED TO SUPERVISE ITS PROPRIETARY TRADERS AND OTHER WS CUSTOMERS FOR POTENTIAL LAYERING AND SPOOFING ACTIVITY, AND AN ADDITIONAL 26.9 MILLION TRANSACTIONS INVOLVING



APPROXIMATELY 5.1 BILLION SHARES WERE NOT REVIEWED BY WS FOR POTENTIAL LAYERING AND SPOOFING.

Initiated By: FINRA

Date Initiated: 01/19/2023

Docket/Case Number: 2017054491001

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/19/2023

Sanctions Ordered: Censure
Monetary/Fine \$82,142.85

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$975,000, OF WHICH \$82,142.85 IS PAYABLE TO FINRA, AND REQUIRED TO SUBMIT A WRITTEN REPORT TO FINRA THAT DETAILS THE STEPS TAKEN BY THE FIRM TO CORRECT THE SUPERVISORY DEFICIENCIES REGARDING SUPERVISION OF MANIPULATION AND THE DATE(S) THE REVISED SUPERVISORY SYSTEM AND WSPS WERE IMPLEMENTED. THE REMAINDER OF THE FINE WILL BE PAID TO CBOE BYX EXCHANGE, INC (BYX); BZX; CBOE EDGA EXCHANGE, INC. (EDGA); CBOE EDGX EXCHANGE, INC. (EDGX); NASDAQ; NASDAQ BX, INC. (BX); NASDAQ PHLX LLC (PHLX); NEW YORK STOCK EXCHANGE LLC (NYSE); NYSE ARCA; AND INVESTORS EXCHANGE LLC (IEX).

Disclosure 24 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT NEGLIGENTLY MISREPRESENTED THE DEFAULT STATUS OF BONDS ON CUSTOMER ACCOUNT STATEMENTS. THE FINDINGS STATED THAT THE FIRM GENERATED AND DISTRIBUTED MORE THAN 19,600 MONTHLY ACCOUNT STATEMENTS TO CUSTOMERS THAT INACCURATELY



REPRESENTED THAT MUNICIPAL OR CORPORATE BONDS HELD BY CUSTOMERS WERE MAKING INTEREST OR PRINCIPAL PAYMENTS, WHEN, IN FACT, THE BONDS WERE IN DEFAULT. IN EACH INSTANCE, THE FIRM RECEIVED NOTICE THAT THE BONDS IN QUESTION WERE IN DEFAULT, BUT THE FIRM DID NOT PROVIDE SUCH INFORMATION TO THE VENDOR THE FIRM USED TO MAINTAIN INFORMATION ABOUT SECURITIES HELD BY CUSTOMERS. BY MAKING NEGLIGENT MISREPRESENTATIONS AND MAKING AND PRESERVING INACCURATE ACCOUNT STATEMENTS, THE FIRM VIOLATED MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) RULES G-17 AND G-8. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO REVIEW THE ACCURACY OF ACCOUNT STATEMENTS IT SENT TO CUSTOMERS. ALTHOUGH THE FIRM RECEIVED NOTICE WHEN BONDS HELD BY CUSTOMERS HAD DEFAULTED, IT DID NOT HAVE ANY SYSTEM TO VERIFY THAT SUCH INFORMATION WAS REFLECTED IN THE SYSTEM THE FIRM USED TO MAINTAIN INFORMATION ABOUT SECURITIES HELD BY CUSTOMERS. THE FIRM ALSO DID NOT HAVE A SYSTEM TO REVIEW ACCOUNT STATEMENTS TO DETERMINE WHETHER THEY ACCURATELY REPORTED THE DEFAULT STATUS OF BONDS. THE FIRM FAILED TO DEVELOP SUCH SYSTEMS EVEN THOUGH IT WAS AWARE OF RED FLAGS THAT IT MAY HAVE BEEN REPORTING SUCH INFORMATION INCORRECTLY. THE FIRM DID NOT TAKE STEPS TO VERIFY THAT THE ACCOUNT STATEMENTS IT SENT TO CUSTOMERS ACCURATELY REPORTED THE DEFAULT STATUS OF BONDS AND CONTINUED TO MISREPORT SUCH INFORMATION ON CUSTOMER ACCOUNT STATEMENTS UNTIL IT BEGAN TO REVISE ITS PROCEDURES CONCERNING THE ACCURATE REPORTING OF THE DEFAULT STATUS OF BONDS ON ACCOUNT STATEMENTS. AS A RESULT, THE FIRM VIOLATED MSRB RULE G-27. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO DELIVER REQUIRED ANNUAL PRIVACY NOTICES, MARGIN DISCLOSURES, AND ORDER EXECUTION DISCLOSURES. THE FIRM USED A THIRD-PARTY VENDOR TO PROVIDE MONTHLY ACCOUNT STATEMENTS TO CUSTOMERS VIA MAIL OR ELECTRONIC DELIVERY THROUGH THE FIRM'S ONLINE PLATFORM. THE FIRM WAS RESPONSIBLE FOR PROVIDING THE VENDOR WITH REQUIRED NOTICES AND DISCLOSURES TO INCLUDE WITH THE ACCOUNT STATEMENTS DELIVERED TO CUSTOMERS. THE FIRM, HOWEVER, FAILED TO INSTRUCT THE VENDOR TO APPEND THE REQUIRED NOTICES AND DISCLOSURES TO THE ACCOUNT STATEMENTS SENT ELECTRONICALLY TO THE FIRM'S CUSTOMERS, AND AS A RESULT, THE FIRM FAILED TO DELIVER MORE THAN 400,000 REQUIRED PRIVACY NOTICES, ORDER EXECUTION DISCLOSURES, AND MARGIN DISCLOSURES TO APPROXIMATELY 14,900 CUSTOMERS. FINRA FOUND THAT THE FIRM DID NOT HAVE A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH ITS OBLIGATION TO DELIVER ANNUAL PRIVACY NOTICES, ORDER EXECUTION DISCLOSURES, AND MARGIN



DISCLOSURES. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) REQUIRED THE FIRM TO DELIVER THE PRIVACY NOTICES, ORDER EXECUTION DISCLOSURES, AND MARGIN DISCLOSURES DESCRIBED ABOVE TO CUSTOMERS ON AN ANNUAL BASIS. HOWEVER, THE FIRM DID NOT HAVE ANY SYSTEM TO VERIFY THAT SUCH NOTICES WERE SENT TO CUSTOMERS WHO ELECTED TO RECEIVE MATERIALS FROM THE FIRM VIA ITS ONLINE PLATFORM. INSTEAD, THE FIRM RELIED ON ITS VENDOR TO DELIVER THESE REQUIRED ANNUAL NOTICES AND DISCLOSURES TO CUSTOMERS, BUT THE FIRM DID NOT TAKE ANY STEPS TO VERIFY THAT ITS VENDOR HAD APPENDED THE REQUIRED NOTICES AND DISCLOSURES TO THE ACCOUNT STATEMENTS SENT ELECTRONICALLY TO CUSTOMERS. THE FIRM LATER IDENTIFIED THAT CUSTOMERS HAD NOT BEEN RECEIVING THE REQUIRED NOTICES AND DISCLOSURES, IMPLEMENTED CHANGES IN ITS DELIVERY PROCESS, AND SELF-REPORTED THE ISSUE TO FINRA. SUBSEQUENTLY, THE FIRM REVISED ITS POLICIES TO REQUIRE FIRM PERSONNEL TO VALIDATE THAT THE REQUIRED ANNUAL NOTICES AND DISCLOSURES HAD BEEN DELIVERED TO CUSTOMERS.

Initiated By:	FINRA
Date Initiated:	11/03/2022
Docket/Case Number:	2019062118301
Principal Product Type:	Debt - Corporate
Other Product Type(s):	DEBT - MUNICIPAL
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/03/2022
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$850,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$850,000, AND REQUIRED TO CERTIFY



THAT THE FIRM'S WSPS AND SUPERVISORY SYSTEM ARE REASONABLY DESIGNED TO REVIEW THE ACCURACY OF ACCOUNT STATEMENTS SENT TO CUSTOMERS AND TO ACHIEVE COMPLIANCE WITH ITS OBLIGATION TO DELIVER TO CUSTOMERS ANNUAL PRIVACY NOTICES, MARGIN DISCLOSURES, AND ORDER EXECUTION DISCLOSURES. FINE PAID IN FULL ON NOVEMBER 16, 2022.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES INC. ("WS") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WS NEGLIGENTLY MISREPRESENTED THE DEFAULT STATUS OF BONDS ON CUSTOMER ACCOUNT STATEMENTS. THE FINDINGS STATED THAT WS GENERATED AND DISTRIBUTED MORE THAN 19,600 MONTHLY ACCOUNT STATEMENTS TO CUSTOMERS THAT INACCURATELY REPRESENTED THAT MUNICIPAL OR CORPORATE BONDS HELD BY CUSTOMERS WERE MAKING INTEREST OR PRINCIPAL PAYMENTS, WHEN, IN FACT, THE BONDS WERE IN DEFAULT. IN EACH INSTANCE, WS RECEIVED NOTICE THAT THE BONDS IN QUESTION WERE IN DEFAULT, BUT WS DID NOT PROVIDE SUCH INFORMATION TO THE VENDOR WS USED TO MAINTAIN INFORMATION ABOUT SECURITIES HELD BY CUSTOMERS. BY MAKING NEGLIGENT MISREPRESENTATIONS AND MAKING AND PRESERVING INACCURATE ACCOUNT STATEMENTS, WS VIOLATED MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) RULES G-17 AND G-8.

THE FINDINGS STATED THAT WS FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO REVIEW THE ACCURACY OF ACCOUNT STATEMENTS IT SENT TO CUSTOMERS. ALTHOUGH WS RECEIVED NOTICE WHEN BONDS HELD BY CUSTOMERS HAD DEFAULTED, WS DID NOT HAVE ANY SYSTEM TO VERIFY THAT SUCH INFORMATION WAS REFLECTED IN THE SYSTEM THE FIRM USED TO MAINTAIN INFORMATION ABOUT SECURITIES HELD BY CUSTOMERS.

WS ALSO DID NOT HAVE A SYSTEM TO REVIEW ACCOUNT STATEMENTS TO DETERMINE WHETHER WS ACCURATELY REPORTED THE DEFAULT STATUS OF BONDS. WS FAILED TO DEVELOP SUCH SYSTEMS EVEN THOUGH WS WAS AWARE OF RED FLAGS THAT WS MAY HAVE BEEN REPORTING SUCH INFORMATION INCORRECTLY. WS DID NOT TAKE STEPS TO VERIFY THAT ACCOUNT STATEMENTS SENT TO CUSTOMERS ACCURATELY REPORTED THE DEFAULT STATUS OF BONDS AND CONTINUED TO MISREPORT SUCH INFORMATION ON CUSTOMER ACCOUNT STATEMENTS UNTIL IT BEGAN TO REVISE PROCEDURES



CONFERRING THE ACCURATE REPORTING OF THE DEFAULT STATUS OF BONDS ON ACCOUNT STATEMENTS. AS A RESULT, WS VIOLATED MSRB RULE G-27.

THE FINDINGS ALSO INCLUDED THAT WS FAILED TO DELIVER REQUIRED ANNUAL PRIVACY NOTICES, MARGIN DISCLOSURES, AND ORDER EXECUTION DISCLOSURES. WS USED A THIRD-PARTY VENDOR TO PROVIDE ACCOUNT STATEMENTS TO CUSTOMERS VIA MAIL OR ELECTRONIC DELIVERY THROUGH WS'S ONLINE PLATFORM. WS WAS RESPONSIBLE FOR PROVIDING THE VENDOR WITH REQUIRED NOTICES AND DISCLOSURES TO INCLUDE WITH ACCOUNT STATEMENTS DELIVERED TO CUSTOMERS. HOWEVER, WS FAILED TO INSTRUCT THE VENDOR TO APPEND THE REQUIRED NOTICES AND DISCLOSURES TO THE ACCOUNT STATEMENTS SENT ELECTRONICALLY TO WS'S CUSTOMERS, AND AS A RESULT, WS FAILED TO DELIVER MORE THAN 400,000 REQUIRED NOTICES AND DISCLOSURES TO APPROXIMATELY 14,900 CUSTOMERS.

FINRA FOUND THAT WS DID NOT HAVE A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH ITS OBLIGATION TO DELIVER ANNUAL PRIVACY NOTICES, MARGIN DISCLOSURES, AND ORDER EXECUTION DISCLOSURES. WS'S WRITTEN SUPERVISORY PROCEDURES (WSPS) REQUIRED WS TO DELIVER THE ANNUAL PRIVACY NOTICES, MARGIN DISCLOSURES, AND ORDER EXECUTION DISCLOSURES DESCRIBED ABOVE TO CUSTOMERS ON AN ANNUAL BASIS.

HOWEVER, WS DID NOT HAVE ANY SYSTEM TO VERIFY THAT SUCH NOTICES WERE SENT TO CUSTOMERS WHO ELECTED TO RECEIVE MATERIALS FROM WS VIA ITS ONLINE PLATFORM. INSTEAD, WS RELIED ON THE VENDOR TO DELIVER THE REQUIRED ANNUAL NOTICES AND DISCLOSURES TO CUSTOMERS, BUT WS DID NOT TAKE ANY STEPS TO VERIFY THAT THE VENDOR HAD APPENDED THE REQUIRED NOTICES AND DISCLOSURE TO THE ACCOUNT STATEMENTS SENT ELECTRONICALLY TO CUSTOMERS. WS LATER IDENTIFIED THAT CUSTOMERS HAD NOT BEEN RECEIVING THE REQUIRED NOTICES AND DISCLOSURES, IMPLEMENTED CHANGES TO THE DELIVERY PROCESS, AND SELF-REPORTED THE ISSUE TO FINRA. SUBSEQUENTLY, WS REVISED THE POLICIES TO REQUIRE FIRM PERSONNEL TO VALIDATE THAT THE REQUIRED ANNUAL NOTICES AND DISCLOSURES HAD BEEN DELIVERED TO CUSTOMERS.

Initiated By: FINRA
Date Initiated: 11/03/2022
Docket/Case Number: 2019062118301
Principal Product Type: Debt - Corporate



Other Product Type(s): DEBT - MUNICIPAL

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/03/2022

Sanctions Ordered: Censure
Monetary/Fine \$850,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$850,000, AND REQUIRED TO CERTIFY THAT THE FIRM'S WSPS AND SUPERVISORY SYSTEM ARE REASONABLY DESIGNED TO REVIEW THE ACCURACY OF ACCOUNT STATEMENTS SENT TO CUSTOMERS AND TO ACHIEVE COMPLIANCE WITH ITS OBLIGATION TO DELIVER TO CUSTOMERS ANNUAL PRIVACY NOTICES, MARGIN DISCLOSURES, AND ORDER EXECUTION DISCLOSURES.

Disclosure 25 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO COMPLY WITH RULES 204(A), (B), AND (C) OF REGULATION SHO. THE FINDINGS STATED THAT THE FIRM FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL-TO-DELIVER (FTD) POSITIONS. IN ADDITION, ON APPROXIMATELY 390 OCCASIONS, THE FIRM FURTHER FAILED TO PLACE A SECURITY IN THE PENALTY BOX AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE REQUIRED BY REGULATION SHO RULE 204(C). THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C). THE FIRM'S SYSTEM FOR COMPLYING WITH RULE 204(A) RELIED ON AN AUTOMATED AND THEN A MANUAL COMPONENT TO OBTAIN SHARES TO CLOSE OUT FTDS. THE FIRM'S PROCEDURES INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT FIRM STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. THE FIRM FAILED TO EFFECTIVELY DELEGATE



RESPONSIBILITY FOR ENSURING THAT THE FIRM WAS CLOSING OUT EACH FTD. THE FIRM WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE, BUT THE FIRM FAILED TO INSTITUTE EFFECTIVE MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS. ADDITIONALLY, THE FIRM DID NOT MAINTAIN ANY WSPS FOR COMPLYING WITH RULE 204(C). THUS, THE FIRM VIOLATED REGULATION SHO RULES 204(A), (B), AND (C) AND NYSE CHICAGO ARTICLE 6, RULE 5(A) AND (C).

Initiated By: NYSE CHICAGO, INC.

Date Initiated: 09/26/2022

Docket/Case Number: 2018059467804

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/26/2022

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$112,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$900,000, OF WHICH \$112,500 IF PAYABLE TO NYSE CHICAGO, AND REQUIRED TO CERTIFY THAT DEFICIENCIES IN ITS SUPERVISORY PROCEDURES HAVE BEEN ADDRESSED THROUGH IMPLEMENTATION OF PROCEDURES THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES AND REGULATIONS CITED HEREIN PERTAINING TO REGULATION SHO RULES 204(A) AND (C). THE REMAINDER OF THE FINE IS PAYABLE TO NYSE AMERICAN, NYSE, NYSE NATIONAL, AND FINRA.



Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR "THE FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM DID NOT COMPLY WITH REGULATION SHO RULES 204(A) AND (C). THE FINDINGS STATED THAT WS FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER ("FTD") POSITIONS DUE TO WS FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN, OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A).</p> <p>IN ADDITION, ON APPROXIMATELY 390 OCCASIONS, WS FAILED TO PLACE A SECURITY IN WHICH THE FIRM HAD FAILED TO OBTAIN A CLOSE-OUT INTO THE PENALTY BOX, AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE THAT WS HAD A POSITION IN ANY EQUITY SECURITY THAT HAD NOT BEEN CLOSED OUT AS REQUIRED BY REGULATION SHO RULE 204(C).</p> <p>THE FINDINGS STATED THAT WS FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C).</p> <p>WS'S SYSTEM FOR RULE 204(A) FIRST RELIED ON AN AUTOMATED IN-HOUSE SYSTEM TO ATTEMPT TO BORROW OR RECALL SHARES NECESSARY TO EFFECTUATE A CLOSE-OUT, AND THEN, WHEN WS DID NOT OBTAIN SUCH SHARES, ON A MANUAL PROCESS TO OBTAIN THE SHARES. HOWEVER, WS'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT WS STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. WS FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT WS WAS CLOSING OUT EACH FTD. WS WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE BECAUSE IN PRIOR FINRA EXAMS, FINRA IDENTIFIED FTDS TO WS THAT WERE NOT PROPERLY CLOSED OUT, WHICH WS ACKNOWLEDGED, BUT WS FAILED TO IMPLEMENT EFFECTIVE REMEDIAL MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS.</p>
Initiated By:	NYSE CHICAGO, INC.
Date Initiated:	09/26/2022
Docket/Case Number:	2018059467804



Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/26/2022
Sanctions Ordered:	Censure Monetary/Fine \$112,500.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED A TOTAL OF \$900,000, OF WHICH \$112,500 IF PAYABLE TO NYSE CHICAGO, AND REQUIRED TO CERTIFY THAT DEFICIENCIES IN ITS SUPERVISORY PROCEDURES HAVE BEEN ADDRESSED THROUGH IMPLEMENTATION OF PROCEDURES THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES AND REGULATIONS CITED HEREIN PERTAINING TO REGULATION SHO RULES 204(A) AND (C). THE REMAINDER OF THE FINE IS PAYABLE TO NYSE AMERICAN, NYSE, NYSE NATIONAL, AND FINRA.

Disclosure 26 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT DID NOT COMPLY WITH REGULATION SHO RULES 204(A), (B) AND (C). THE FINDINGS STATED THAT THE FIRM FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER (FTD) POSITIONS DUE TO THE FIRM FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A). ON APPROXIMATELY 390 OCCASIONS, THE FIRM FURTHER FAILED TO PLACE A SECURITY IN THE PENALTY BOX AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE REQUIRED BY REGULATION SHO RULE 204(C). BY VIRTUE OF THE FOREGOING, THE FIRM VIOLATED REGULATION SHO RULES 204(A), (B) AND (C). THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C). THE FIRM'S SYSTEM FOR



COMPLYING WITH RULE 204(A) RELIED ON AN AUTOMATED AND THEN A MANUAL COMPONENT TO OBTAIN SHARES TO CLOSE OUT FTDS. THE FIRM'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT FIRM STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. THE FIRM FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT THE FIRM WAS CLOSING OUT EACH FTD. THE FIRM WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE, BUT THE FIRM FAILED TO INSTITUTE EFFECTIVE REMEDIAL MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS. ADDITIONALLY, THE FIRM DID NOT MAINTAIN ANY WSPS FOR COMPLYING WITH RULE 204(C). BY VIRTUE OF THE FOREGOING, THE FIRM VIOLATED NYSE AMERICAN RULE 3110(A) AND (B).

Initiated By: NYSE AMERICAN LLC

Date Initiated: 09/26/2022

Docket/Case Number: 2018059467802

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/26/2022

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$112,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$900,000, OF WHICH \$112,500 IS PAYABLE TO NYSE AMERICAN, AND REQUIRED TO CERTIFY THAT DEFICIENCIES IN ITS SUPERVISORY PROCEDURES HAVE BEEN ADDRESSED THROUGH IMPLEMENTATION OF PROCEDURES THAT ARE



REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES AND REGULATIONS CITED HEREIN PERTAINING TO REGULATION SHO RULES 204(A) AND (C). THE REMAINDER OF THE FINE IS PAYABLE TO NYSE, NYSE NATIONAL, NYSE CHICAGO, AND FINRA.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR "THE FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM DID NOT COMPLY WITH REGULATION SHO RULES 204(A) AND (C). THE FINDINGS STATED THAT WS FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER ("FTD") POSITIONS DUE TO WS FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN, OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A).

IN ADDITION, ON APPROXIMATELY 390 OCCASIONS, WS FAILED TO PLACE A SECURITY IN WHICH THE FIRM HAD FAILED TO OBTAIN A CLOSE-OUT INTO THE PENALTY BOX, AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE THAT WS HAD A POSITION IN ANY EQUITY SECURITY THAT HAD NOT BEEN CLOSED OUT AS REQUIRED BY REGULATION SHO RULE 204(C).

THE FINDINGS STATED THAT WS FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C).

WS'S SYSTEM FOR RULE 204(A) FIRST RELIED ON AN AUTOMATED IN-HOUSE SYSTEM TO ATTEMPT TO BORROW OR RECALL SHARES NECESSARY TO EFFECTUATE A CLOSE-OUT, AND THEN, WHEN WS DID NOT OBTAIN SUCH SHARES, ON A MANUAL PROCESS TO OBTAIN THE SHARES. HOWEVER, WS'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT WS STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. WS FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT WS WAS CLOSING OUT EACH FTD. WS WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE BECAUSE IN PRIOR FINRA EXAMS, FINRA IDENTIFIED FTDS TO WS THAT WERE NOT PROPERLY CLOSED OUT, WHICH WS ACKNOWLEDGED, BUT WS FAILED TO IMPLEMENT EFFECTIVE REMEDIAL MEASURES TO ITS



SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS.

Initiated By: NYSE AMERICAN LLC

Date Initiated: 09/26/2022

Docket/Case Number: 2018059467802

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/26/2022

Sanctions Ordered: Censure
Monetary/Fine \$112,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$900,000, OF WHICH \$112,500 IS PAYABLE TO NYSE AMERICAN, AND REQUIRED TO CERTIFY THAT DEFICIENCIES IN ITS SUPERVISORY PROCEDURES HAVE BEEN ADDRESSED THROUGH IMPLEMENTATION OF PROCEDURES THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES AND REGULATIONS CITED HEREIN PERTAINING TO REGULATION SHO RULES 204(A) AND (C). THE REMAINDER OF THE FINE IS PAYABLE TO NYSE, NYSE NATIONAL, NYSE CHICAGO, AND FINRA.

Disclosure 27 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT DID NOT COMPLY WITH REGULATION SHO RULES 204(A), (B) AND (C). THE FINDINGS STATED THAT THE FIRM FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER (FTD) POSITIONS DUE TO THE FIRM FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A). ON APPROXIMATELY 390 OCCASIONS, THE FIRM FURTHER FAILED TO PLACE A SECURITY IN THE



PENALTY BOX AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE REQUIRED BY REGULATION SHO RULE 204(C). BY VIRTUE OF THE FOREGOING, THE FIRM VIOLATED REGULATION SHO RULES 204(A), (B) AND (C). THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C). THE FIRM'S SYSTEM FOR COMPLYING WITH RULE 204(A) RELIED ON AN AUTOMATED AND THEN A MANUAL COMPONENT TO OBTAIN SHARES TO CLOSE OUT FTDS. THE FIRM'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT FIRM STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. THE FIRM FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT THE FIRM WAS CLOSING OUT EACH FTD. THE FIRM WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE, BUT THE FIRM FAILED TO INSTITUTE EFFECTIVE REMEDIAL MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS. ADDITIONALLY, THE FIRM DID NOT MAINTAIN ANY WSPS FOR COMPLYING WITH RULE 204(C). BY VIRTUE OF THE FOREGOING, THE FIRM VIOLATED NYSE NATIONAL RULE 11.5.1.

Initiated By: NYSE NATIONAL, INC.

Date Initiated: 09/26/2022

Docket/Case Number: 2018059467803

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/26/2022

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure



Monetary/Fine \$112,500.00

Other Sanctions Ordered:

UNDERTAKING

Sanction Details:

THE FIRM WAS CENSURED, FINED A TOTAL OF \$900,000, OF WHICH \$112,500 IS PAYABLE TO NYSE NATIONAL, AND REQUIRED TO CERTIFY THAT DEFICIENCIES IN ITS SUPERVISORY PROCEDURES HAVE BEEN ADDRESSED THROUGH IMPLEMENTATION OF PROCEDURES THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES AND REGULATIONS CITED HEREIN PERTAINING TO REGULATION SHO RULES 204(A) AND (C). THE REMAINDER OF THE FINE IS PAYABLE TO NYSE, NYSE AMERICAN, NYSE CHICAGO, AND FINRA.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR "THE FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM DID NOT COMPLY WITH REGULATION SHO RULES 204(A) AND (C). THE FINDINGS STATED THAT WS FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER ("FTD") POSITIONS DUE TO WS FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN, OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A).

IN ADDITION, ON APPROXIMATELY 390 OCCASIONS, WS FAILED TO PLACE A SECURITY IN WHICH THE FIRM HAD FAILED TO OBTAIN A CLOSE-OUT INTO THE PENALTY BOX, AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE THAT WS HAD A POSITION IN ANY EQUITY SECURITY THAT HAD NOT BEEN CLOSED OUT AS REQUIRED BY REGULATION SHO RULE 204(C).

THE FINDINGS STATED THAT WS FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C).

WS'S SYSTEM FOR RULE 204(A) FIRST RELIED ON AN AUTOMATED IN-HOUSE SYSTEM TO ATTEMPT TO BORROW OR RECALL SHARES NECESSARY TO EFFECTUATE A CLOSE-OUT, AND THEN, WHEN WS DID NOT OBTAIN SUCH SHARES, ON A MANUAL PROCESS TO OBTAIN THE SHARES. HOWEVER, WS'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT WS STAFF NEEDED TO TAKE TO EXECUTE



BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. WS FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT WS WAS CLOSING OUT EACH FTD. WS WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE BECAUSE IN PRIOR FINRA EXAMS, FINRA IDENTIFIED FTDS TO WS THAT WERE NOT PROPERLY CLOSED OUT, WHICH WS ACKNOWLEDGED, BUT WS FAILED TO IMPLEMENT EFFECTIVE REMEDIAL MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS.

Initiated By: NYSE NATIONAL, INC.

Date Initiated: 09/26/2022

Docket/Case Number: 2018059467803

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/26/2022

Sanctions Ordered: Censure
Monetary/Fine \$112,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$900,000, OF WHICH \$112,500 IS PAYABLE TO NYSE NATIONAL, AND REQUIRED TO CERTIFY THAT DEFICIENCIES IN ITS SUPERVISORY PROCEDURES HAVE BEEN ADDRESSED THROUGH IMPLEMENTATION OF PROCEDURES THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES AND REGULATIONS CITED HEREIN PERTAINING TO REGULATION SHO RULES 204(A) AND (C). THE REMAINDER OF THE FINE IS PAYABLE TO NYSE, NYSE AMERICAN, NYSE CHICAGO, AND FINRA.

Disclosure 28 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT DID NOT



COMPLY WITH REGULATION SHO RULES 204(A), (B) AND (C). THE FINDINGS STATED THAT THE FIRM FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER (FTD) POSITIONS DUE TO THE FIRM FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A). ON APPROXIMATELY 390 OCCASIONS, THE FIRM FURTHER FAILED TO PLACE A SECURITY IN THE PENALTY BOX AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE REQUIRED BY REGULATION SHO RULE 204(C). BY VIRTUE OF THE FOREGOING, THE FIRM VIOLATED REGULATION SHO RULES 204(A), (B) AND (C). THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C). THE FIRM'S SYSTEM FOR COMPLYING WITH RULE 204(A) RELIED ON AN AUTOMATED AND THEN A MANUAL COMPONENT TO OBTAIN SHARES TO CLOSE OUT FTDS. THE FIRM'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT FIRM STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. THE FIRM FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT THE FIRM WAS CLOSING OUT EACH FTD. THE FIRM WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE, BUT THE FIRM FAILED TO INSTITUTE EFFECTIVE REMEDIAL MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS. ADDITIONALLY, THE FIRM DID NOT MAINTAIN ANY WSPS FOR COMPLYING WITH RULE 204(C). BY VIRTUE OF THE FOREGOING, THE FIRM VIOLATED NYSE RULES 3110(A) AND (B).

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 09/26/2022

Docket/Case Number: 2018059467801

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/26/2022

Does the order constitute a No



final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

Sanctions Ordered: Censure
Monetary/Fine \$112,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$900,000, OF WHICH \$112,500 IS PAYABLE TO NYSE, AND REQUIRED TO CERTIFY THAT DEFICIENCIES IN ITS SUPERVISORY PROCEDURES HAVE BEEN ADDRESSED THROUGH IMPLEMENTATION OF PROCEDURES THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES AND REGULATIONS CITED HEREIN PERTAINING TO REGULATION SHO RULES 204(A) AND (C). THE REMAINDER OF THE FINE IS PAYABLE TO NYSE AMERICAN, NYSE CHICAGO, NYSE NATIONAL, AND FINRA.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR "THE FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM DID NOT COMPLY WITH REGULATION SHO RULES 204(A) AND (C). THE FINDINGS STATED THAT WS FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER ("FTD") POSITIONS DUE TO WS FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN, OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A).

IN ADDITION, ON APPROXIMATELY 390 OCCASIONS, WS FAILED TO PLACE A SECURITY IN WHICH THE FIRM HAD FAILED TO OBTAIN A CLOSE-OUT INTO THE PENALTY BOX, AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE THAT WS HAD A POSITION IN ANY EQUITY SECURITY THAT HAD NOT BEEN CLOSED OUT AS REQUIRED BY REGULATION SHO RULE 204(C).

THE FINDINGS STATED THAT WS FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C).

WS'S SYSTEM FOR RULE 204(A) FIRST RELIED ON AN AUTOMATED IN-



HOUSE SYSTEM TO ATTEMPT TO BORROW OR RECALL SHARES NECESSARY TO EFFECTUATE A CLOSE-OUT, AND THEN, WHEN WS DID NOT OBTAIN SUCH SHARES, ON A MANUAL PROCESS TO OBTAIN THE SHARES. HOWEVER, WS'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT WS STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. WS FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT WS WAS CLOSING OUT EACH FTD. WS WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE BECAUSE IN PRIOR FINRA EXAMS, FINRA IDENTIFIED FTDS TO WS THAT WERE NOT PROPERLY CLOSED OUT, WHICH WS ACKNOWLEDGED, BUT WS FAILED TO IMPLEMENT EFFECTIVE REMEDIAL MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 09/26/2022

Docket/Case Number: 2018059467801

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/26/2022

Sanctions Ordered: Censure
Monetary/Fine \$112,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED A TOTAL OF \$900,000, OF WHICH \$112,500 IS PAYABLE TO NYSE, AND REQUIRED TO CERTIFY THAT DEFICIENCIES IN ITS SUPERVISORY PROCEDURES HAVE BEEN ADDRESSED THROUGH IMPLEMENTATION OF PROCEDURES THAT ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE RULES AND REGULATIONS CITED HEREIN PERTAINING TO REGULATION SHO RULES 204(A) AND (C). THE REMAINDER OF THE FINE IS PAYABLE TO NYSE AMERICAN, NYSE CHICAGO, NYSE NATIONAL, AND FINRA.



Disclosure 29 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT DID NOT COMPLY WITH REGULATION SHO RULES 204(A), (B) AND (C). THE FINDINGS STATED THAT THE FIRM FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER (FTD) POSITIONS DUE TO THE FIRM FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A). IN ADDITION, ON APPROXIMATELY 390 OCCASIONS, THE FIRM FURTHER FAILED TO PLACE A SECURITY IN WHICH IT HAD FAILED TO OBTAIN A CLOSE-OUT INTO THE PENALTY BOX, AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE THAT THE FIRM HAD A POSITION IN ANY EQUITY SECURITY THAT HAD NOT BEEN CLOSED OUT, AS REQUIRED BY REGULATION SHO RULE 204(C). THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES (WSPS), REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RULES 204(A) AND (C) OF REGULATION SHO. THE FIRM'S SYSTEM FOR COMPLYING WITH RULE 204(A) FIRST RELIED ON AN AUTOMATED IN-HOUSE SYSTEM TO ATTEMPT TO BORROW OR RECALL SHARES NECESSARY TO EFFECTUATE A CLOSE-OUT, AND THEN, WHEN THE FIRM DID NOT OBTAIN SUCH SHARES, ON A MANUAL PROCESS TO OBTAIN THE SHARES. HOWEVER, THE FIRM'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT FIRM STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. THE FIRM ALSO FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT THE FIRM WAS CLOSING OUT EACH FTD. THE FIRM WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE BECAUSE IN PRIOR FINRA EXAMS, FINRA IDENTIFIED FTDS TO THE FIRM THAT WERE NOT PROPERLY CLOSED OUT, WHICH THE FIRM ACKNOWLEDGED, BUT THE FIRM FAILED TO INSTITUTE EFFECTIVE REMEDIAL MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS. IN ADDITION, THE FIRM DID NOT MAINTAIN ANY WSPS FOR COMPLYING WITH RULE 204(C).

Initiated By: FINRA

Date Initiated: 09/27/2022

Docket/Case Number: [2019061872201](#)

Principal Product Type: Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/27/2022
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$450,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$900,000, OF WHICH \$450,000 IS PAYABLE TO FINRA, AND REQUIRED TO CERTIFY THAT ITS SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RULE 204(A) AND (C) OF REGULATION SHO OF THE EXCHANGE ACT. FINE PAID IN FULL ON OCTOBER 12, 2022.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, WEDBUSH SECURITIES ("WS" OR "THE FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM DID NOT COMPLY WITH REGULATION SHO RULES 204(A) AND (C). THE FINDINGS STATED THAT WS FAILED TO TIMELY CLOSE OUT APPROXIMATELY 2,056 FAIL TO DELIVER ("FTD") POSITIONS DUE TO WS FAILING TO TIMELY BORROW SHARES, RECALL SHARES THAT WERE OUT ON LOAN, OR OTHERWISE ACQUIRE SHARES AND DELIVER THEM IN ACCORDANCE WITH THE REQUIREMENTS OF RULE 204(A).</p> <p>IN ADDITION, ON APPROXIMATELY 390 OCCASIONS, WS FAILED TO PLACE A SECURITY IN WHICH THE FIRM HAD FAILED TO OBTAIN A CLOSE-OUT INTO THE PENALTY BOX, AS REQUIRED BY REGULATION SHO RULE 204(B) AND TO SEND THE NOTICE THAT WS HAD A POSITION IN ANY EQUITY SECURITY THAT HAD NOT BEEN CLOSED OUT AS REQUIRED BY REGULATION SHO</p>



RULE 204(C).

THE FINDINGS STATED THAT WS FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES ("WSPS") REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH REGULATION SHO RULES 204(A) AND (C).

WS'S SYSTEM FOR RULE 204(A) FIRST RELIED ON AN AUTOMATED IN-HOUSE SYSTEM TO ATTEMPT TO BORROW OR RECALL SHARES NECESSARY TO EFFECTUATE A CLOSE-OUT, AND THEN, WHEN WS DID NOT OBTAIN SUCH SHARES, ON A MANUAL PROCESS TO OBTAIN THE SHARES. HOWEVER, WS'S WSPS INCLUDED ONLY SUMMARY INSTRUCTIONS TO CLOSE OUT FTDS AND FAILED TO OFFER REASONABLE GUIDANCE ON THE STEPS THAT WS STAFF NEEDED TO TAKE TO EXECUTE BUY-INS IF THE AUTOMATED PROCESS DID NOT RESULT IN CLOSING AN FTD. WS FAILED TO EFFECTIVELY DELEGATE RESPONSIBILITY FOR ENSURING THAT WS WAS CLOSING OUT EACH FTD. WS WAS ON NOTICE THAT ITS PROCESS FOR CLOSING OUT FTDS WAS UNREASONABLE BECAUSE IN PRIOR FINRA EXAMS, FINRA IDENTIFIED FTDS TO WS THAT WERE NOT PROPERLY CLOSED OUT, WHICH WS ACKNOWLEDGED, BUT WS FAILED TO IMPLEMENT EFFECTIVE REMEDIAL MEASURES TO ITS SUPERVISORY SYSTEM IN RESPONSE TO THESE RED FLAGS.

Initiated By:	FINRA
Date Initiated:	09/27/2022
Docket/Case Number:	2019061872201
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/27/2022
Sanctions Ordered:	Censure Monetary/Fine \$450,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$900,000, OF WHICH \$450,000 IS PAYABLE TO FINRA, AND REQUIRED TO CERTIFY THAT ITS SUPERVISORY



SYSTEMS AND WRITTEN PROCEDURES ARE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RULE 204(A) AND (C) OF REGULATION SHO OF THE EXCHANGE ACT.

Disclosure 30 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT VIOLATED NYSE ARCA RULES 11.18, 11.1(B), AND 9.2010-E. THE FINDINGS STATED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A REASONABLE SUPERVISORY SYSTEM AS TO THE FIRM'S FOUNDER AND FORMER PRESIDENT, AND CERTAIN ACCOUNTS THAT HE ACTIVELY TRADED ON BEHALF OF CUSTOMERS, HIMSELF, AND THE FIRM OR ITS AFFILIATES. THE FIRM'S FOUNDER AND HIS TRADING ASSISTANT CONTINUED TO ACTIVELY TRADE A NUMBER OF ACCOUNTS, INCLUDING DOZENS OF CUSTOMER ACCOUNTS (SOME OF WHICH WERE FOR RELATIVES AND FRIENDS), SEVERAL PERSONAL ACCOUNTS, AND TWO PROPRIETARY ACCOUNTS. THE FIRM CONTINUED TO ALLOW THE FOUNDER TO TRADE FOR THESE CUSTOMER ACCOUNTS ALONG WITH HIS PERSONAL AND PROPRIETARY ACCOUNTS, WITHOUT ADEQUATE PROCESS OR PROCEDURES IN PLACE TO SUPERVISE THE ORDER ENTRY, TRADE EXECUTIONS, OR TRADE ALLOCATIONS IN THESE ACCOUNTS. THE FOUNDER AND HIS TRADING ASSISTANT USED AN ORDER MANAGEMENT SYSTEM THAT WAS NOT FREQUENTLY USED BY OTHER MEMBERS OF THE FIRM. THE ORDER MANAGEMENT SYSTEM DID NOT PROVIDE THE ABILITY TO ASSIGN ORDERS TO SPECIFIC FIRM AFFILIATE ACCOUNTS BEFORE EXECUTION AND DID NOT INTERFACE DIRECTLY WITH THE FIRM'S BACK OFFICE SYSTEM. RATHER, AT THE FOUNDER'S DIRECTION, HIS TRADING ASSISTANT MANUALLY INPUTTED ACCOUNT ALLOCATIONS FOR TRADES EXECUTED BY HIM AFTER THE TRADES OCCURRED. IN MOST INSTANCES, THESE EXECUTIONS WERE NOT ALLOCATED TO SPECIFIC ACCOUNTS UNTIL AFTER MARKET CLOSE, WHICH WAS USUALLY SEVERAL HOURS AFTER THE ORDERS HAD BEEN EXECUTED. IN CERTAIN INSTANCES, ORDERS THAT WERE EXECUTED IN THE AFFILIATE ACCOUNTS WERE NOT ALLOCATED TO SPECIFIC ACCOUNTS UNTIL DAYS LATER. THE METHOD FOR DETERMINING TRADE ALLOCATIONS FOR EXECUTED ORDERS IN THE AFFILIATE ACCOUNTS REMAINED UNDOCUMENTED AND UNAPPROVED BY THE FIRM, AND THERE CONTINUED TO BE NO INDEPENDENT MECHANISM AT THE FIRM TO ASSESS THE APPROPRIATENESS OF THE ALLOCATIONS. BY ALLOWING THE FOUNDER TO DELAY ALLOCATION OF EXECUTED ORDERS, THE FIRM GAVE HIM THE ABILITY TO TRADE IN A MANNER THAT PRESENTED CONFLICTS OF INTEREST. THESE CONFLICTS WERE



COMPOUNDED BY THE FACT THAT THE FOUNDER REGULARLY ENGAGED IN DAY TRADING FOR HIS PERSONAL AND PROPRIETARY ACCOUNTS IN SOME OF THE SAME SECURITIES THAT HE TRADED ON BEHALF OF HIS CUSTOMERS. IN ADDITION, AS A CONSEQUENCE OF FAILING TO ALLOCATE ORDERS ENTERED ON BEHALF OF THE AFFILIATE ACCOUNTS TO SPECIFIC ACCOUNTS PRIOR TO ORDER EXECUTION, THE FIRM CONTINUED TO INACCURATELY MARK A SUBSET OF PRINCIPAL ORDERS IN CERTAIN PROPRIETARY ACCOUNTS AS AGENCY. WHILE THE FIRM MADE EFFORTS TO PROVIDE DIRECT LINES OF SUPERVISION OVER THE FOUNDER, THESE EFFORTS WERE DELAYED AND DID NOT REASONABLY RESOLVE ALL OF THE ISSUES IDENTIFIED HEREIN. THE FOUNDER'S TRADING WAS ONLY SUBJECT TO MINIMAL MONITORING, SUCH AS WITH RESPECT TO SECURITIES ON THE FIRM'S RESTRICTED LIST. THE MINIMAL MONITORING DID NOT INCLUDE ANY REVIEW OF THE FOUNDER'S IMPROPER ORDER HANDLING OR TRADE ALLOCATION PRACTICES. ADDITIONALLY, THE FIRM SILOED ITS SUPERVISORY REVIEWS BASED ON WHETHER THE TRADING WAS PERSONAL OR FOR CUSTOMERS, OR FOR THE FIRM'S PROPRIETARY ACCOUNTS. AS A RESULT, EVEN AFTER SUPERVISORS HAD BEEN APPOINTED, NO ONE HAD A COMPLETE VIEW OF THE TRADING. AS A RESULT OF THE FIRM'S FAILURE TO ESTABLISH AND MAINTAIN A REASONABLE SUPERVISORY SYSTEM AS TO THE FOUNDER AND THE AFFILIATE ACCOUNTS, AS WELL AS ITS FAILURE TO REASONABLY ADDRESS THE FOUNDER'S PRIOR ORDER HANDLING AND TRADE ALLOCATION VIOLATIONS, THE FIRM VIOLATED NYSE ARCA RULES 11.18, 11.1(B), AND 9.2010-E.

Initiated By: NYSE ARCA, INC.

Date Initiated: 01/10/2022

Docket/Case Number: 2019-09-00112

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/10/2022



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure

Monetary/Fine \$500,000.00

Other Sanctions Ordered:

Sanction Details:

THE FIRM WAS CENSURED AND FINED \$500,000.

Reporting Source:

Firm

Current Status:

Final

Allegations:

NYSE ARCA ENFORCEMENT ALLEGED THAT: THE FIRM FAILED TO ESTABLISH AND MAINTAIN A REASONABLE SUPERVISORY SYSTEM AS TO THE FIRM'S FOUNDER AND FORMER PRESIDENT, AND CERTAIN ACCOUNTS THAT HE ACTIVELY TRADED ON BEHALF OF CUSTOMERS, HIMSELF, AND THE FIRM OR ITS AFFILIATES; THE FIRM CONTINUED TO ALLOW THE FOUNDER TO TRADE FOR THESE CUSTOMER ACCOUNTS ALONG WITH HIS PERSONAL AND PROPRIETARY ACCOUNTS, WITHOUT ADEQUATE PROCESS OR PROCEDURES IN PLACE TO SUPERVISE THE ORDER ENTRY, TRADE EXECUTIONS, OR TRADE ALLOCATIONS IN THESE ACCOUNTS; THE FOUNDER AND HIS TRADING ASSISTANT USED AN ORDER MANAGEMENT SYSTEM THAT WAS NOT FREQUENTLY USED BY OTHER MEMBERS OF THE FIRM; THE ORDER MANAGEMENT SYSTEM DID NOT PROVIDE THE ABILITY TO ASSIGN ORDERS TO SPECIFIC FIRM AFFILIATE ACCOUNTS BEFORE EXECUTION AND DID NOT INTERFACE DIRECTLY WITH THE FIRM'S BACK OFFICE SYSTEM; . THE FOUNDER'S TRADING ASSISTANT MANUALLY INPUTTED ACCOUNT ALLOCATIONS FOR TRADES EXECUTED BY HIM AFTER THE TRADES OCCURRED; THE METHOD FOR DETERMINING TRADE ALLOCATIONS FOR EXECUTED ORDERS IN THE AFFILIATE ACCOUNTS REMAINED UNDOCUMENTED AND UNAPPROVED BY THE FIRM, AND THERE CONTINUED TO BE NO INDEPENDENT MECHANISM AT THE FIRM TO ASSESS THE APPROPRIATENESS OF THE ALLOCATIONS; THE FOUNDER'S TRADING ACTIVITY PRESENTED CONFLICTS OF INTEREST, AND THESE CONFLICTS WERE COMPOUNDED BY THE FACT THAT THE FOUNDER REGULARLY ENGAGED IN DAY TRADING FOR HIS PERSONAL AND PROPRIETARY ACCOUNTS IN SOME OF THE SAME SECURITIES THAT HE TRADED ON BEHALF OF HIS CUSTOMERS. IN ADDITION, NYSE ALLEGED THAT AS A CONSEQUENCE OF FAILING TO ALLOCATE ORDERS ENTERED ON BEHALF OF THE AFFILIATE ACCOUNTS TO SPECIFIC ACCOUNTS PRIOR



TO ORDER EXECUTION, THE FIRM CONTINUED TO INACCURATELY MARK A SUBSET OF PRINCIPAL ORDERS IN CERTAIN PROPRIETARY ACCOUNTS AS AGENCY. NYSE ACKNOWLEDGED THAT THE FIRM MADE EFFORTS TO PROVIDE DIRECT LINES OF SUPERVISION OVER THE FOUNDER, BUT ALLEGED THAT THESE EFFORTS WERE DELAYED AND DID NOT REASONABLY RESOLVE ALL OF THE ISSUES IDENTIFIED HEREIN. NYSE CHARGED THE FIRM WITH VIOLATIONS OF NYSE ARCA RULES 11.18, 11.1(B), AND 9.2010-E.

Initiated By: NYSE ARCA, INC.

Date Initiated: 01/10/2022

Docket/Case Number: 2019-09-00112

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/10/2022

Sanctions Ordered: Censure
Monetary/Fine \$500,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$500,000.

Disclosure 31 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTION 8A OF THE SECURITIES ACT OF 1933 ("SECURITIES ACT"), SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT"), AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST WEDBUSH SECURITIES INC. ("WEDBUSH" OR "RESPONDENT"). THE COMMISSION FINDS THAT FROM JANUARY 2017 THROUGH



SEPTEMBER 2018 (THE "RELEVANT PERIOD"), WEDBUSH, A REGISTERED BROKER-DEALER, ENGAGED IN UNREGISTERED OFFERS AND SALES OF LARGE BLOCKS OF LOW-PRICED SECURITIES BY AN OFFSHORE CUSTOMER. SECTIONS 5(A) AND 5(C) OF THE SECURITIES ACT MAKE IT UNLAWFUL FOR ANY PERSON, DIRECTLY OR INDIRECTLY, TO OFFER OR SELL SECURITIES BY ANY MEANS OR INSTRUMENTS OF TRANSPORTATION OR COMMUNICATION IN INTERSTATE COMMERCE UNLESS A REGISTRATION STATEMENT HAS BEEN FILED WITH THE COMMISSION WITH RESPECT TO SECTION 5(C) AND IS IN EFFECT WITH RESPECT TO SECTION 5(A). NO REGISTRATION STATEMENT WAS IN EFFECT AS TO WEDBUSH'S OFFERS AND SALES OF THE SECURITIES AT ISSUE, AND NO EXEMPTION FROM REGISTRATION WAS APPLICABLE TO THEM. ALTHOUGH BROKERS MAY RELY ON AN EXEMPTION UNDER SECTION 4(A)(4) OF THE SECURITIES ACT, THIS EXEMPTION WOULD BE AVAILABLE TO WEDBUSH ONLY IF, AFTER CONDUCTING A REASONABLE INQUIRY INTO THE FACTS SURROUNDING THE SALES AT ISSUE, WEDBUSH WAS NOT AWARE OF FACTS INDICATING THAT ITS OFFSHORE CUSTOMER WAS ENGAGING IN AN UNLAWFUL DISTRIBUTION OF SECURITIES. WEDBUSH FAILED TO CONDUCT A REASONABLE INQUIRY. IN ADDITION, WEDBUSH FAILED TO FILE SUSPICIOUS ACTIVITY REPORTS ("SARS") FOR CERTAIN SUSPICIOUS TRANSACTIONS THAT IT EXECUTED ON BEHALF OF ITS OFFSHORE CUSTOMER DURING THE RELEVANT PERIOD, AS REQUIRED BY SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 THEREUNDER. WEDBUSH'S POLICIES AND PROCEDURES ACKNOWLEDGE A HEIGHTENED RISK OF ILLEGAL UNREGISTERED OFFERINGS ASSOCIATED WITH THE SALE OF LOW-PRICED SECURITIES IN GENERAL, AND SPECIFICALLY WHEN A CUSTOMER DEPOSITS LARGE BLOCKS OF THINLY TRADED OR LOW-PRICED SECURITIES; ENGAGES IN A PATTERN OF DEPOSITING SECURITIES, SELLING THE SHARES SHORTLY THEREAFTER, AND WIRING OUT THE PROCEEDS; DEPOSITS SHARES OF A PUBLICLY-TRADED COMPANY (OFTEN REFERRED TO AS AN ISSUER OF STOCK OR SIMPLY AN "ISSUER") THAT HAS UNDERGONE A RECENT NAME CHANGE; OR MAKES SALES COINCIDING WITH A SUDDEN SPIKE IN TRADING VOLUME OR STOCK PRICE. DESPITE THE PRESENCE OF THESE RED FLAGS, WEDBUSH FAILED TO FILE SUSPICIOUS ACTIVITY REPORTS CONCERNING THE OFFSHORE CUSTOMER. AS A RESULT OF THE CONDUCT DESCRIBED HEREIN, WEDBUSH WILLFULLY VIOLATED SECTIONS 5(A) AND 5(C) OF THE SECURITIES ACT AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 THEREUNDER.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated: 12/15/2021
Docket/Case Number: 3-20679
Principal Product Type: Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	12/15/2021
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$1,000,000.00 Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS; PREJUDGMENT INTEREST ON DISGORGEMENT
Sanction Details:	THE FIRM SHALL CEASE AND DESIST; IS CENSURED; SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER; AND SHALL PAY DISGORGEMENT OF \$173,508.40, PREJUDGMENT INTEREST OF \$34,332.16, AND A CIVIL PENALTY OF \$1,000,000 TO THE SECURITIES AND EXCHANGE COMMISSION.
Regulator Statement	RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. AS A RESULT OF THE CONDUCT DESCRIBED HEREIN, WEDBUSH WILLFULLY VIOLATED SECTIONS 5(A) AND 5(C) OF THE SECURITIES ACT AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 THEREUNDER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT: CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 5(A) AND 5(C) OF THE SECURITIES ACT AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 PROMULGATED THEREUNDER; IS CENSURED; SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER; AND SHALL PAY DISGORGEMENT OF \$173,508.40, PREJUDGMENT INTEREST OF \$34,332.16, AND A CIVIL PENALTY OF \$1,000,000 TO THE SECURITIES AND EXCHANGE COMMISSION.

Reporting Source: Firm

Current Status: Final



Allegations:	THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") ALLEGED THAT FROM JANUARY 2017 THROUGH SEPTEMBER 2018 (THE "RELEVANT PERIOD"), THE FIRM ENGAGED IN UNREGISTERED OFFERS AND SALES OF LARGE BLOCKS OF LOW-PRICED SECURITIES BY AN OFFSHORE CUSTOMER, IN VIOLATION OF SECTIONS 5(A) AND 5(C) OF THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AS NO REGISTRATION STATEMENT WAS IN EFFECT AS TO THE OFFERS AND SALES OF THE SECURITIES AT ISSUE, NO EXEMPTION FROM REGISTRATION WAS APPLICABLE, AND THE FIRM FAILED TO CONDUCT A REASONABLE INQUIRY. IN ADDITION, THE COMMISSION ALLEGED THAT WEDBUSH FAILED TO FILE SUSPICIOUS ACTIVITY REPORTS FOR CERTAIN SUSPICIOUS TRANSACTIONS THAT IT EXECUTED ON BEHALF OF ITS OFFSHORE CUSTOMER DURING THE RELEVANT PERIOD, AS REQUIRED BY SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 THEREUNDER, DESPITE THE PRESENCE OF CERTAIN RED FLAGS CONCERNING THE OFFSHORE CUSTOMER'S ACTIVITIES.
Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	12/15/2021
Docket/Case Number:	3-20679
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	12/15/2021
Sanctions Ordered:	Censure Monetary/Fine \$1,000,000.00 Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS; PREJUDGMENT INTEREST ON DISGORGEMENT
Sanction Details:	THE FIRM SHALL CEASE AND DESIST; IS CENSURED; SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER; AND SHALL PAY DISGORGEMENT OF \$173,508.40, PREJUDGMENT INTEREST OF \$34,332.16, AND A CIVIL PENALTY OF \$1,000,000 TO THE SECURITIES AND EXCHANGE COMMISSION.
Firm Statement	THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION")



ACCEPTED AN OFFER OF SETTLEMENT FROM WEDBUSH. PURSUANT TO THE SETTLEMENT OFFER, WEDBUSH DID NOT ADMIT OR DENY THE COMMISSION'S FINDINGS THAT WEDBUSH WILLFULLY VIOLATED SECTIONS 5(A) AND 5(C) OF THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND SECTION 17(A) OF THE EXCHANGE ACT OF 1934 (THE "EXCHANGE ACT"), AND RULE 17A-8 THEREUNDER. WEDBUSH WAS ORDERED TO: CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 5(A) AND 5(C) OF THE SECURITIES ACT AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 PROMULGATED THEREUNDER; WAS CENSURED; WAS ORDERED TO COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER; AND AGREED TO PAY DISGORGEMENT OF \$173,508.40, PREJUDGMENT INTEREST OF \$34,332.16, AND A CIVIL PENALTY OF \$1,000,000 TO THE COMMISSION.

Disclosure 32 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT DUE TO SYSTEM ISSUES THAT AROSE DURING ITS TRANSITION BETWEEN THIRD-PARTY ORDER MANAGEMENT SYSTEMS, THE FIRM FAILED TO TRANSMIT ROES TO OATS. THE FINDINGS STATED THAT DUE TO THE SAME SYSTEM ISSUES, THE FIRM TRANSMITTED ROES CONTAINING INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA TO OATS.
Initiated By:	FINRA
Date Initiated:	02/18/2020
Docket/Case Number:	2017053704501
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	02/18/2020



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$30,000. FINE PAID IN FULL ON 2/19/20.

Reporting Source: Firm

Current Status: Final

Allegations: DUE TO SYSTEM ISSUES THAT AROSE DURING ITS TRANSITION BETWEEN THIRD-PARTY ORDER MANAGEMENT SYSTEMS, THE FIRM FAILED TO TRANSMIT ROES TO OATS. THE FINDINGS STATED THAT DUE TO THE SAME SYSTEM ISSUES, THE FIRM TRANSMITTED ROES CONTAINING INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA TO OATS.

Initiated By: FINRA

Date Initiated: 02/18/2020

Docket/Case Number: 2017053704501

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/18/2020

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$30,000. FINE PAID IN FULL ON 2/19/20.

**Firm Statement**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT DUE TO SYSTEM ISSUES THAT AROSE DURING ITS TRANSITION BETWEEN THIRD-PARTY ORDER MANAGEMENT SYSTEMS, THE FIRM FAILED TO TRANSMIT ROES TO OATS. THE FINDINGS STATED THAT DUE TO THE SAME SYSTEM ISSUES, THE FIRM TRANSMITTED ROES CONTAINING INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA TO OATS.

Disclosure 33 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT MISREPORTED ITS SHORT POSITIONS IN EQUITY SECURITIES THAT MUST BE REPORTED PURSUANT TO FINRA RULE 4560. THE FINDINGS STATED THAT THE FIRM OVERSTATED ITS SHORT POSITIONS AND OVERSTATED THE NUMBER OF ACCOUNTS WITH SHORT POSITIONS.

Initiated By: FINRA

Date Initiated: 01/16/2020

Docket/Case Number: [2017053173601](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/16/2020

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$90,000.00

**Other Sanctions Ordered:**

Sanction Details: THE FIRM WAS CENSURED AND FINED \$90,000. FINE PAID IN FULL ON 2/12/20.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT MISREPORTED ITS SHORT POSITIONS IN EQUITY SECURITIES THAT MUST BE REPORTED PURSUANT TO FINRA RULE 4560. THE FINDINGS STATED THAT THE FIRM REPORTED A TOTAL OF 1,911 SHORT POSITIONS TOTALING 23,640,682 SHARES BUT SHOULD HAVE REPORTED ONLY 1,704 SHORT POSITIONS TOTALING 21,157,936 SHARES. THUS, IT OVERSTATED ITS SHORT POSITIONS BY A TOTAL OF 2,482,746 SHARES AND OVERSTATED THE NUMBER OF ACCOUNTS WITH SHORT POSITIONS BY 207.

Initiated By: FINRA

Date Initiated: 01/16/2020

Docket/Case Number: [2017053173601](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/16/2020

Sanctions Ordered: Censure
Monetary/Fine \$90,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$90,000.

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT MISREPORTED ITS SHORT POSITIONS IN EQUITY SECURITIES THAT MUST BE REPORTED PURSUANT TO FINRA RULE 4560. THE FINDINGS STATED THAT THE FIRM OVERSTATED ITS SHORT POSITIONS AND OVERSTATED

THE NUMBER OF ACCOUNTS WITH SHORT POSITIONS.

Disclosure 34 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>IA RELEASE 5386, SEPTEMBER 30, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED AGAINST WEDBUSH SECURITIES, INC. ("RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF BREACHES OF FIDUCIARY DUTY AND INADEQUATE DISCLOSURES BY THE RESPONDENT IN CONNECTION WITH ITS MUTUAL FUND SHARE CLASS SELECTION PRACTICES AND THE FEES IT RECEIVED. AT TIMES DURING THE RELEVANT PERIOD, RESPONDENT PURCHASED, RECOMMENDED, OR HELD FOR ADVISORY CLIENTS MUTUAL FUND SHARE CLASSES THAT CHARGED 12B-1 FEES INSTEAD OF LOWER-COST SHARE CLASSES OF THE SAME FUNDS FOR WHICH THE CLIENTS WERE ELIGIBLE. RESPONDENT RECEIVED 12B-1 FEES IN CONNECTION WITH THESE INVESTMENTS. RESPONDENT FAILED TO DISCLOSE IN ITS FORM ADV OR OTHERWISE THE CONFLICTS OF INTEREST RELATED TO (A) ITS RECEIPT OF 12B-1 FEES, AND/OR (B) ITS SELECTION OF MUTUAL FUND SHARE CLASSES THAT PAY SUCH FEES. DURING THE RELEVANT PERIOD, RESPONDENT RECEIVED 12B-1 FEES FOR ADVISING CLIENTS TO INVEST IN OR HOLD SUCH MUTUAL FUND SHARE CLASSES. AS A RESULT OF THE CONDUCT, RESPONDENT WILLFULLY VIOLATED SECTION 206(2) OF THE ADVISERS ACT.</p>
Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	09/30/2019
Docket/Case Number:	3-19553
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Order
Resolution Date:	09/30/2019



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS; PREJUDGMENT INTEREST
Sanction Details:	RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(2) OF THE ADVISERS ACT. RESPONDENT IS CENSURED, SHALL PAY DISGORGEMENT OF \$1,703,194.38 AND PREJUDGMENT INTEREST OF \$149,346.59, AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.
Regulator Statement	<p>RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE, AND IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT'S OFFER. ACCORDINGLY, IT IS ORDERED THAT RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(2) OF THE ADVISERS ACT. RESPONDENT IS CENSURED, SHALL PAY DISGORGEMENT OF \$1,703,194.38 AND PREJUDGMENT INTEREST OF \$149,346.59, AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.</p> <p>RESPONDENT SELF-REPORTED TO THE COMMISSION THE VIOLATIONS DISCUSSED IN THIS ORDER PURSUANT TO THE DIVISION OF ENFORCEMENT'S SHARE CLASS SELECTION DISCLOSURE INITIATIVE ("SCSD INITIATIVE"). ACCORDINGLY, THIS ORDER AND RESPONDENT'S OFFER ARE BASED ON THE INFORMATION SELF-REPORTED BY RESPONDENT. RESPONDENT ACKNOWLEDGES THAT THE COMMISSION IS NOT IMPOSING A CIVIL PENALTY BASED UPON RESPONDENT'S SELF-REPORT IN THE SCSD INITIATIVE.</p>
Reporting Source:	Firm
Current Status:	Final
Allegations:	IA RELEASE 5386, SEPTEMBER 30, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE



INSTITUTED AGAINST WEDBUSH SECURITIES, INC. ("RESPONDENT"). ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF BREACHES OF FIDUCIARY DUTY AND INADEQUATE DISCLOSURES BY THE RESPONDENT IN CONNECTION WITH ITS MUTUAL FUND SHARE CLASS SELECTION PRACTICES AND THE FEES IT RECEIVED. AT TIMES DURING THE RELEVANT PERIOD, RESPONDENT PURCHASED, RECOMMENDED, OR HELD FOR ADVISORY CLIENTS MUTUAL FUND SHARE CLASSES THAT CHARGED 12B-1 FEES INSTEAD OF LOWER-COST SHARE CLASSES OF THE SAME FUNDS FOR WHICH THE CLIENTS WERE ELIGIBLE. RESPONDENT RECEIVED 12B-1 FEES IN CONNECTION WITH THESE INVESTMENTS. RESPONDENT FAILED TO DISCLOSE IN ITS FORM ADV OR OTHERWISE THE CONFLICTS OF INTEREST RELATED TO (A) ITS RECEIPT OF 12B-1 FEES, AND/OR (B) ITS SELECTION OF MUTUAL FUND SHARE CLASSES THAT PAY SUCH FEES. DURING THE RELEVANT PERIOD, RESPONDENT RECEIVED 12B-1 FEES FOR ADVISING CLIENTS TO INVEST IN OR HOLD SUCH MUTUAL FUND SHARE CLASSES. AS A RESULT OF THE CONDUCT, RESPONDENT WILLFULLY VIOLATED SECTION 206(2) OF THE ADVISERS ACT.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	09/30/2019
Docket/Case Number:	3-19553
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Disgorgement
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	09/30/2019
Sanctions Ordered:	Censure Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS; PREJUDGMENT INTEREST
Sanction Details:	WEDBUSH SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(2) OF THE ADVISERS ACT. WEDBUSH IS CENSURED, SHALL PAY DISGORGEMENT OF \$1,703,194.38 AND PREJUDGMENT INTEREST OF \$149,346.59, AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER



OF SETTLEMENT.

Firm Statement

WEDBUSH HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE, AND IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN WEDBUSH'S OFFER. ACCORDINGLY, IT IS ORDERED THAT WEDBUSH SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 206(2) OF THE ADVISERS ACT. RESPONDENT IS CENSURED, SHALL PAY DISGORGEMENT OF \$1,703,194.38 AND PREJUDGMENT INTEREST OF \$149,346.59, AND SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT. WEDBUSH SELF-REPORTED TO THE COMMISSION THE VIOLATIONS DISCUSSED IN THIS ORDER PURSUANT TO THE DIVISION OF ENFORCEMENT'S SHARE CLASS SELECTION DISCLOSURE INITIATIVE ("SCSD INITIATIVE"). ACCORDINGLY, THIS ORDER AND WEDBUSH'S OFFER ARE BASED ON THE INFORMATION SELF-REPORTED BY WEDBUSH. WEDBUSH ACKNOWLEDGES THAT THE COMMISSION IS NOT IMPOSING A CIVIL PENALTY BASED UPON WEDBUSH'S SELF-REPORT IN THE SCSD INITIATIVE.

Disclosure 35 of 142**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

SEC ADMIN RELEASES 33-10650, 34-86133 / JUNE 18, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED AGAINST WEDBUSH SECURITIES, INC., ("WEDBUSH" OR "RESPONDENT").

ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF WEDBUSH'S IMPROPER PRACTICES WITH RESPECT TO SECURITIES LENDING TRANSACTIONS INVOLVING PRE-RELEASED AMERICAN DEPOSITARY RECEIPTS ("ADRS"). ONLY BROKERS (OR OTHER MARKET PARTICIPANTS) THAT HAVE ENTERED INTO PRE-RELEASE AGREEMENTS WITH A DEPOSITARY ("PRE-RELEASE AGREEMENTS") CAN OBTAIN PRE-RELEASED ADRS FROM THE DEPOSITARY. THE PRE-RELEASE AGREEMENTS, CONSISTENT WITH THE DEPOSIT AGREEMENTS, REQUIRE THE BROKER RECEIVING THE PRE-RELEASED ADRS ("PRE-RELEASE BROKER"), OR ITS CUSTOMER ON WHOSE BEHALF THE PRE-RELEASE BROKER IS ACTING, TO BENEFICIALLY OWN THE ORDINARY SHARES REPRESENTED BY THE ADRS, AND TO ASSIGN ALL BENEFICIAL RIGHTS, TITLE, AND INTEREST IN THOSE ORDINARY SHARES TO THE DEPOSITARY



WHILE THE PRE-RELEASE TRANSACTION IS OUTSTANDING. IN EFFECT, THE PRE-RELEASE BROKER OR ITS CUSTOMER BECOMES THE TEMPORARY CUSTODIAN OF THE ORDINARY SHARES THAT WOULD OTHERWISE HAVE BEEN DELIVERED TO THE CUSTODIAN. FROM AT LEAST NOVEMBER 2011 UNTIL APPROXIMATELY SEPTEMBER 2013, WEDBUSH WAS A PRE-RELEASE BROKER THAT OBTAINED PRE-RELEASED ADRS DIRECTLY FROM FOUR DEPOSITARIES PURSUANT TO PRE-RELEASE AGREEMENTS. CONTRARY TO CERTAIN PROVISIONS IN THE PRE-RELEASE AGREEMENTS AND THE DEPOSIT AGREEMENTS, ASSOCIATED PERSONS ON WEDBUSH'S SECURITIES LENDING DESK REGULARLY OBTAINED PRE-RELEASED ADRS FROM DEPOSITARIES AND LOANED THEM TO COUNTERPARTIES WITHOUT TAKING REASONABLE STEPS TO DETERMINE WHETHER THE REQUISITE NUMBER OF ORDINARY SHARES WAS OWNED AND CUSTODIED BY WEDBUSH OR ITS COUNTERPARTIES. THE RESULT OF THIS CONDUCT WAS THE ISSUANCE OF ADRS THAT IN MANY INSTANCES WERE NOT BACKED BY ORDINARY SHARES AS REQUIRED BY THE DEPOSIT AGREEMENTS. THIS CONDUCT VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT. IN ADDITION, WEDBUSH FAILED TO ESTABLISH AND IMPLEMENT EFFECTIVE POLICIES AND PROCEDURES TO ADDRESS WHETHER WEDBUSH'S ASSOCIATED PERSONS COMPLIED WITH THE FIRM'S OBLIGATIONS IN CONNECTION WITH PRE-RELEASE TRANSACTIONS, SUCH AS DETERMINING OWNERSHIP OF THE UNDERLYING ORDINARY SHARES. AS A RESULT, WEDBUSH'S SUPERVISORY POLICIES AND PROCEDURES WERE NOT REASONABLY DESIGNED AND IMPLEMENTED TO PROVIDE EFFECTIVE OVERSIGHT OF ASSOCIATED PERSONS TO PREVENT AND DETECT THEIR VIOLATIONS OF SECURITIES ACT SECTION 17(A)(3), AND WEDBUSH FAILED REASONABLY TO SUPERVISE ITS ASSOCIATED PERSONS WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT. AS RESULT OF THE CONDUCT, RESPONDENT VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT. WEDBUSH WAS RESPONSIBLE FOR SUPERVISING ITS SECURITIES LENDING DESK PERSONNEL TO ADDRESS WHETHER THEY WERE BORROWING AND LENDING PRE-RELEASED ADRS THAT WERE NOT BACKED BY UNDERLYING ORDINARY SHARES. WEDBUSH FAILED REASONABLY TO FULFILL SUCH SUPERVISORY RESPONSIBILITIES WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT. IN DETERMINING TO ACCEPT THE OFFER, THE COMMISSION CONSIDERED THE COOPERATION AFFORDED THE COMMISSION AND ITS VOLUNTARY REMEDIATION EFFORTS IN DISCONTINUING PRE-RELEASE ACTIVITY BEFORE THE START OF THE S COMMISSION'S INVESTIGATION.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 06/18/2019

Docket/Case Number: 3-19205



Principal Product Type: Other

Other Product Type(s): AMERICAN DEPOSITARY RECEIPTS

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 06/18/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$2,434,536.00
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered: PREJUDGMENT INTEREST

Sanction Details: RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER) WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A)(3) OF THE SECURITIES ACT. RESPONDENT IS CENSURED. RESPONDENT SHALL PAY DISGORGEMENT OF \$4,869,072 AND PREJUDGMENT INTEREST OF \$805,641. RESPONDENT SHALL PAY A CIVIL MONEY PENALTY OF \$2,434,536.

Reporting Source: Firm

Current Status: Final

Allegations: SEC ADMIN RELEASES 33-10650, 34-86133 / JUNE 18, 2019: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE INSTITUTED AGAINST WEDBUSH SECURITIES, INC., ("WEDBUSH" OR "RESPONDENT"). ON THE BASIS OF THIS ORDER



AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT THESE PROCEEDINGS ARISE OUT OF WEDBUSH'S IMPROPER PRACTICES WITH RESPECT TO SECURITIES LENDING TRANSACTIONS INVOLVING PRE-RELEASED AMERICAN DEPOSITARY RECEIPTS ("ADRS"). ONLY BROKERS (OR OTHER MARKET PARTICIPANTS) THAT HAVE ENTERED INTO PRE-RELEASE AGREEMENTS WITH A DEPOSITARY ("PRE-RELEASE AGREEMENTS") CAN OBTAIN PRE-RELEASED ADRS FROM THE DEPOSITARY. THE PRE-RELEASE AGREEMENTS, CONSISTENT WITH THE DEPOSIT AGREEMENTS, REQUIRE THE BROKER RECEIVING THE PRE-RELEASED ADRS ("PRE-RELEASE BROKER"), OR ITS CUSTOMER ON WHOSE BEHALF THE PRE-RELEASE BROKER IS ACTING, TO BENEFICIALLY OWN THE ORDINARY SHARES REPRESENTED BY THE ADRS, AND TO ASSIGN ALL BENEFICIAL RIGHTS, TITLE, AND INTEREST IN THOSE ORDINARY SHARES TO THE DEPOSITARY WHILE THE PRE-RELEASE TRANSACTION IS OUTSTANDING. IN EFFECT, THE PRE-RELEASE BROKER OR ITS CUSTOMER BECOMES THE TEMPORARY CUSTODIAN OF THE ORDINARY SHARES THAT WOULD OTHERWISE HAVE BEEN DELIVERED TO THE CUSTODIAN. FROM AT LEAST NOVEMBER 2011 UNTIL APPROXIMATELY SEPTEMBER 2013, WEDBUSH WAS A PRE-RELEASE BROKER THAT OBTAINED PRE-RELEASED ADRS DIRECTLY FROM FOUR DEPOSITARIES PURSUANT TO PRE-RELEASE AGREEMENTS. CONTRARY TO CERTAIN PROVISIONS IN THE PRE-RELEASE AGREEMENTS AND THE DEPOSIT AGREEMENTS, ASSOCIATED PERSONS ON WEDBUSH'S SECURITIES LENDING DESK REGULARLY OBTAINED PRE-RELEASED ADRS FROM DEPOSITARIES AND LOANED THEM TO COUNTERPARTIES WITHOUT TAKING REASONABLE STEPS TO DETERMINE WHETHER THE REQUISITE NUMBER OF ORDINARY SHARES WAS OWNED AND CUSTODIED BY WEDBUSH OR ITS COUNTERPARTIES. THE RESULT OF THIS CONDUCT WAS THE ISSUANCE OF ADRS THAT IN MANY INSTANCES WERE NOT BACKED BY ORDINARY SHARES AS REQUIRED BY THE DEPOSIT AGREEMENTS. THIS CONDUCT VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT. IN ADDITION, WEDBUSH FAILED TO ESTABLISH AND IMPLEMENT EFFECTIVE POLICIES AND PROCEDURES TO ADDRESS WHETHER WEDBUSH'S ASSOCIATED PERSONS COMPLIED WITH THE FIRM'S OBLIGATIONS IN CONNECTION WITH PRE-RELEASE TRANSACTIONS, SUCH AS DETERMINING OWNERSHIP OF THE UNDERLYING ORDINARY SHARES. AS A RESULT, WEDBUSH'S SUPERVISORY POLICIES AND PROCEDURES WERE NOT REASONABLY DESIGNED AND IMPLEMENTED TO PROVIDE EFFECTIVE OVERSIGHT OF ASSOCIATED PERSONS TO PREVENT AND DETECT THEIR VIOLATIONS OF SECURITIES ACT SECTION 17(A)(3), AND WEDBUSH FAILED REASONABLY TO SUPERVISE ITS ASSOCIATED PERSONS WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT. AS RESULT OF THE CONDUCT, RESPONDENT VIOLATED SECTION 17(A)(3) OF THE SECURITIES ACT. WEDBUSH WAS RESPONSIBLE FOR SUPERVISING ITS SECURITIES



LENDING DESK PERSONNEL TO ADDRESS WHETHER THEY WERE BORROWING AND LENDING PRE-RELEASED ADRS THAT WERE NOT BACKED BY UNDERLYING ORDINARY SHARES. WEDBUSH FAILED REASONABLY TO FULFILL SUCH SUPERVISORY RESPONSIBILITIES WITHIN THE MEANING OF SECTION 15(B)(4)(E) OF THE EXCHANGE ACT. IN DETERMINING TO ACCEPT THE OFFER, THE COMMISSION CONSIDERED THE COOPERATION AFFORDED THE COMMISSION AND ITS VOLUNTARY REMEDIATION EFFORTS IN DISCONTINUING PRE-RELEASE ACTIVITY BEFORE THE START OF THE S COMMISSION'S INVESTIGATION.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 06/18/2019

Docket/Case Number: 3-19205

Principal Product Type: Other

Other Product Type(s): AMERICAN DEPOSITARY RECEIPTS

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 06/18/2019

Sanctions Ordered: Censure
Monetary/Fine \$2,434,536.00
Disgorgement/Restitution
Cease and Desist/Injunction

Other Sanctions Ordered: PREJUDGMENT INTEREST

Sanction Details: RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE OFFER) WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN THE RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 17(A)(3) OF THE SECURITIES ACT. RESPONDENT IS CENSURED. RESPONDENT SHALL PAY DISGORGEMENT OF \$4,869,072 AND PREJUDGMENT INTEREST OF \$805,641. RESPONDENT SHALL PAY A CIVIL MONEY PENALTY OF \$2,434,536.



Disclosure 36 of 142

Reporting Source:	Firm
Current Status:	Final
Allegations:	FAILURE TO OVERSEE AND SUPERVISE THE TRADING ACTIVITIES OF ITS PRESIDENT
Initiated By:	NYSE ARCA, INC.
Date Initiated:	10/16/2017
Docket/Case Number:	2016-07-01264
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	01/08/2019
Sanctions Ordered:	Censure Monetary/Fine \$1,000,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$1,000,000 ((\$900,000 OF WHICH IS PAYABLE JOINTLY AND SEVERALLY) AND REQUIRED TO COMPLETE THE UNDERTAKINGS AS STATED IN THE OFFER OF SETTLEMENT, INCLUDING TO HIRE AN OUTSIDE AUDITING FIRM, NOT UNACCEPTABLE TO NYSE REGULATION STAFF, TO ASSIST ITS INTERNAL AUDIT DEPARTMENT IN CONDUCTING INTERNAL AUDITS. WEDBUSH SECURITIES SHALL (I) COMPLETE A COMPREHENSIVE REVIEW OF THE FIRM'S COMPLIANCE PROGRAM; (II) IMPLEMENT CHANGES AND ENHANCEMENTS; AND (III) WORK TOGETHER WITH AN INDEPENDENT CONSULTANT CONCERNING THE AREAS TO BE REVIEWED. WEDBUSH SECURITIES SHALL ALSO HIRE AN ADDITIONAL PERMANENT, FULL-TIME, SENIOR EMPLOYEE WITH RELEVANT REGULATORY EXPERIENCE TO WORK IN THESE AREAS.
Firm Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH SECURITIES INC. ("WEDBUSH" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS



Disclosure 37 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO MAINTAIN A CONTINUOUS TWO-SIDED TRADING INTEREST DURING REGULAR MARKET HOURS, AT PRICES WITHIN CERTAIN PERCENTAGES AWAY FROM THE NATIONAL BEST BID OR OFFER ("NBBO").</p> <p>THE FINDINGS STATED THAT THIS RESULTED FROM THE FIRM FAILING TO PROPERLY SUBMIT A MARKET MAKER PEG ORDER FOR A SECURITY IN WHICH THE FIRM MADE A MARKET.</p> <p>THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM WAS NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASDAQ QUOTING OBLIGATIONS. SPECIFICALLY, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FAILED TO STATE, WHICH REPORTS THE DESIGNATED SUPERVISOR(S) REVIEW FOR QUOTING OBLIGATIONS AND FAILED TO ESTABLISH A PROCEDURE TO REVIEW THE FIRM'S ENTIRE QUOTING OBLIGATION ON A GIVEN DAY. RATHER, THE FIRM ONLY REVIEWED THE FIRM'S ACTUAL QUOTES, THUS IT DID NOT REVIEW SECURITIES IN WHICH IT HAD A QUOTATION OBLIGATION BUT FAILED TO PROPERLY QUOTE.</p>
Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	12/10/2018
Docket/Case Number:	2016051145501
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/10/2018



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$15,000, AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS).

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO MAINTAIN A CONTINUOUS TWO-SIDED TRADING INTEREST DURING REGULAR MARKET HOURS, AT PRICES WITHIN CERTAIN PERCENTAGES AWAY FROM THE NATIONAL BEST BID OR OFFER ("NBBO"). THE FINDINGS STATED THAT THIS RESULTED FROM THE FIRM FAILING TO PROPERLY SUBMIT A MARKET MAKER PEG ORDER FOR A SECURITY IN WHICH THE FIRM MADE A MARKET. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM WAS NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASDAQ QUOTING OBLIGATIONS. SPECIFICALLY, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES FAILED TO STATE, WHICH REPORTS THE DESIGNATED SUPERVISOR(S) REVIEW FOR QUOTING OBLIGATIONS AND FAILED TO ESTABLISH A PROCEDURE TO REVIEW THE FIRM'S ENTIRE QUOTING OBLIGATION ON A GIVEN DAY. RATHER, THE FIRM ONLY REVIEWED THE FIRM'S ACTUAL QUOTES, THUS IT DID NOT REVIEW SECURITIES IN WHICH IT HAD A QUOTATION OBLIGATION BUT FAILED TO PROPERLY QUOTE.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 12/10/2018

Docket/Case Number: 2016051145501

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:


Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)
Resolution Date: 12/10/2018
Sanctions Ordered: Censure
 Monetary/Fine \$15,000.00
Other Sanctions Ordered: UNDERTAKING
Sanction Details: THE FIRM WAS CENSURED, FINED \$15,000, AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS).

Disclosure 38 of 142

Reporting Source: Firm
Current Status: Final
Allegations: ON APRIL 12, 2018, THE CME CLEARING HOUSE RISK COMMITTEE REVIEWED THE FIRM'S RISK BASED EXAMINATION REPORT DATED MARCH 9, 2018 AND CHARGED THE FIRM WITH VIOLATING CBOT RULES 951., 970.A., 971.A., 971.A.1. AND 980.B.
Initiated By: CME GROUP
Date Initiated: 04/13/2018
Docket/Case Number: 16-CH-1607
Principal Product Type: Futures - Financial
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Settled
Resolution Date: 04/13/2018
Sanctions Ordered: Monetary/Fine \$250,000.00
Other Sanctions Ordered:
Sanction Details: THE FINE OF \$250000 WAS PAID.


Disclosure 39 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN POLICIES AND PROCEDURES THAT WERE REASONABLY DESIGNED TO PREVENT TRADE-THROUGHS OF PROTECTED QUOTATIONS IN NATIONAL MARKET SYSTEM (NMS) STOCKS THAT DID NOT FALL WITHIN ANY APPLICABLE EXCEPTION, AND IF RELYING ON AN EXCEPTION, WERE REASONABLY DESIGNED TO ASSURE COMPLIANCE WITH THE TERMS OF THE EXCEPTION. THE FINDINGS STATED THAT THE FIRM INACCURATELY APPENDED PRINT PROTECTION MODIFIERS TO TRANSACTION REPORTS SUBMITTED TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) IDENTIFYING THE TRANSACTIONS AS QUALIFYING FOR AN EXCEPTION OR EXEMPTION FROM SEC RULE 611 OF REGULATION NMS. THE FINDINGS ALSO STATED THAT FOR STOPPED ORDERS THAT THE FIRM PURPORTEDLY HAD EXECUTED PURSUANT TO SEC RULE 611(B)(9), IT FAILED TO DOCUMENT ON AN ORDER-BY-ORDER BASIS THE SPECIFIED PRICE AGREED TO BY THE CUSTOMER AND THE TIME AT WHICH THE STOP PRICE WAS DETERMINED.</p>
Initiated By:	FINRA
Date Initiated:	04/11/2018
Docket/Case Number:	2014041261702
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/11/2018
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No



Sanctions Ordered: Censure
Monetary/Fine \$40,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$40,000, AND REQUIRED TO REVISE ITS WSPS. FINES PAID IN FULL ON JUNE 26, 2018.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN POLICIES AND PROCEDURES THAT WERE REASONABLY DESIGNED TO PREVENT TRADE-THROUGHS OF PROTECTED QUOTATIONS IN NATIONAL MARKET SYSTEM (NMS) STOCKS THAT DID NOT FALL WITHIN ANY APPLICABLE EXCEPTION, AND IF RELYING ON AN EXCEPTION, WERE REASONABLY DESIGNED TO ASSURE COMPLIANCE WITH THE TERMS OF THE EXCEPTION. THE FINDINGS STATED THAT THE FIRM INACCURATELY APPENDED PRINT PROTECTION MODIFIERS TO TRANSACTION REPORTS SUBMITTED TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) IDENTIFYING THE TRANSACTIONS AS QUALIFYING FOR AN EXCEPTION OR EXEMPTION FROM SEC RULE 611 OF REGULATION NMS. THE FINDINGS ALSO STATED THAT FOR STOPPED ORDERS THAT THE FIRM PURPORTEDLY HAD EXECUTED PURSUANT TO SEC RULE 611(B)(9), IT FAILED TO DOCUMENT ON AN ORDER-BY-ORDER BASIS THE SPECIFIED PRICE AGREED TO BY THE CUSTOMER AND THE TIME AT WHICH THE STOP PRICE WAS DETERMINED.

Initiated By: FINRA

Date Initiated: 04/11/2018

Docket/Case Number: [2014041261702](#)

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/11/2018



Sanctions Ordered:	Censure Monetary/Fine \$40,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$40,000, AND REQUIRED TO REVISE ITS WSPS.

Disclosure 40 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>SEC ADMIN RELEASE 34-82954 / MARCH 27, 2018: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AGAINST WEDBUSH SECURITIES, INC. ("WEDBUSH" OR "RESPONDENT").</p> <p>THE DIVISION OF ENFORCEMENT ALLEGES THAT WEDBUSH FAILED REASONABLY TO SUPERVISE ONE OF ITS REGISTERED REPRESENTATIVES WHO ENGAGED IN MANIPULATIVE TRADING ACTIVITY OF PENNY STOCKS OVER MULTIPLE YEARS, AS DETAILED BELOW. WEDBUSH WAS AWARE OF CERTAIN ASPECTS OF THE REGISTERED REPRESENTATIVE'S ACTIVITY IN 2012 AND 2013 BUT ITS SUPERVISORY POLICIES AND IMPLEMENTATION SYSTEMS FAILED REASONABLY TO GUIDE STAFF ON HOW TO INVESTIGATE THE ACTIVITY. SPECIFICALLY, IN LATE 2012 AND EARLY 2013, THE REGISTERED REPRESENTATIVE'S SUPERVISORS: (1) REVIEWED AN EMAIL OUTLINING HER ROLE IN FRAUDULENT TRANSACTIONS INVOLVING PENNY STOCKS; (2) RECEIVED COPIES OF TWO FINRA ARBITRATIONS FILED BY HER CUSTOMERS OUTLINING SERIOUS ALLEGATIONS OF HER ROLE IN THEIR INVESTMENTS IN THE SAME PENNY STOCK ISSUERS; (3) LEARNED OF A FINRA INQUIRY INTO HER PERSONAL TRADING IN ONE OF THOSE PENNY STOCK ISSUERS; AND (4) LEARNED OF A SEPARATE FINRA INQUIRY INTO THE ALLEGATIONS UNDERLYING THE CUSTOMER ARBITRATIONS. WEDBUSH HAD NO CLEAR PROCESS FOR HOW TO HANDLE RED FLAGS OF POTENTIAL MARKET MANIPULATION.</p> <p>AS A RESULT OF THE CONDUCT DESCRIBED, WEDBUSH FAILED REASONABLY TO SUPERVISE AN INDIVIDUAL WITH A VIEW TO PREVENTING AND DETECTING VIOLATIONS OF SECTIONS 17(A)(1) AND (3) OF THE SECURITIES ACT, SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT AND RULE 10B-5(A) AND (C) THEREUNDER.</p>
Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION



Date Initiated:	03/27/2018
Docket/Case Number:	3-18411
Principal Product Type:	Penny Stock(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Order
Resolution Date:	03/13/2019
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$250,000.00
Other Sanctions Ordered:	
Sanction Details:	RESPONDENT IS CENSURED AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$250,000.
Regulator Statement	<p>IT IS ORDERED THAT, PURSUANT TO RULE 360(A)(2) OF THE COMMISSION'S RULES OF PRACTICE, AND ADMINISTRATIVE LAW JUDGE SHALL ISSUE AN INITIAL DECISION NO LATER THAN 120 DAYS FROM THE OCCURRENCE OF ONE OF THE FOLLOWING EVENTS: (A) THE COMPLETION OF POST-HEARING BRIEFING IN A PROCEEDING WHERE THE HEARING HAS BEEN COMPLETED; (B) WHERE THE HEARING OFFICER HAS DETERMINED THAT NO HEARING IS NECESSARY, UPON COMPLETION OF BRIEFING ON A MOTION PURSUANT TO RULE 250 OF THE COMMISSION'S RULES OF PRACTICE, 17 C.F.R. § 201.250; OR (C) THE DETERMINATION BY THE HEARING OFFICER THAT A PARTY IS DEEMED TO BE IN DEFAULT UNDER RULE 155 OF THE COMMISSION'S RULES OF PRACTICE, 17 C.F.R. § 201.155 AND NO HEARING IS NECESSARY.</p> <p>SEC ADMIN RELEASE 34-85309 / MARCH 13, 2019: FOLLOWING THE INSTITUTION OF THESE PROCEEDINGS ON MARCH 27, 2018, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE TO IMPOSE THE SANCTIONS</p>



AGREED TO IN RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT IS CENSURED AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$250,000.

ON MAY 31, 2018, THE FORMER PRESIDENT OF WEDBUSH WAS SUCCEEDED BY TWO NEW CO-PRESIDENTS. SINCE THAT TIME, THE CO-PRESIDENTS HAVE TAKEN CERTAIN REMEDIAL MEASURES TO IMPROVE WEDBUSH'S SUPERVISION OF ITS REGISTERED REPRESENTATIVES.

Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>SEC ADMIN RELEASE 34-82954 / MARCH 27, 2018: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B) OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AGAINST WEDBUSH SECURITIES, INC. ("WEDBUSH" OR "RESPONDENT"). THE DIVISION OF ENFORCEMENT ALLEGES THAT WEDBUSH FAILED REASONABLY TO SUPERVISE ONE OF ITS REGISTERED REPRESENTATIVES WHO ENGAGED IN MANIPULATIVE TRADING ACTIVITY OF PENNY STOCKS OVER MULTIPLE YEARS, AS DETAILED BELOW. WEDBUSH WAS AWARE OF CERTAIN ASPECTS OF THE REGISTERED REPRESENTATIVE'S ACTIVITY IN 2012 AND 2013 BUT ITS SUPERVISORY POLICIES AND IMPLEMENTATION SYSTEMS FAILED REASONABLY TO GUIDE STAFF ON HOW TO INVESTIGATE THE ACTIVITY. SPECIFICALLY, IN LATE 2012 AND EARLY 2013, THE REGISTERED REPRESENTATIVE'S SUPERVISORS: (1) REVIEWED AN EMAIL OUTLINING HER ROLE IN FRAUDULENT TRANSACTIONS INVOLVING PENNY STOCKS; (2) RECEIVED COPIES OF TWO FINRA ARBITRATIONS FILED BY HER CUSTOMERS OUTLINING SERIOUS ALLEGATIONS OF HER ROLE IN THEIR INVESTMENTS IN THE SAME PENNY STOCK ISSUERS; (3) LEARNED OF A FINRA INQUIRY INTO HER PERSONAL TRADING IN ONE OF THOSE PENNY STOCK ISSUERS; AND (4) LEARNED OF A SEPARATE FINRA INQUIRY INTO THE ALLEGATIONS UNDERLYING THE CUSTOMER ARBITRATIONS. WEDBUSH HAD NO CLEAR PROCESS FOR HOW TO HANDLE RED FLAGS OF POTENTIAL MARKET MANIPULATION. AS A RESULT OF THE CONDUCT DESCRIBED, WEDBUSH FAILED REASONABLY TO SUPERVISE AN INDIVIDUAL WITH A VIEW TO PREVENTING AND DETECTING VIOLATIONS OF SECTIONS 17(A)(1) AND (3) OF THE SECURITIES ACT, SECTIONS 9(A)(2) AND 10(B) OF THE EXCHANGE ACT AND RULE 10B-5(A) AND (C) THEREUNDER.</p>
Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	03/27/2018



Docket/Case Number:	3-18411
Principal Product Type:	Penny Stock(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	03/13/2019
Sanctions Ordered:	Censure Monetary/Fine \$250,000.00
Other Sanctions Ordered:	
Sanction Details:	WEDBUSH IS CENSURED AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$250,000.
Firm Statement	RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT'S OFFER. ACCORDINGLY, IT IS HEREBY ORDERED THAT RESPONDENT IS CENSURED AND SHALL PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$250,000. ON MAY 31, 2018, THE FORMER PRESIDENT OF WEDBUSH WAS SUCCEEDED BY TWO NEW CO-PRESIDENTS. SINCE THAT TIME, THE CO-PRESIDENTS HAVE TAKEN CERTAIN REMEDIAL MEASURES TO IMPROVE WEDBUSH'S SUPERVISION OF ITS REGISTERED REPRESENTATIVES.

Disclosure 41 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IMPLEMENT ADEQUATE WRITTEN PROCEDURES AND SUPERVISORY SYSTEMS AND CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO CERTAIN OF THE FIRM'S PROPRIETARY TRADING UNITS.

THE FINDINGS STATED THAT THE FIRM FAILED TO COMPLY WITH THE REQUIREMENTS GOVERNING THE CANCELLATION OF MARKET-ON-



CLOSE/LIMIT-ON-CLOSE (MOC/LOC) AND CLOSING OFFSET (CO) ORDERS WHEN FIRM TRADERS CANCELLED THREE MOC/LOC OR CO ORDERS BETWEEN 3:45 P.M. AND 3:58 P.M. THAT WERE NOT THE RESULT OF LEGITIMATE ORDER ERRORS. IN ADDITION, THE FIRM FAILED TO PROVIDE COMPLETE AND/OR ACCURATE INFORMATION IN RESPONSE TO REQUESTS BY NYSE REGULATION. SPECIFICALLY, THE FIRM PROVIDED INCOMPLETE, INCORRECT AND/OR MISLEADING INFORMATION ON MATERIAL ISSUES TO THIS MATTER, INCLUDING ITS RELATIONSHIP TO CERTAIN CLIENTS AND ITS RELATED SUPERVISORY SYSTEMS. THE FIRM ALSO PROVIDED AN EXPLANATION OF HOW OTHER CANCELLATIONS WERE ENTERED ON THE NYSE THAT WAS LATER DETERMINED TO NOT BE COMPLETE AND/OR ACCURATE.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 02/08/2018

Docket/Case Number: 2016-07-01063

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/09/2018

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$30,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$30,000.

Reporting Source: Firm

Current Status: Final



Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IMPLEMENT ADEQUATE WRITTEN PROCEDURES AND SUPERVISORY SYSTEMS AND CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO CERTAIN OF THE FIRM'S PROPRIETARY TRADING UNITS. THE FINDINGS STATED THAT THE FIRM FAILED TO COMPLY WITH THE REQUIREMENTS GOVERNING THE CANCELLATION OF MARKET-ON-CLOSE/LIMIT-ON-CLOSE (MOC/LOC) AND CLOSING OFFSET (CO) ORDERS WHEN FIRM TRADERS CANCELLED THREE MOC/LOC OR CO ORDERS BETWEEN 3:45 P.M. AND 3:58 P.M. THAT WERE NOT THE RESULT OF LEGITIMATE ORDER ERRORS. IN ADDITION, THE FIRM FAILED TO PROVIDE COMPLETE AND/OR ACCURATE INFORMATION IN RESPONSE TO REQUESTS BY NYSE REGULATION. SPECIFICALLY, THE FIRM PROVIDED INCOMPLETE, INCORRECT AND/OR MISLEADING INFORMATION ON MATERIAL ISSUES TO THIS MATTER, INCLUDING ITS RELATIONSHIP TO CERTAIN CLIENTS AND ITS RELATED SUPERVISORY SYSTEMS. THE FIRM ALSO PROVIDED AN EXPLANATION OF HOW OTHER CANCELLATIONS WERE ENTERED ON THE NYSE THAT WAS LATER DETERMINED TO NOT BE COMPLETE AND/OR ACCURATE.
Initiated By:	NEW YORK STOCK EXCHANGE
Date Initiated:	02/08/2018
Docket/Case Number:	2016-07-01063
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/09/2018
Sanctions Ordered:	Censure Monetary/Fine \$30,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$30,000.
Firm Statement	THE FIRM WAS CENSURED AND FINED \$30,000.



Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IMPLEMENT POLICIES AND PROCEDURES TO REASONABLY AVOID DISPLAYING, OR ENGAGING IN A PATTERN OR PRACTICE OF DISPLAYING, ANY QUOTATIONS THAT LOCKED OR CROSSED A PROTECTED QUOTATION, AND ANY MANUAL QUOTATIONS THAT LOCKED OR CROSSED A QUOTATION PREVIOUSLY DISSEMINATED PURSUANT TO AN EFFECTIVE NATIONAL MARKET SYSTEM PLAN.
THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS AND BZX RULES CONCERNING LOCKING OR CROSSING PROTECTED QUOTATIONS. SPECIFICALLY, WITH RESPECT TO ITS DIRECT MARKET ACCESS CLIENTS, THE FIRM'S SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR THE FOLLOWING: (1) THE IDENTIFICATION OF THE PERSONS RESPONSIBLE FOR SUPERVISION WITH RESPECT TO THE APPLICABLE RULES; (2) A STATEMENT OF THE SUPERVISORY STEPS TO BE TAKEN BY THE PERSONS IDENTIFIED AS RESPONSIBLE FOR ENSURING COMPLIANCE WITH THE APPLICABLE RULES; (3) A STATEMENT OF THE FREQUENCY WITH WHICH SUCH PERSON SHOULD TAKE SUCH STEPS; AND (4) A STATEMENT AS TO HOW THE COMPLETION OF THE STEPS INCLUDED IN THE WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED.

Initiated By: CBOE BZX EXCHANGE, INC.

Date Initiated: 03/12/2018

Docket/Case Number: 2014041261701

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/10/2018



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details:

THE FIRM WAS CENSURED AND FINED \$5,000.

IF THIS SETTLEMENT IS MADE PURSUANT TO BZX RULE 8.8, THE DECISION IN THIS MATTER IS FINAL 20 BUSINESS DAYS AFTER THE ISSUANCE OF THE DECISION. THEREFORE, THIS AWC BECAME FINAL APRIL 10, 2018.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO IMPLEMENT POLICIES AND PROCEDURES TO REASONABLY AVOID DISPLAYING, OR ENGAGING IN A PATTERN OR PRACTICE OF DISPLAYING, ANY QUOTATIONS THAT LOCKED OR CROSSED A PROTECTED QUOTATION, AND ANY MANUAL QUOTATIONS THAT LOCKED OR CROSSED A QUOTATION PREVIOUSLY DISSEMINATED PURSUANT TO AN EFFECTIVE NATIONAL MARKET SYSTEM PLAN. THE FINDINGS STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS AND BZX RULES CONCERNING LOCKING OR CROSSING PROTECTED QUOTATIONS. SPECIFICALLY, WITH RESPECT TO ITS DIRECT MARKET ACCESS CLIENTS, THE FIRM'S SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR THE FOLLOWING: (1) THE IDENTIFICATION OF THE PERSONS RESPONSIBLE FOR SUPERVISION WITH RESPECT TO THE APPLICABLE RULES; (2) A STATEMENT OF THE SUPERVISORY STEPS TO BE TAKEN BY THE PERSONS IDENTIFIED AS RESPONSIBLE FOR ENSURING COMPLIANCE WITH THE APPLICABLE RULES; (3) A STATEMENT OF THE FREQUENCY WITH WHICH SUCH PERSON SHOULD TAKE SUCH STEPS; AND (4) A STATEMENT AS TO HOW THE COMPLETION OF THE STEPS INCLUDED IN THE WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED.

Initiated By:

CBOE BZX EXCHANGE, INC.



Date Initiated: 03/12/2018

Docket/Case Number: 2014041261701

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/10/2018

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$5,000. IF THIS SETTLEMENT IS MADE PURSUANT TO BZX RULE 8.8, THE DECISION IN THIS MATTER IS FINAL 20 BUSINESS DAYS AFTER THE ISSUANCE OF THE DECISION. THEREFORE, THIS AWC BECAME FINAL APRIL 10, 2018.

Disclosure 43 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: SEC ADMIN RELEASE 34-82630, IA RELEASE 40-4852 / FEBRUARY 5, 2018: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B), AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT"), AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST WEDBUSH SECURITIES INC. ("WEDBUSH" OR "RESPONDENT").
THE COMMISSION FINDS THAT THESE PROCEEDINGS INVOLVE WEDBUSH'S VIOLATIONS OF EXCHANGE ACT RULE 15C3-3, KNOWN AS THE CUSTOMER PROTECTION RULE ("RULE"). THE CUSTOMER PROTECTION RULE REQUIRES BROKER-DEALERS TO SAFEGUARD BOTH THE CASH AND SECURITIES OF THEIR CUSTOMERS SO THAT CUSTOMER ASSETS CAN BE PROMPTLY RETURNED IF THE FIRM FAILS. IN ORDER TO DO SO, A BROKER-DEALER IS REQUIRED TO PERIODICALLY (DAILY, WEEKLY, OR



MONTHLY DEPENDING ON THE FIRM) CALCULATE THE NET AMOUNT OF CASH IT OWES ITS CUSTOMERS, AND DEPOSIT THAT AMOUNT INTO A SEGREGATED BANK ACCOUNT KNOWN AS THE "RESERVE ACCOUNT." BETWEEN SEPTEMBER 2014 AND JANUARY 2015, WEDBUSH'S WEEKLY RULE 15C3-3 CALCULATIONS TO DETERMINE THE NET AMOUNT THAT SHOULD HAVE BEEN DEPOSITED INTO THE RESERVE ACCOUNT INCLUDED A SIGNIFICANT ERROR, RESULTING IN WEEKLY RESERVE ACCOUNT DEFICIENCIES RANGING FROM APPROXIMATELY \$10 MILLION TO \$193 MILLION OUT OF A TOTAL RESERVE ACCOUNT REQUIREMENT THAT RANGED BETWEEN \$1.5 BILLION AND \$1.7 BILLION. WHEN THE ERROR WAS UNCOVERED, WEDBUSH WAS REQUIRED TO IMMEDIATELY DEPOSIT AN ADDITIONAL \$133 MILLION INTO ITS RESERVE ACCOUNT, WHICH CREATED A SIGNIFICANT LIQUIDITY CHALLENGE FOR WEDBUSH. WEDBUSH'S FAILURE TO PROPERLY FUND ITS RESERVE ACCOUNT ALSO CAUSED IT TO VIOLATE SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULE 17A-5(A) THEREUNDER, BECAUSE IT INCLUDED INACCURATE INFORMATION IN ITS FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORTS ("FOCUS REPORTS"). AS A RESULT OF THE CONDUCT DESCRIBED, WEDBUSH WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-3 THEREUNDER, WHICH REQUIRE CARRYING BROKER-DEALERS TO MAINTAIN A RESERVE OF FUNDS OR QUALIFIED SECURITIES IN AN ACCOUNT AT A BANK THAT IS AT LEAST EQUAL IN VALUE TO THE NET CASH OWED TO CUSTOMERS. WEDBUSH ALSO WILLFULLY VIOLATED SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULE 17A-5(A) THEREUNDER BY FILING FOCUS REPORTS THAT CONTAINED INCORRECT INFORMATION ON THE RESERVE FORMULA BECAUSE OF THE CALCULATION ERROR.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	02/05/2018
Docket/Case Number:	3-18357
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Order
Resolution Date:	02/05/2018



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$1,000,000.00 Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	<p>WEDBUSH IS CENSURED AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C3-3 AND 17A-5(A) THEREUNDER.</p> <p>WEDBUSH IS ORDERED TO PAY DISGORGEMENT OF \$275,851 ALONG WITH PREJUDGMENT INTEREST OF \$28,346 AND ORDERED TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$1,000,000 PLUS POST-ORDER INTEREST TO THE SECURITIES AND EXCHANGE COMMISSION.</p> <p>WEDBUSH IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS.</p>
Regulator Statement	<p>RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT.</p> <p>WEDBUSH WILLFULLY VIOLATED SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C3-3 AND 17A-5(A) THEREUNDER.</p> <p>IT IS ORDERED THAT WEDBUSH IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C3-3 AND 17A-5(A) THEREUNDER.</p> <p>WEDBUSH IS ORDERED TO PAY DISGORGEMENT OF \$275,851 ALONG WITH PREJUDGMENT INTEREST OF \$28,346 AND ORDERED TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$1,000,000 PLUS POST-ORDER INTEREST TO THE SECURITIES AND EXCHANGE COMMISSION.</p> <p>WEDBUSH IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS.</p>
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Reporting Source:	Firm
Current Status:	Final
Allegations:	SEC ADMIN RELEASE 34-82630, IA RELEASE 40-4852 / FEBRUARY 5, 2018: THE SECURITIES AND EXCHANGE COMMISSION ("COMMISSION") DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B), AND 21C OF



THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT"), AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST WEDBUSH SECURITIES INC. ("WEDBUSH" OR "RESPONDENT"). THE COMMISSION FINDS THAT THESE PROCEEDINGS INVOLVE WEDBUSH'S VIOLATIONS OF EXCHANGE ACT RULE 15C3-3, KNOWN AS THE CUSTOMER PROTECTION RULE ("RULE"). THE CUSTOMER PROTECTION RULE REQUIRES BROKER-DEALERS TO SAFEGUARD BOTH THE CASH AND SECURITIES OF THEIR CUSTOMERS SO THAT CUSTOMER ASSETS CAN BE PROMPTLY RETURNED IF THE FIRM FAILS. IN ORDER TO DO SO, A BROKER-DEALER IS REQUIRED TO PERIODICALLY (DAILY, WEEKLY, OR MONTHLY DEPENDING ON THE FIRM) CALCULATE THE NET AMOUNT OF CASH IT OWES ITS CUSTOMERS, AND DEPOSIT THAT AMOUNT INTO A SEGREGATED BANK ACCOUNT KNOWN AS THE "RESERVE ACCOUNT." BETWEEN SEPTEMBER 2014 AND JANUARY 2015, WEDBUSH'S WEEKLY RULE 15C3-3 CALCULATIONS TO DETERMINE THE NET AMOUNT THAT SHOULD HAVE BEEN DEPOSITED INTO THE RESERVE ACCOUNT INCLUDED A SIGNIFICANT ERROR, RESULTING IN WEEKLY RESERVE ACCOUNT DEFICIENCIES RANGING FROM APPROXIMATELY \$10 MILLION TO \$193 MILLION OUT OF A TOTAL RESERVE ACCOUNT REQUIREMENT THAT RANGED BETWEEN \$1.5 BILLION AND \$1.7 BILLION. WHEN THE ERROR WAS UNCOVERED, WEDBUSH WAS REQUIRED TO IMMEDIATELY DEPOSIT AN ADDITIONAL \$133 MILLION INTO ITS RESERVE ACCOUNT, WHICH CREATED A SIGNIFICANT LIQUIDITY CHALLENGE FOR WEDBUSH. WEDBUSH'S FAILURE TO PROPERLY FUND ITS RESERVE ACCOUNT ALSO CAUSED IT TO VIOLATE SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULE 17A-5(A) THEREUNDER, BECAUSE IT INCLUDED INACCURATE INFORMATION IN ITS FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORTS ("FOCUS REPORTS"). AS A RESULT OF THE CONDUCT DESCRIBED, WEDBUSH WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-3 THEREUNDER, WHICH REQUIRE CARRYING BROKER-DEALERS TO MAINTAIN A RESERVE OF FUNDS OR QUALIFIED SECURITIES IN AN ACCOUNT AT A BANK THAT IS AT LEAST EQUAL IN VALUE TO THE NET CASH OWED TO CUSTOMERS. WEDBUSH ALSO WILLFULLY VIOLATED SECTION 17(A)(1) OF THE EXCHANGE ACT AND RULE 17A-5(A) THEREUNDER BY FILING FOCUS REPORTS THAT CONTAINED INCORRECT INFORMATION ON THE RESERVE FORMULA BECAUSE OF THE CALCULATION ERROR.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 02/05/2018

Docket/Case Number: 3-18357

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES



Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	02/05/2018
Sanctions Ordered:	Censure Monetary/Fine \$1,000,000.00 Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ACCUSATIONS WEDBUSH IS CENSURED AND ORDERED TO CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C3-3 AND 17A-5(A) THEREUNDER. WEDBUSH IS ORDERED TO PAY DISGORGEMENT OF \$275,851 ALONG WITH PREJUDGMENT INTEREST OF \$28,346 AND ORDERED TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$1,000,000 PLUS POST-ORDER INTEREST TO THE SECURITIES AND EXCHANGE COMMISSION. WEDBUSH IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS.
Firm Statement	WITHOUT ADMITTING OR DENYING THE ACCUSATIONS RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT (THE "OFFER") WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. WEDBUSH WILLFULLY VIOLATED SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT AND RULES 15C3-3 AND 17A-5(A) THEREUNDER. IT IS ORDERED THAT WEDBUSH IS CENSURED AND SHALL CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A)(1) OF THE EXCHANGE ACT, AND RULES 15C3-3 AND 17A-5(A) THEREUNDER. WEDBUSH IS ORDERED TO PAY DISGORGEMENT OF \$275,851 ALONG WITH PREJUDGMENT INTEREST OF \$28,346 AND ORDERED TO PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$1,000,000 PLUS POST-ORDER INTEREST TO THE SECURITIES AND EXCHANGE COMMISSION. WEDBUSH IS ALSO ORDERED TO COMPLY WITH CERTAIN UNDERTAKINGS.

Disclosure 44 of 142

Reporting Source:	Regulator
Current Status:	Final

**Allegations:**

WEDBUSH SECURITIES INC. (THE FIRM, WEDB, OR RESPONDENT) WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT KNEW AND SYSTEMICALLY FAILED TO OVERSEE AND SUPERVISE THE TRADING ACTIVITIES OF ITS PRINCIPAL, EDWARD W. WEDBUSH ("MR. WEDBUSH"). THE COMPLAINT ALLEGES THAT IN ADDITION TO SERVING AS THE PRESIDENT OF WEDB AND THE CHAIRMAN OF WEDB'S PARENT COMPANY, WEDBUSH, INC., MR. WEDBUSH SPENT SEVERAL HOURS EACH TRADING DAY ACTIVELY MANAGING AND TRADING IN MORE THAN 70 ACCOUNTS (COLLECTIVELY, THE "EW CONTROLLED ACCOUNTS"). DESPITE MR. WEDBUSH'S ACTIVE TRADING IN DOZENS OF CUSTOMER, PERSONAL, AND PROPRIETARY ACCOUNTS, RESPONDENTS FAILED TO IMPLEMENT ANY PROCESS TO MONITOR OR SUPERVISE MR. WEDBUSH'S ORDER ENTRY, TRADE EXECUTIONS, OR TRADE ALLOCATIONS IN THE EW CONTROLLED ACCOUNTS, INCLUDING FOR POTENTIAL CONFLICTS OF INTEREST AND POTENTIAL MANIPULATIVE ACTIVITY. THE ABSENCE OF MONITORING OR SUPERVISION OF HIS TRADING ACTIVITIES ALLOWED MR. WEDBUSH TO HANDLE THE EW CONTROLLED ACCOUNTS IN AN UNFETTERED MANNER THAT WAS NOT PERMITTED FOR OTHER TRADERS AT THE FIRM. FOR EXAMPLE, MR. WEDBUSH REGULARLY INSTRUCTED A FIRM EMPLOYEE TO ENTER ORDERS UNDER A GENERAL ACCOUNT, WAITING UNTIL THE END OF THE TRADING DAY TO ALLOCATE EXECUTED TRADES AMONG THE VARIOUS EW CONTROLLED ACCOUNTS (I.E., TO CUSTOMERS, PERSONAL ACCOUNTS, OR PROPRIETARY ACCOUNTS). MR. WEDBUSH'S POST-EXECUTION ALLOCATIONS WERE DETERMINED BASED ENTIRELY ON HIS OWN DISCRETION, AND THE FIRM HAD NO PROCESS TO ENSURE THAT TRADE ALLOCATIONS AMONG THE EW CONTROLLED ACCOUNTS WERE NOT BEING MADE TO STEER PROFITABLE TRADES TO PREFERRED EW CONTROLLED ACCOUNTS OR FOR OTHER IMPROPER PURPOSES. MR. WEDBUSH'S ORDERS FOR THE EW CONTROLLED ACCOUNTS WERE MADE AND EXECUTED ON A SEPARATE TRADING PLATFORM, NOT USED BY OTHER WEDB TRADERS. AND NO OTHER WEDBUSH EMPLOYEES, BESIDES MR. WEDBUSH, WERE ALLOWED TO MAKE POST-EXECUTION ALLOCATIONS. THE COMPLAINT ALSO ALLEGES THAT IN MANAGING THE EW CONTROLLED ACCOUNTS, MR. WEDBUSH: (I) HANDLED VARIOUS CUSTOMER ACCOUNTS TOGETHER WITH PROPRIETARY AND PERSONAL ACCOUNTS, IN THE SAME SECURITIES AT THE SAME TIME; (II) "BUNCHED" ORDERS FOR THE EW CONTROLLED ACCOUNTS; (III) FAILED TO RECORD ACCOUNT NAMES OR DESIGNATIONS PRIOR TO TRADE EXECUTION AND THEREBY WEDB WILLFULLY VIOLATED SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AND RULES 17A-3 AND 17A-4 THEREUNDER; AND (IV) WAITED UNTIL AFTER TRADE EXECUTION TO ALLOCATE TRADES AMONG THE EW CONTROLLED ACCOUNTS. THE COMPLAINT FURTHER ALLEGES THAT WEDB AND MR. WEDBUSH FAILED TO MARK PROPRIETARY ORDERS WITH THE APPROPRIATE DESIGNATOR. THE FIRM, HOWEVER, TOOK NO MEANINGFUL ACTION TO ADDRESS A CO-CCO'S COMPLIANCE



CONCERNS ABOUT THE LACK OF SUPERVISION OF MR. WEDBUSH'S TRADING WITH THE AUDIT COMMITTEE OF WEDB'S BOARD OF DIRECTORS. WEDB'S SUPERVISORY SYSTEMS AND PROCEDURES WERE INADEQUATE AND WERE NOT REASONABLY DESIGNED FOR ITS BUSINESS AS IT RELATED TO THE EW CONTROLLED ACCOUNTS. THE FIRM FAILED TO ESTABLISH, IMPLEMENT, AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WSPS, REASONABLY DESIGNED TO SUPERVISE MR. WEDBUSH AND THE EW CONTROLLED ACCOUNTS TO ACHIEVE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND EXCHANGE RULES, RESPONDENTS VIOLATED NYSE ARCA RULES.

Initiated By: NYSE ARCA, INC.

Date Initiated: 10/16/2017

Docket/Case Number: 2016-07-01264

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 01/08/2019

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$1,000,000.00

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: THE FIRM WAS CENSURED, FINED \$1,000,000 ((\$900,000 OF WHICH IS PAYABLE JOINTLY AND SEVERALLY) AND REQUIRED TO COMPLETE THE UNDERTAKINGS AS STATED IN THE OFFER OF SETTLEMENT, INCLUDING TO HIRE AN OUTSIDE AUDITING FIRM, NOT UNACCEPTABLE TO NYSE REGULATION STAFF, TO ASSIST ITS INTERNAL AUDIT DEPARTMENT IN CONDUCTING INTERNAL AUDITS. WEDBUSH SECURITIES SHALL (I) COMPLETE A COMPREHENSIVE REVIEW OF THE FIRM'S COMPLIANCE PROGRAM; (II) IMPLEMENT CHANGES AND ENHANCEMENTS; AND (III)



WORK TOGETHER WITH AN INDEPENDENT CONSULTANT CONCERNING THE AREAS TO BE REVIEWED. WEDBUSH SECURITIES SHALL ALSO HIRE AN ADDITIONAL PERMANENT, FULL-TIME, SENIOR EMPLOYEE WITH RELEVANT REGULATORY EXPERIENCE TO WORK IN THESE AREAS.

Regulator Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH SECURITIES INC. ("WEDBUSH" OR THE "FIRM") CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED IN CERTAIN INSTANCES TO DESIGNATE SPECIFIC ACCOUNTS FOR WHICH ORDERS WERE BEING ENTERED AND INSTEAD ALLOCATED TRADES TO ACCOUNTS AFTER THE FACT BASED ON ITS PRESIDENT'S DISCRETION AND WITHOUT REASONABLE OVERSIGHT. THE FINDINGS STATED THAT THE FIRM FAILED IN CERTAIN INSTANCES TO RECORD ACCOUNT NAMES OR DESIGNATIONS UNTIL THE END OF THE TRADING DAY, FAILED TO IDENTIFY EACH DISCRETIONARY ORDER AS SUCH, AND FAILED TO RETAIN REQUIRED DOCUMENTATION. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO MARK TENS OF THOUSANDS OF PROPRIETARY ORDERS WITH THE APPROPRIATE DESIGNATOR. FINRA FOUND THAT THE FIRM CHANGED THE CLOSING PRICES OF CERTAIN EQUITY SECURITIES ON ITS INTERNAL RECORDS WITHOUT PROCESSES OR REVIEWS TO ENSURE THAT THE ADJUSTMENTS WERE NOT APPLIED IN A DISCRIMINATORY FASHION, AT THE INSTRUCTION OF ITS PRESIDENT. FINRA ALSO FOUND THAT THE FIRM FAILED TO APPLY AND ENFORCE EXCHANGE MARGIN REQUIREMENTS IN CONNECTION WITH ACCOUNTS MANAGED AND TRADED BY ITS PRESIDENT.

IN ADDITION, FINRA DETERMINED THAT THE FIRM MAINTAINED INADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES NOT REASONABLY DESIGNED FOR ITS BUSINESS AS IT RELATED TO ACCOUNTS MANAGED BY ITS PRESIDENT, INCLUDING IMPROPER ORDER HANDLING AND POST-EXECUTION ALLOCATIONS; NOT MAKING AND PRESERVING ORDER AND ACCOUNT BOOKS AND RECORDS; ENTERING INACCURATE CAPACITY CODES; IMPROPER MANUAL OVERRIDES OF CLOSING PRICES WITHOUT DOCUMENTED PROCESSES OR REVIEWS; AND FAILING TO COMPLY WITH MAINTENANCE MARGIN REQUIREMENTS. MOREOVER, FINRA FOUND THAT THE FIRM FAILED TO ESTABLISH, IMPLEMENT, AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO SUPERVISE ITS PRESIDENT AND ACCOUNTS MANAGED BY HIM TO ACHIEVE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND EXCHANGE RULES. FURTHERMORE, FINRA FOUND THAT THE FIRM FAILED TO ESTABLISH DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH REGULATORY REQUIREMENTS REGARDING DETECTION AND PREVENTION OF POTENTIALLY MANIPULATIVE ACTIVITY, INCLUDING BUT NOT LIMITED TO WASH SALES, MARKING THE OPEN, AND MARKING THE CLOSE.



Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>WEDBUSH SECURITIES INC. (THE FIRM, WEDB, OR RESPONDENT) WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT KNEW AND SYSTEMICALLY FAILED TO OVERSEE AND SUPERVISE THE TRADING ACTIVITIES OF ITS PRINCIPAL, EDWARD W. WEDBUSH ("MR. WEDBUSH"). THE COMPLAINT ALLEGES THAT IN ADDITION TO SERVING AS THE PRESIDENT OF WEDB AND THE CHAIRMAN OF WEDB'S PARENT COMPANY, WEDBUSH, INC., MR. WEDBUSH SPENT SEVERAL HOURS EACH TRADING DAY ACTIVELY MANAGING AND TRADING IN MORE THAN 70 ACCOUNTS (COLLECTIVELY, THE "EW CONTROLLED ACCOUNTS"). DESPITE MR. WEDBUSH'S ACTIVE TRADING IN DOZENS OF CUSTOMER, PERSONAL, AND PROPRIETARY ACCOUNTS, RESPONDENTS FAILED TO IMPLEMENT ANY PROCESS TO MONITOR OR SUPERVISE MR. WEDBUSH'S ORDER ENTRY, TRADE EXECUTIONS, OR TRADE ALLOCATIONS IN THE EW CONTROLLED ACCOUNTS, INCLUDING FOR POTENTIAL CONFLICTS OF INTEREST AND POTENTIAL MANIPULATIVE ACTIVITY. THE ABSENCE OF MONITORING OR SUPERVISION OF HIS TRADING ACTIVITIES ALLOWED MR. WEDBUSH TO HANDLE THE EW CONTROLLED ACCOUNTS IN AN UNFETTERED MANNER THAT WAS NOT PERMITTED FOR OTHER TRADERS AT THE FIRM. FOR EXAMPLE, MR. WEDBUSH REGULARLY INSTRUCTED A FIRM EMPLOYEE TO ENTER ORDERS UNDER A GENERAL ACCOUNT, WAITING UNTIL THE END OF THE TRADING DAY TO ALLOCATE EXECUTED TRADES AMONG THE VARIOUS EW CONTROLLED ACCOUNTS (I.E., TO CUSTOMERS, PERSONAL ACCOUNTS, OR PROPRIETARY ACCOUNTS). MR. WEDBUSH'S POST-EXECUTION ALLOCATIONS WERE DETERMINED BASED ENTIRELY ON HIS OWN DISCRETION, AND THE FIRM HAD NO PROCESS TO ENSURE THAT TRADE ALLOCATIONS AMONG THE EW CONTROLLED ACCOUNTS WERE NOT BEING MADE TO STEER PROFITABLE TRADES TO PREFERRED EW CONTROLLED ACCOUNTS OR FOR OTHER IMPROPER PURPOSES. MR. WEDBUSH'S ORDERS FOR THE EW CONTROLLED ACCOUNTS WERE MADE AND EXECUTED ON A SEPARATE TRADING PLATFORM, NOT USED BY OTHER WEDB TRADERS. AND NO OTHER WEDBUSH EMPLOYEES, BESIDES MR. WEDBUSH, WERE ALLOWED TO MAKE POST-EXECUTION ALLOCATIONS. THE COMPLAINT ALSO ALLEGES THAT IN MANAGING THE EW CONTROLLED ACCOUNTS, MR. WEDBUSH: (I) HANDLED VARIOUS CUSTOMER ACCOUNTS TOGETHER WITH PROPRIETARY AND PERSONAL ACCOUNTS, IN THE SAME SECURITIES AT THE SAME TIME; (II) "BUNCHED" ORDERS FOR THE EW CONTROLLED ACCOUNTS; (III) FAILED TO RECORD ACCOUNT NAMES OR DESIGNATIONS PRIOR TO TRADE EXECUTION AND THEREBY WEDB WILLFULLY VIOLATED SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934, AND RULES 17A-3 AND 17A-4 THEREUNDER; AND</p>



(IV) WAITED UNTIL AFTER TRADE EXECUTION TO ALLOCATE TRADES AMONG THE EW CONTROLLED ACCOUNTS. THE COMPLAINT FURTHER ALLEGES THAT WEDB AND MR. WEDBUSH FAILED TO MARK PROPRIETARY ORDERS WITH THE APPROPRIATE DESIGNATOR. THE FIRM, HOWEVER, TOOK NO MEANINGFUL ACTION TO ADDRESS A CO-CCO'S COMPLIANCE CONCERNS ABOUT THE LACK OF SUPERVISION OF MR. WEDBUSH'S TRADING WITH THE AUDIT COMMITTEE OF WEDB'S BOARD OF DIRECTORS. WEDB'S SUPERVISORY SYSTEMS AND PROCEDURES WERE INADEQUATE AND WERE NOT REASONABLY DESIGNED FOR ITS BUSINESS AS IT RELATED TO THE EW CONTROLLED ACCOUNTS. THE FIRM FAILED TO ESTABLISH, IMPLEMENT, AND ENFORCE ADEQUATE SUPERVISORY SYSTEMS AND PROCEDURES, INCLUDING WSPS, REASONABLY DESIGNED TO SUPERVISE MR. WEDBUSH AND THE EW CONTROLLED ACCOUNTS TO ACHIEVE COMPLIANCE WITH THE FEDERAL SECURITIES LAWS AND EXCHANGE RULES, RESPONDENTS VIOLATED NYSE ARCA RULES.

Initiated By: NYSE ARCA, INC.

Date Initiated: 10/16/2017

Docket/Case Number: 2016-07-01264

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE AND UNDERTAKING

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 01/08/2019

Sanctions Ordered: Censure
Monetary/Fine \$1,000,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$1,000,000 ((\$900,000 OF WHICH IS PAYABLE JOINTLY AND SEVERALLY) AND REQUIRED TO COMPLETE THE UNDERTAKINGS AS STATED IN THE OFFER OF SETTLEMENT, INCLUDING TO HIRE AN OUTSIDE AUDITING FIRM, NOT UNACCEPTABLE TO NYSE REGULATION STAFF, TO ASSIST ITS INTERNAL AUDIT DEPARTMENT IN CONDUCTING INTERNAL AUDITS. WEDBUSH SECURITIES SHALL (I) COMPLETE A COMPREHENSIVE REVIEW OF THE FIRM'S COMPLIANCE PROGRAM; (II) IMPLEMENT CHANGES AND ENHANCEMENTS; AND (III) WORK TOGETHER WITH AN INDEPENDENT CONSULTANT CONCERNING



THE AREAS TO BE REVIEWED. WEDBUSH SECURITIES SHALL ALSO HIRE AN ADDITIONAL PERMANENT, FULL-TIME, SENIOR EMPLOYEE WITH RELEVANT REGULATORY EXPERIENCE TO WORK IN THESE AREAS.

Firm Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH SECURITIES INC. ("WEDBUSH" OR THE "FIRM") CONSENTED TO THE SANCTIONS THE FIRM WAS CENSURED, FINED \$1,000,000 ((\$900,000 OF WHICH IS PAYABLE JOINTLY AND SEVERALLY) AND REQUIRED TO COMPLETE THE UNDERTAKINGS AS STATED IN THE OFFER OF SETTLEMENT, INCLUDING TO HIRE AN OUTSIDE AUDITING FIRM, NOT UNACCEPTABLE TO NYSE REGULATION STAFF, TO ASSIST ITS INTERNAL AUDIT DEPARTMENT IN CONDUCTING INTERNAL AUDITS. WEDBUSH SECURITIES SHALL (I) COMPLETE A COMPREHENSIVE REVIEW OF THE FIRM'S COMPLIANCE PROGRAM; (II) IMPLEMENT CHANGES AND ENHANCEMENTS; AND (III) WORK TOGETHER WITH AN INDEPENDENT CONSULTANT CONCERNING THE AREAS TO BE REVIEWED. WEDBUSH SECURITIES SHALL ALSO HIRE AN ADDITIONAL PERMANENT, FULL-TIME, SENIOR EMPLOYEE WITH RELEVANT REGULATORY EXPERIENCE TO WORK IN THESE AREAS.

Disclosure 45 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	AN INSPECTION OF RESPONDENT'S RECORDS WAS INITIATED BECAUSE IN JULY 2016, ONE OF RESPONDENT'S SALES REPRESENTATIVES MOVED FROM CALIFORNIA TO NEVADA AND APPEARED TO TRANSACT SECURITIES-RELATED BUSINESS FROM HIS RESIDENCE PRIOR TO OBTAINING A LICENSE FOR THIS BRANCH OFFICE. IT WAS DETERMINED THAT RESPONDENT MAINTAINED AN UNLICENSED BRANCH OFFICE IN VIOLATION OF NRS 90.360(2) AND NAC 90.392.
Initiated By:	NEVADA SECURITIES DIVISION
Date Initiated:	09/19/2017
Docket/Case Number:	I17-061
URL for Regulatory Action:	
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	RESPONDENT SHALL OBTAIN A BRANCH OFFICE LICENSE FOR ALL PLACES IN THE STATE OF NEVADA FROM WHICH ONE OR MORE SALES



REPRESENTATIVES TRANSACT BUSINESS IN ACCORDANCE WITH NRS 90.360(2) AND NAC 90.392. RESPONDENT SHALL PAY THE NEVADA SECRETARY OF STATE A CIVIL PENALTY IN THE AMOUNT OF \$5,000.00. RESPONDENT SHALL PAY THE NEVADA SECRETARY OF STATE \$356.97 FOR THE DIVISION'S INSPECTION OF RECORDS PERFORMED PURSUANT TO NRS 90.410.

Resolution: Order

Resolution Date: 09/19/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$5,000.00
Cease and Desist/Injunction

Other Sanctions Ordered: RESPONDENT SHALL OBTAIN A BRANCH OFFICE LICENSE FOR ALL PLACES IN THE STATE OF NEVADA FROM WHICH ONE OR MORE SALES REPRESENTATIVES TRANSACT BUSINESS IN ACCORDANCE WITH NRS 90.360(2) AND NAC 90.392. RESPONDENT SHALL PAY THE NEVADA SECRETARY OF STATE A CIVIL PENALTY IN THE AMOUNT OF \$5,000.00. RESPONDENT SHALL PAY THE NEVADA SECRETARY OF STATE \$356.97 FOR THE DIVISION'S INSPECTION OF RECORDS PERFORMED PURSUANT TO NRS 90.410.

Sanction Details: CIVIL PENALTY AND INSPECTION FEE PAID ON 09/19/2017.

Reporting Source: Firm

Current Status: Final

Allegations: AN INSPECTION OF RESPONDENT'S RECORDS WAS INITIATED BECAUSE IN JULY 2016, ONE OF RESPONDENT'S SALES REPRESENTATIVES MOVED FROM CALIFORNIA TO NEVADA AND APPEARED TO TRANSACT SECURITIES-RELATED BUSINESS FROM HIS RESIDENCE PRIOR TO OBTAINING A LICENSE FOR THIS BRANCH OFFICE. IT WAS DETERMINED THAT RESPONDENT MAINTAINED AN UNLICENSED BRANCH OFFICE IN VIOLATION OF NRS 90.360(2) AND NAC 90.392

Initiated By: NEVADA SECURITIES DIVISION

Date Initiated: 09/19/2017

Docket/Case Number: I17-061



Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	RESPONDENT SHALL OBTAIN A BRANCH OFFICE LICENSE FOR ALL PLACES IN THE STATE OF NEVADA FROM WHICH ONE OR MORE SALES REPRESENTATIVES TRANSACT BUSINESS IN ACCORDANCE WITH NRS 90.360(2) AND NAC 90.392. RESPONDENT SHALL PAY THE NEVADA SECRETARY OF STATE A CIVIL PENALTY IN THE AMOUNT OF \$5,000.00. RESPONDENT SHALL PAY THE NEVADA SECRETARY OF STATE \$356.97 FOR THE DIVISION'S INSPECTION OF RECORDS PERFORMED PURSUANT TO NRS 90.410.
Resolution:	Order
Resolution Date:	09/22/2017
Sanctions Ordered:	Monetary/Fine \$5,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	RESPONDENT SHALL OBTAIN A BRANCH OFFICE LICENSE FOR ALL PLACES IN THE STATE OF NEVADA FROM WHICH ONE OR MORE SALES REPRESENTATIVES TRANSACT BUSINESS IN ACCORDANCE WITH NRS 90.360(2) AND NAC 90.392. RESPONDENT SHALL PAY THE NEVADA SECRETARY OF STATE A CIVIL PENALTY IN THE AMOUNT OF \$5,000.00. RESPONDENT SHALL PAY THE NEVADA SECRETARY OF STATE \$356.97 FOR THE DIVISION'S INSPECTION OF RECORDS PERFORMED PURSUANT TO NRS 90.410.
Sanction Details:	CIVIL PENALTY AND INSPECTION FEE PAID ON 09/19/2017.
Firm Statement	AT ALL TIMES, THE FIRM PROPERLY REGISTERED THE BRANCH OFFICE BY FILING FORM BR WITH THE STATE OF NEVADA. THE FIRM, HOWEVER, DID NOT TIMELY FILE WITH THE STATE OF NEVADA AS A FOREIGN CORPORATION PURSUANT TO NRS 80.010 WHICH EFFECTIVELY RENDERED THE BRANCH OFFICE AS DEFICIENT.

Disclosure 46 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE ARCA INC. AND THE FIRM.



THE FIRM ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO IN THE OFFER OF SETTLEMENT.

THE HEARING OFFICER ACCEPTS THE OFFER OF SETTLEMENT AND CONSENT AND ISSUES THIS DECISION.
THE FINDINGS STATED THAT THIS MATTER INVOLVES THE FIRM'S FAILURE TO COMPLY WITH SUPERVISION REQUIREMENTS OF NYSE ARCA EQUITIES RULE 6.18 REGARDING THE CLOSE-OUT REQUIREMENTS OF RULE 204 OF REGULATION SHO, SECURITIES EXCHANGE ACT OF 1934 (RULE 204). THE FIRM'S SUPERVISORY SYSTEM WAS NOT REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF RULE 204(A) OF REGULATION SHO. SPECIFICALLY, THE FIRM'S ALLOCATION STRATEGY CONTRAVENED REGULATORY PRINCIPLES AND RULE 204, BECAUSE IT DID NOT INHERENTLY ENSURE FAILS WERE BEING PROPERLY CLOSED OUT AND OR ALLOCATED IN ACCORDANCE WITH RULE 204(D) OF REGULATION SHO, AND THUS RESULTED IN AN INCREASE IN THE NUMBER OF SECURITIES THAT WERE REQUIRED TO BE CLOSED OUT, RESULTING IN RECURRING FAILS. THIS FAILURE RESULTED IN THE FIRM EFFECTING SHORT SALE TRANSACTIONS FOR CERTAIN CORRESPONDENT BROKER-DEALERS THAT INCREASED THE FAILURE TO DELIVER POSITIONS. FINALLY, THE FIRM ALSO FAILED TO PROPERLY CLOSE OUT A FAIL THAT RESULTED FROM ONE OF ITS RETAIL CLIENTS' TRADING ACTIVITY.

THE FINDINGS ALSO STATED THAT THE FIRM'S OPERATIONAL PROCESSES AND SYSTEMS WERE NOT REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF RULE 204 OF REGULATION SHO. SPECIFICALLY, THE OPERATIONAL REPORTS THE FIRM USED TO IDENTIFY FAILS DID NOT INCLUDE CERTAIN EXCHANGE-LISTED SECURITIES SUBJECT TO THE CLOSE-OUT PROVISIONS OF RULE 204(A). AS A RESULT, THE FIRM FAILED TO IDENTIFY AND PROPERLY CLOSE-OUT FAILS IN THESE SECURITIES, AS REQUIRED BY RULE 204(A) OF REGULATION SHO.

Initiated By: NYSE ARCA, INC.
Date Initiated: 09/26/2017
Docket/Case Number: 2012033328201
Principal Product Type: Other
Other Product Type(s): UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:



Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 09/26/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$70,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$70,000.

Regulator Statement THE FIRM VIOLATED NYSE ARCA EQUITIES RULE 6.18, BY FAILING TO IMPLEMENT AND MAINTAIN A SUPERVISORY SYSTEM THAT WAS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF RULE 204.

Reporting Source: Firm

Current Status: Final

Allegations: A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE ARCA INC. AND THE FIRM. THE FIRM ENTERED INTO AN OFFER OF SETTLEMENT AND CONSENT FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO IN THE OFFER OF SETTLEMENT. THE HEARING OFFICER ACCEPTS THE OFFER OF SETTLEMENT AND CONSENT AND ISSUES THIS DECISION. THE FINDINGS STATED THAT THIS MATTER INVOLVES THE FIRM'S FAILURE TO COMPLY WITH SUPERVISION REQUIREMENTS OF NYSE ARCA EQUITIES RULE 6.18 REGARDING THE CLOSE-OUT REQUIREMENTS OF RULE 204 OF REGULATION SHO, SECURITIES EXCHANGE ACT OF 1934 (RULE 204). THE FIRM'S SUPERVISORY SYSTEM WAS NOT REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF RULE 204(A) OF REGULATION SHO. SPECIFICALLY, THE FIRM'S ALLOCATION STRATEGY CONTRAVENED REGULATORY PRINCIPLES AND RULE 204, BECAUSE IT DID NOT INHERENTLY ENSURE FAILS WERE BEING PROPERLY CLOSED OUT AND OR ALLOCATED IN



ACCORDANCE WITH RULE 204(D) OF REGULATION SHO, AND THUS RESULTED IN AN INCREASE IN THE NUMBER OF SECURITIES THAT WERE REQUIRED TO BE CLOSED OUT, RESULTING IN RECURRING FAILS. THIS FAILURE RESULTED IN THE FIRM EFFECTING SHORT SALE TRANSACTIONS FOR CERTAIN CORRESPONDENT BROKER-DEALERS THAT INCREASED THE FAILURE TO DELIVER POSITIONS. FINALLY, THE FIRM ALSO FAILED TO PROPERLY CLOSE OUT A FAIL THAT RESULTED FROM ONE OF ITS RETAIL CLIENTS' TRADING ACTIVITY. THE FINDINGS ALSO STATED THAT THE FIRM'S OPERATIONAL PROCESSES AND SYSTEMS WERE NOT REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF RULE 204 OF REGULATION SHO. SPECIFICALLY, THE OPERATIONAL REPORTS THE FIRM USED TO IDENTIFY FAILS DID NOT INCLUDE CERTAIN EXCHANGE-LISTED SECURITIES SUBJECT TO THE CLOSE-OUT PROVISIONS OF RULE 204(A). AS A RESULT, THE FIRM FAILED TO IDENTIFY AND PROPERLY CLOSE-OUT FAILS IN THESE SECURITIES, AS REQUIRED BY RULE 204(A) OF REGULATION SHO.

Initiated By: NYSE ARCA, INC.

Date Initiated: 09/26/2017

Docket/Case Number: 2012033328201

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 09/26/2017

Sanctions Ordered: Censure
Monetary/Fine \$70,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$70,000.

Disclosure 47 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED



TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TRANSMIT 548,669,414 REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) DURING THE REVIEW PERIOD. THE FINDINGS STATED THAT THE FIRM FAILED TO DETECT A TECHNOLOGY ISSUE THAT AFFECTED ITS REPORTING SYSTEM, WHICH CAUSED THE ROES GENERATED BY ONE OF ITS SPONSORED ACCESS CLIENTS NOT TO BE TRANSMITTED TO OATS. THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES WHICH SPECIFIED THAT THE FIRM WOULD REVIEW ITS OATS WEB INTERFACE REPORTS AND DATA TO ENSURE THAT ALL ROES WERE BEING SUBMITTED TO OATS. BASED ON THE VOLUME OF NON-REPORTING AND THE EXTENDED PERIOD OVER WHICH IT OCCURRED, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES REGARDING OATS. THE FINDINGS ALSO STATED THAT IN 171 INSTANCES, THE FIRM ACCEPTED A SHORT SALE ORDER FROM ANOTHER PERSON, OR EFFECTED A SHORT SALE FOR ITS OWN ACCOUNT, WITHOUT FIRST BORROWING THE SECURITY, OR ENTERING INTO A BONA-FIDE ARRANGEMENT TO BORROW THE SECURITY, AND HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN SUCH SECURITY THAT WAS NOT CLOSED OUT IN ACCORDANCE WITH THE REQUIREMENTS OF PARAGRAPH (A) OF SEC RULE 204. IN FOUR INSTANCES, THE FIRM EXECUTED A SHORT SALE ORDER AND FAILED TO PROPERLY MARK THE ORDER AS SHORT. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, CONCERNING RULE 204 OF REGULATION SHO. THE FINDINGS ALSO INCLUDED THAT FOR 61 SETTLEMENT DATES, THE FIRM REPORTED 171 SHORT INTEREST POSITIONS TOTALING 4,706,076 SHARES WHEN IT SHOULD HAVE REPORTED 90 SHORT INTEREST POSITIONS TOTALING 747,865 SHARES. THE VIOLATIONS RESULTED FROM A CODING ERROR THAT CAUSED THE FIRM TO ERRONEOUSLY INCLUDE SHORT INTEREST POSITIONS FROM CERTAIN ACCOUNTS IN THE SHORT INTEREST REPORTS THE FIRM SUBMITTED TO FINRA. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING SHORT INTEREST POSITION REPORTING.

Initiated By: FINRA
Date Initiated: 09/27/2017
Docket/Case Number: [2011030598001](#)
Principal Product Type: Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/27/2017
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$400,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$470,000, OF WHICH \$400,000 IS PAYABLE TO FINRA. THE REMAINING \$70,000 WILL BE PAID TO NYSE ARCA EQUITIES, INC. IN A RELATED MATTER. FINES PAID IN FULL ON FEBRUARY 26, 2019.
Regulator Statement	IN DETERMINING SANCTIONS, FINRA CONSIDERED THAT AS OF JULY 6, 2015, THE FIRM HAD TERMINATED THE SPONSORED ACCESS BUSINESS THAT RESULTED IN THE OATS VIOLATIONS CITED HEREIN. IN UNRELATED FINRA MATTERS, THE FIRM RETAINED AN INDEPENDENT CONSULTANT AND REVISED ITS WRITTEN SUPERVISORY PROCEDURES RELATED TO OATS AS OF SEPTEMBER 2016 AND HAD REVISED ITS REGULATION SHO WRITTEN SUPERVISORY PROCEDURES AS OF MARCH 10, 2015. THUS, THE SANCTIONS IN THIS MATTER DO NOT INCLUDE AN UNDERTAKING BECAUSE OF THIS CONDUCT.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO TRANSMIT 548,669,414 REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS) DURING THE REVIEW PERIOD. THE FINDINGS STATED THAT THE FIRM FAILED TO DETECT A TECHNOLOGY ISSUE THAT AFFECTED ITS REPORTING SYSTEM, WHICH CAUSED THE



ROES GENERATED BY ONE OF ITS SPONSORED ACCESS CLIENTS NOT TO BE TRANSMITTED TO OATS. THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES WHICH SPECIFIED THAT THE FIRM WOULD REVIEW ITS OATS WEB INTERFACE REPORTS AND DATA TO ENSURE THAT ALL ROES WERE BEING SUBMITTED TO OATS. BASED ON THE VOLUME OF NON-REPORTING AND THE EXTENDED PERIOD OVER WHICH IT OCCURRED, THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES REGARDING OATS. THE FINDINGS ALSO STATED THAT IN 171 INSTANCES, THE FIRM ACCEPTED A SHORT SALE ORDER FROM ANOTHER PERSON, OR EFFECTED A SHORT SALE FOR ITS OWN ACCOUNT, WITHOUT FIRST BORROWING THE SECURITY, OR ENTERING INTO A BONA-FIDE ARRANGEMENT TO BORROW THE SECURITY, AND HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN SUCH SECURITY THAT WAS NOT CLOSED OUT IN ACCORDANCE WITH THE REQUIREMENTS OF PARAGRAPH (A) OF SEC RULE 204. IN FOUR INSTANCES, THE FIRM EXECUTED A SHORT SALE ORDER AND FAILED TO PROPERLY MARK THE ORDER AS SHORT. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, CONCERNING RULE 204 OF REGULATION SHO. THE FINDINGS ALSO INCLUDED THAT FOR 61 SETTLEMENT DATES, THE FIRM REPORTED 171 SHORT INTEREST POSITIONS TOTALING 4,706,076 SHARES WHEN IT SHOULD HAVE REPORTED 90 SHORT INTEREST POSITIONS TOTALING 747,865 SHARES. THE VIOLATIONS RESULTED FROM A CODING ERROR THAT CAUSED THE FIRM TO ERRONEOUSLY INCLUDE SHORT INTEREST POSITIONS FROM CERTAIN ACCOUNTS IN THE SHORT INTEREST REPORTS THE FIRM SUBMITTED TO FINRA. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS, AND FINRA RULES, CONCERNING SHORT INTEREST POSITION REPORTING.

Initiated By: FINRA

Date Initiated: 09/27/2017

Docket/Case Number: [2011030598001](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Other



Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/27/2017

Sanctions Ordered: Censure
Monetary/Fine \$400,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED A TOTAL OF \$470,000, OF WHICH \$400,000 IS PAYABLE TO FINRA. THE REMAINING \$70,000 WILL BE PAID TO NYSE ARCA EQUITIES, INC. IN A RELATED MATTER.

Firm Statement IN DETERMINING SANCTIONS, FINRA CONSIDERED THAT AS OF JULY 6, 2015, THE FIRM HAD TERMINATED THE SPONSORED ACCESS BUSINESS THAT RESULTED IN THE OATS VIOLATIONS CITED HEREIN. IN UNRELATED FINRA MATTERS, THE FIRM RETAINED AN INDEPENDENT CONSULTANT AND REVISED ITS WRITTEN SUPERVISORY PROCEDURES RELATED TO OATS AS OF SEPTEMBER 2016 AND HAD REVISED ITS REGULATION SHO WRITTEN SUPERVISORY PROCEDURES AS OF MARCH 10, 2015. THUS, THE SANCTIONS IN THIS MATTER DO NOT INCLUDE AN UNDERTAKING BECAUSE OF THIS CONDUCT.

Disclosure 48 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENGAGED IN TRADING UNIT AGGREGATION BUT FAILED TO ENSURE THAT INDIVIDUAL TRADERS WERE ASSIGNED TO ONLY ONE AGGREGATION UNIT (AGU) AT ANY TIME. THE FINDINGS STATED THAT THE FIRM FAILED TO ENSURE THAT AGUS HAD OPERATED AUTONOMOUSLY AND ENGAGED IN SEPARATE TRADING STRATEGIES WITHOUT REGARD TO OTHER TRADING UNITS, AND THAT AGUS HAD NOT COORDINATED TRADING ACTIVITIES, INTERACTED, OR SHARED ORDER OR POSITION INFORMATION. THE FINDINGS ALSO STATED THAT THE FIRM EMPLOYED FOUR INDIVIDUALS WHO ACTED AS BOTH A TRADER IN ONE AGU AND AS A TRADER OR SUPERVISOR IN ANOTHER AGU, INCLUDING TWO INDIVIDUALS WHO SERVED IN SUCH DUAL CAPACITIES. SUCH ARRANGEMENT IS IMPROPER BECAUSE IT COULD RESULT IN THE COORDINATION OF TRADING STRATEGIES OR TRADING BASED UPON POSITION OR TRADING INFORMATION OF THE OTHER AGU. THE FIRM FAILED TO PROVIDE ADEQUATE SUPERVISION TO



MONITOR FOR COMPLIANCE WITH RULE 200(F) OF REGULATION SHO REQUIRING A FIRM TO AGGREGATE ALL OF ITS POSITIONS IN A SECURITY UNLESS IT QUALIFIES FOR INDEPENDENT TRADING UNIT AGGREGATION. AGGREGATION OF A UNIT'S INDEPENDENT NET POSITION PRIOR TO EACH SALE LIMITS THE POTENTIAL FOR ABUSE ASSOCIATED WITH COORDINATION AMONG UNITS. THE FIRM'S WRITTEN PLAN OF ORGANIZATION REFLECTED UNCLEAR STRATEGIES, STRATEGIES THAT OVERLAPPED FOR MULTIPLE AGUS AND TRADERS THAT ALSO ACTED AS TRADERS OR SUPERVISORS IN OTHER AGUS. THE FIRM ALSO LACKED ADEQUATE WSPS AND SUPPORTING DOCUMENTATION REFLECTING ITS CREATION AND APPROVAL OF AGUS AND ITS SUPERVISION OF TRADERS. THE FINDINGS ALSO INCLUDED THAT THE FIRM TRANSMITTED REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA TO THE ORDER AUDIT TRAIL SYSTEM (OATS), FAILED TO REPORT NON-MARKET MAKING PROPRIETARY ORDERS TO OATS AND ERRONEOUSLY SUBMITTED POST-TRADE ALLOCATIONS AS REPORTABLE ORDER EVENTS TO OATS. FINRA FOUND THAT THE FIRM FAILED ON 26 OCCASIONS TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT A TRANSACTION WAS EXECUTED BY THE FIRM AT AN AVERAGE PRICE, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, AND/OR ITS CAPACITY IN THE TRANSACTION. FINRA ALSO FOUND THAT THE FIRM INACCURATELY MARKED SHORT SELL ORDERS AS LONG. IN ADDITION, FINRA DETERMINED THAT THE FIRM ACCEPTED A SHORT SALE ORDER IN AN EQUITY SECURITY FROM ANOTHER PERSON, OR EFFECTED A SHORT SALE IN AN EQUITY SECURITY FOR ITS OWN ACCOUNT, WITHOUT BORROWING THE SECURITY, OR ENTERING INTO A BONA-FIDE ARRANGEMENT TO BORROW THE SECURITY OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO THAT IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE AND DOCUMENTING COMPLIANCE WITH RULE 203(B)(1) OF REGULATION SHO.

Initiated By: FINRA

Date Initiated: 08/18/2017

Docket/Case Number: [2014039939801](#)

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)



Resolution Date: 08/18/2017

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$110,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$110,000. FINES PAID IN FULL ON SEPTEMBER 25, 2017.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENGAGED IN TRADING UNIT AGGREGATION BUT FAILED TO ENSURE THAT INDIVIDUAL TRADERS WERE ASSIGNED TO ONLY ONE AGGREGATION UNIT (AGU) AT ANY TIME, THAT AGU'S HAD OPERATED AUTONOMOUSLY AND ENGAGED IN SEPARATE TRADING STRATEGIES WITHOUT REGARD TO OTHER TRADING UNITS, AND THAT AGU'S HAD NOT COORDINATED TRADING ACTIVITIES OR INTERACTED OR SHARED ORDER OR POSITION INFORMATION. THE FINDINGS STATED THAT THE FIRM EMPLOYED FOUR INDIVIDUALS WHO ACTED AS BOTH A TRADER IN ONE AGU AND AS A TRADER OR SUPERVISOR IN ANOTHER AGU, INCLUDING TWO INDIVIDUALS WHO SERVED IN SUCH DUAL CAPACITIES. SUCH ARRANGEMENT IS IMPROPER BECAUSE IT COULD RESULT IN THE COORDINATION OF TRADING STRATEGIES OR TRADING BASED UPON POSITION OR TRADING INFORMATION OF THE OTHER AGU. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PROVIDE ADEQUATE SUPERVISION TO MONITOR FOR COMPLIANCE WITH RULE 200(F) OF REGULATION SHO. AGGREGATION OF A UNIT'S INDEPENDENT NET POSITION PRIOR TO EACH SALE LIMITS THE POTENTIAL FOR ABUSE ASSOCIATED WITH COORDINATION AMONG UNITS. THE FIRM'S WRITTEN PLAN OF ORGANIZATION REFLECTED UNCLEAR STRATEGIES, STRATEGIES THAT OVERLAPPED FOR MULTIPLE AGUS AND TRADERS THAT ALSO ACTED AS TRADERS OR SUPERVISORS IN OTHER AGUS. THE FIRM ALSO LACKED ADEQUATE WRITTEN SUPERVISORY PROCEDURES (WSPS) AND SUPPORTING DOCUMENTATION REFLECTING ITS CREATION AND APPROVAL OF AGUS AND ITS SUPERVISION OF



TRADERS. THE FINDINGS ALSO INCLUDED THAT THE FIRM TRANSMITTED TO OATS REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO REPORT TO OATS NON-MARKET MAKING PROPRIETARY ORDERS AND ERRONEOUSLY SUBMITTED POST-TRADE ALLOCATIONS AS REPORTABLE ORDER EVENTS TO OATS. FINRA FOUND THAT THE FIRM FAILED ON 26 OCCASIONS TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THAT A TRANSACTION WAS EXECUTED BY THE FIRM AT AN AVERAGE PRICE, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, AND/OR ITS CAPACITY IN THE TRANSACTION. FINRA ALSO FOUND THAT THE FIRM INACCURATELY MARKED SHORT SELL ORDERS AS LONG. IN ADDITION, FINRA DETERMINED THAT THE FIRM ACCEPTED A SHORT SALE ORDER IN AN EQUITY SECURITY FROM ANOTHER PERSON, OR EFFECTED A SHORT SALE IN AN EQUITY SECURITY FOR ITS OWN ACCOUNT, WITHOUT BORROWING THE SECURITY, OR ENTERING INTO A BONAFIDE ARRANGEMENT TO BORROW THE SECURITY OR HAVING REASONABLE GROUNDS TO BELIEVE THAT THE SECURITY COULD BE BORROWED SO THAT IT COULD BE DELIVERED ON THE DATE DELIVERY IS DUE AND DOCUMENTING COMPLIANCE WITH RULE 203(B)(1) OF REGULATION SHO

Initiated By:	FINRA
Date Initiated:	08/18/2017
Docket/Case Number:	2014039939801
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	08/18/2017
Sanctions Ordered:	Censure Monetary/Fine \$110,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$110,000.
Firm Statement	THE FIRM WAS CENSURED AND FINED \$110,000.



Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL. THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) CONCERNING TRADE REPORTING IN MUNICIPAL SECURITIES. SPECIFICALLY, THE FIRM DID NOT CONDUCT A "DAILY TO WEEKLY" REVIEW OF THE FIRM'S ORDER MANAGEMENT SYSTEM CANCEL AND LATE TRADE REPORTS AS STATED IN ITS WSPS.</p>
Initiated By:	FINRA
Date Initiated:	03/31/2017
Docket/Case Number:	2015046456601
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/31/2017
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$20,000.00
Other Sanctions Ordered:	



Sanction Details: THE FIRM WAS CENSURED AND FINED \$20,000. FINE PAID IN FULL ON JUNE 27, 2017.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL. THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) CONCERNING TRADE REPORTING IN MUNICIPAL SECURITIES. SPECIFICALLY, THE FIRM DID NOT CONDUCT A "DAILY TO WEEKLY" REVIEW OF THE FIRM'S ORDER MANAGEMENT SYSTEM CANCEL AND LATE TRADE REPORTS AS STATED IN ITS WSPS.

Initiated By: FINRA

Date Initiated: 03/31/2017

Docket/Case Number: 2015046456601

Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/31/2017

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$20,000.

**Firm Statement**

ON 3/31/2017 THE FIRM WAS CENSURED AND FINED \$20,000.

Disclosure 50 of 142**Reporting Source:** Regulator**Current Status:** Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED, WITHIN 10 SECONDS AFTER EXECUTION, TO TRANSMIT LAST SALE REPORTS OF TRANSACTIONS IN NMS SECURITIES TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) AND FAILED TO REPORT THE CORRECT TIME OF EXECUTION TO THE FNTRF IN THAT IT FAILED TO APPEND THE STOP STOCK TIME ON LAST SALE REPORTS OF TRANSACTIONS IN NMS SECURITIES. THE FINDINGS STATED THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS TRADE REPORTING AND INPUT OF TRADE DATA TO THE FNTRF.

Initiated By: FINRA**Date Initiated:** 12/20/2016**Docket/Case Number:** 2015046471201**Principal Product Type:** Other**Other Product Type(s):** NMS SECURITIES**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 12/20/2016

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:**Sanction Details:** THE FIRM WAS CENSURED AND FINED \$20,000. FINES PAID IN FULL ON



JANUARY 17, 2017.

Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED, WITHIN 10 SECONDS AFTER EXECUTION, TO TRANSMIT LAST SALE REPORTS OF TRANSACTIONS IN NMS SECURITIES TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) AND FAILED TO REPORT THE CORRECT TIME OF EXECUTION TO THE FNTRF IN THAT IT FAILED TO APPEND THE STOP STOCK TIME ON LAST SALE REPORTS OF TRANSACTIONS IN NMS SECURITIES. THE FINDINGS STATED THAT THE FIRM FAILED TO ADEQUATELY SUPERVISE ITS TRADE REPORTING AND INPUT OF TRADE DATA TO THE FNTRF.
Initiated By:	FINRA
Date Initiated:	12/20/2016
Docket/Case Number:	2015046471201
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/20/2016
Sanctions Ordered:	Censure Monetary/Fine \$20,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO A CENSURE AND FINE OF \$20,000.
Firm Statement	THE FIRM WAS CENSURED AND FINED \$20,000. THE FINE WAS PAID JANUARY 18 2017.



Reporting Source:	Regulator
Current Status:	Final
Appealed To and Date Appeal Filed:	N/A
Allegations:	FROM 1983 THROUGH 1988, THE FIRM VIOLATED T.C.A. § 48-1-109(A) BY TRANSACTING BUSINESS IN TENNESSEE WITHOUT BEING REGISTERED AS A BROKER-DEALER.
Initiated By:	TENNESSEE
Date Initiated:	09/29/2016
Docket/Case Number:	16-017
URL for Regulatory Action:	HTTP://TN.GOV/ASSETS/ENTITIES/COMMERCE/ATTACHMENTS/WEDBUSH_SECURITY_S.PDF
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	09/29/2016
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine \$30,000.00
Other Sanctions Ordered:	THE FIRM SHALL BE ON PROBATION FOR A PERIOD OF TWO YEARS COMMENCING ON THE DATE OF REGISTRATION AS A BROKER-DEALER.
Sanction Details:	N/A

Reporting Source:	Firm
Current Status:	Final



Allegations:	WEDBUSH SECURITIES IN JANUARY 1986 THROUGH JUNE 1987 CLEARED TRADES FOR CORRESPONDENT BROKER-DEALERS TENNESSEE CLIENTS WITHOUT BEING REGISTERED AS A BROKER-DEALER IN THE STATE AS REQUIRED BY TENNESSEE COMP. R. & REGS. 0780-4-3.01(1)(E).
Initiated By:	TENNESSEE SECURITIES DIVISION
Date Initiated:	09/29/2016
Docket/Case Number:	16-017
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	CENSURE
Resolution:	Consent
Resolution Date:	09/29/2016
Sanctions Ordered:	Censure Monetary/Fine \$30,000.00
Other Sanctions Ordered:	
Sanction Details:	WEDBUSH SECURITIES WAS FINED \$30,000 AND AGREED TO A PERIOD OF PROBATION FOR TWO YEARS.
Firm Statement	WEDBUSH SECURITIES WAS FINED \$30,000 AND AGREED TO A PERIOD OF PROBATION FOR TWO YEARS.

Disclosure 52 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WEDBUSH SECURITIES INC., A CBSX TPH ORGANIZATION, WAS CENSURED AND FINED \$25,000. WEDBUSH: (I) SUBMITTED NUMEROUS ORDERS TO THE CBSX THAT WERE MISMARKED WITH AN INCORRECT ORDER ORIGIN CODE; (II) SUBMITTED NUMEROUS ORDERS TO THE CBSX THAT WERE MISMARKED WITH AN INCORRECT ORDER ORIGIN CODE, AND AS A RESULT, FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS; (III) FAILED TO IMPLEMENT ADEQUATE SUPERVISORY POLICIES AND PROCEDURES RELATED TO ORIGIN CODE MARKING REQUIREMENTS OF THE CBSX; AND (IV) FAILED TO SUPERVISE TO ASSURE COMPLIANCE WITH



THE ORDER ORIGIN CODE MARKING REQUIREMENTS ON CBSX.
(EXCHANGE RULES 4.2 - ADHERENCE TO LAW, 6.51 - REPORTING DUTIES,
AND 15.1 - MAINTENANCE, RETENTION AND FURNISHING OF BOOKS,
RECORDS AND OTHER INFORMATION; AND SECTION 17(A) OF THE
SECURITIES EXCHANGE ACT AND RULE 17A-3 - RECORDS TO BE MADE BY
CERTAIN EXCHANGE MEMBERS, BROKERS AND DEALERS THEREUNDER)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 06/13/2016

Docket/Case Number: 16-0018/ 20160501291

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 10/12/2016

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: A \$25,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: IT IS ALLEGED THAT WEDBUSH: (I) FAILED TO MARK NUMEROUS ORDERS WITH THE PROPER ORIGIN CODE; (II) FAILED TO MAINTAIN ACCURATE BOOKS AND RECORDS AS A RESULT OF MISMARKING NUMEROUS AGENCY ORDERS WITH PRINCIPAL ORDER ORIGIN CODES; (III) FAILED TO IMPLEMENT ADEQUATE SUPERVISORY POLICIES AND PROCEDURES RELATED TO ORIGIN CODE MARKING ON CBSX; AND FAILED TO SUPERVISE TO ASSURE COMPLIANCE WITH THE ORDER ORIGIN CODE MARKING REQUIREMENTS ON CBSX. (VIOLATION OF EXCHANGE RULES 4.2, 6.51 AND 15.1, AND SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-3 THEREUNDER)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE



Date Initiated: 06/13/2016
Docket/Case Number: 16-0018/ 20160501291
Principal Product Type: Equity Listed (Common & Preferred Stock)
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision & Order of Offer of Settlement
Resolution Date: 10/12/2016
Sanctions Ordered: Censure
 Monetary/Fine \$25,000.00
Other Sanctions Ordered:
Sanction Details: A \$25,000 FINE AND A CENSURE.
Firm Statement A \$25,000 FINE AND A CENSURE.

Disclosure 53 of 142

Reporting Source: Firm
Current Status: Final
Allegations: THE BCC SUBCOMMITTEE DETERMINED WEDBUSH MAY HAVE VIOLATED EXCHANGE RULE 6.15(A) IN WHICH IT FAILED TO REPORT LARGE TRADER POSITIONS IN MULTIPLE INSTANCES JANUARY 2015 THROUGH APRIL 2015 AND SEPTEMBER 2015 THROUGH OCTOBER 2015. ALSO, WEDBUSH MAY HAVE VIOLATED EXCHANGE RULE 4.01 IN WHICH IT FAILED TO HAVE AN ADEQUATE PROCESS OR PROCEDURE IN PLACE.
Initiated By: ICE FUTURES U.S., INC.
Date Initiated: 05/18/2016
Docket/Case Number: 2015-058
Principal Product Type: Futures - Commodity
Other Product Type(s):
Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)


Other Sanction(s)/Relief Sought:
Resolution: Settled

Resolution Date: 06/17/2016

Sanctions Ordered: Monetary/Fine \$20,000.00

Other Sanctions Ordered:
Sanction Details: WEDBUSH PAID A FINE OF \$20,000 AND AGREED TO CEASE AND DESIST FROM FUTURE VIOLATIONS OF EXCHANGE RULE 6.15(A)

Firm Statement WEDBUSH PAID A FINE OF \$20,000 AND AGREED TO CEASE AND DESIST FROM FUTURE VIOLATIONS OF EXCHANGE RULE 6.15(A)

Disclosure 54 of 142
Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT WILLFULLY VIOLATED SECTION 15(C) OF THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT) AND RULE 15C3-3(B) (1) THEREUNDER, AND FINRA RULE 2010 BY CREATING OR INCREASING DEFICITS IN THE NUMBER OF SECURITIES REQUIRED TO BE IN THE FIRM'S POSSESSION OR CONTROL, AND THESE DEFICITS PUT APPROXIMATELY 100,000 SHARES OF STOCK WORTH APPROXIMATELY \$7 MILLION AT RISK. THE COMPLAINT ALLEGES THAT THE FIRM WILLFULLY VIOLATED SECTION 15(C) OF THE EXCHANGE ACT OF 1934 AND RULE 15C3-3(E) THEREUNDER, AND FINRA RULE 2010 BY FAILING TO ACCURATELY CALCULATE ITS CUSTOMER RESERVE FORMULA AND ADEQUATELY FUND ITS CUSTOMER RESERVE ACCOUNT IN ACCORDANCE WITH THE CUSTOMER PROTECTION RULE, WHICH RESULTED IN HINDSIGHT DEFICIENCIES TOTALING OVER \$200 MILLION. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH BOTH THE POSSESSION AND CONTROL REQUIREMENT AND THE CUSTOMER RESERVE REQUIREMENTS OF THE CUSTOMER PROTECTION RULE.

Initiated By: FINRA

Date Initiated: 05/27/2016

Docket/Case Number: 2012033105901

Principal Product Type: Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	02/05/2018
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$1,500,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$1.5 MILLION AND REQUIRED TO SUBMIT AN UNDERTAKING PURSUANT TO WHICH THE FIRM'S PRESIDENT, OR HIS SUCCESSOR-IN-INTEREST, SHALL WITHIN 30 DAYS OF THE COMPLETION OF THE FIRM'S IMPLEMENTATION OF THE RECOMMENDATIONS RECEIVED FROM THE INDEPENDENT CONSULTANT TO BE RETAINED BY THE FIRM IN CONNECTION WITH THE ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER, ENTERED CONCURRENTLY HERewith WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, CERTIFY IN WRITING TO FINRA THAT, AS OF THE DATE OF THE CERTIFICATION, THE FIRM HAS IN PLACE POLICIES, SYSTEMS AND PROCEDURES TO ADDRESS AND CORRECT THE VIOLATIONS DESCRIBED IN THIS OFFER OF SETTLEMENT. FINES PAID IN FULL ON DECEMBER 31, 2018.
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 30 SEPARATE INSTANCES, THE FIRM CREATED AND/OR INCREASED DEFICITS IN ITS SEGREGATION REQUIREMENT THROUGH DELIVERIES OR RETURNS OF SECURITIES. THE FINDINGS STATED THAT THE 30 DEFICITS IDENTIFIED BY FINRA INVOLVED A COMBINED TOTAL OF APPROXIMATELY 110,000 SHARES OF STOCK WORTH APPROXIMATELY \$7 MILLION. THE FINDINGS ALSO STATED THAT ON 14 OCCASIONS THE FIRM IMPROPERLY



CALCULATED ITS CUSTOMER RESERVE FORMULA, WHICH, ON EIGHT OCCASIONS, RESULTED IN HINDSIGHT DEFICIENCIES BETWEEN \$945,000 AND \$77 MILLION. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH BOTH THE POSSESSION OR CONTROL REQUIREMENT AND THE CUSTOMER RESERVE ACCOUNT REQUIREMENT OF THE CUSTOMER PROTECTION RULE. THE FIRM RELIED ON AN UNREASONABLY DESIGNED AND IMPLEMENTED MANUAL SYSTEM TO PREVENT THE CREATION AND INCREASE OF SEGREGATION DEFICITS. UNDER THE TERMS OF THE OFFER, THE FIRM HAS ALSO CONSENTED, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS AND TO THE ENTRY OF FINDINGS AND VIOLATIONS ARISING OUT OF EXAMINATIONS CONDUCTED BY FINRA IN 2014, 2015 AND 2016, AS DESCRIBED BELOW, AND TO THE IMPOSITION OF THE SANCTIONS CONTAINED HEREIN. THE ADDITIONAL FINDINGS ARE AS FOLLOWS: FROM NOVEMBER 2015 THROUGH MARCH 2016, THE FIRM HELD MULTIPLE POSITIONS IN CERTIFICATES OF DEPOSIT (CDS) ISSUED BY MAJOR FINANCIAL INSTITUTIONS FOR WHICH THERE WAS NO "READY MARKET," FOR OVER FIVE BUSINESS DAYS, BUT FAILED TO DEDUCT THE VALUE OF EACH POSITION EXCEEDING 30% OF THE FIRM'S TENTATIVE NET CAPITAL. BY FAILING TO MAKE THE REQUIRED DEDUCTIONS, THE FIRM WAS NET CAPITAL DEFICIENT BETWEEN NOVEMBER 30, 2015 AND MARCH 31, 2016, IN AMOUNTS RANGING BETWEEN APPROXIMATELY \$10.5 MILLION AND \$59.4 MILLION. FROM MARCH 2013 THROUGH AT LEAST AUGUST 2016, THE FIRM VIOLATED ITS POSSESSION OR CONTROL REQUIREMENTS BY HOLDING CUSTOMERS' FULLY-PAID AND/OR EXCESS MARGIN SECURITIES IN LOCATIONS THE FIRM TREATED AS "GOOD CONTROL" LOCATIONS WHEN, IN FACT, THEY DID NOT MEET THE CUSTOMER PROTECTION RULE'S POSSESSION OR CONTROL REQUIREMENTS. AS A RESULT, THE CUSTOMER ASSETS HELD IN EACH OF THESE LOCATIONS WERE NOT PROTECTED AND SUBJECT TO CLAIMS BY THIRD PARTIES, INCLUDING CREDITORS OF THE FIRM OR THEIR AGENTS. BY FAILING TO PREPARE ACCURATE CUSTOMER RESERVE FORMULA CALCULATIONS FOR NEARLY THE ENTIRE PERIOD OF MARCH 1, 2013 THROUGH MAY 10, 2016, THE FIRM CREATED AND MAINTAINED INACCURATE BOOKS AND RECORDS. FOR NEARLY THE ENTIRE PERIOD OF MARCH 1, 2013 THROUGH MAY 10, 2016, THE FIRM FILED 37 FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE (FOCUS) REPORTS THAT INACCURATELY REPORTED THE AMOUNTS THE FIRM WAS REQUIRED TO MAINTAIN IN ITS CUSTOMER RESERVE ACCOUNT. ADDITIONALLY, FROM NOVEMBER 30, 2015 THROUGH MARCH 31, 2016, THE FIRM FILED FOCUS REPORTS THAT INACCURATELY REPORTED ITS NET CAPITAL. FROM MARCH 1, 2013 THROUGH AT LEAST OCTOBER 2016, THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, REASONABLY DESIGNED TO ENSURE THAT IT COMPLIED



WITH THE REQUIREMENTS OF RULE 15C3-3 OF SECTION 15(C) OF THE SECURITIES EXCHANGE ACT OF 1934 (EXCHANGE ACT). DURING THE PERIOD OF MARCH 1, 2013 THROUGH FEBRUARY 3, 2016, THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES ADDRESSING RULE 15C3-3, OR THE MEASURES TAKEN BY THE FIRM TO MONITOR ITS COMPLIANCE WITH THE RULE, INCLUDING NO PROCEDURES FOR THE CALCULATION OF THE FIRM'S CUSTOMER RESERVE REQUIREMENT OR COMPLIANCE WITH ITS POSSESSION OR CONTROL REQUIREMENTS. THE FIRM ALSO ALLOWED TWO EMPLOYEES TO PERFORM THE ACTIVITIES OF A FINANCIAL AND OPERATIONS PRINCIPAL (FINOP) WITHOUT HOLDING THE REQUIRED LICENSES. BASED ON THE FOREGOING, THE FIRM WILLFULLY VIOLATED SECTIONS 15(C) AND 17(A) OF THE EXCHANGE ACT AND RULES 15C3-1, 15C3-3, 17A-3, AND 17A-5 THEREUNDER. FINES PAID IN FULL ON JUNE 29, 2018.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT WILLFULLY VIOLATED SECTION 15(C) OF THE EXCHANGE ACT OF 1934, EXCHANGE ACT RULE 15C3-3(B) (1) THEREUNDER, AND FINRA RULE 2010 BY CREATING OR INCREASING DEFICITS IN THE NUMBER OF SECURITIES REQUIRED TO BE IN THE FIRM'S POSSESSION OR CONTROL. THE COMPLAINT ALLEGES THAT THE FIRM WILLFULLY VIOLATED SECTION 15(C) OF THE EXCHANGE ACT OF 1934, EXCHANGE ACT RULE 15C3-3(E) THEREUNDER, AND FINRA RULE 2010 BY FAILING TO ACCURATELY CALCULATE ITS CUSTOMER RESERVE FORMULA AND ADEQUATELY FUND ITS CUSTOMER RESERVE ACCOUNT IN ACCORDANCE WITH THE CUSTOMER PROTECTION RULE, WHICH RESULTED IN HINDSIGHT DEFICIENCIES. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH BOTH THE POSSESSION AND CONTROL REQUIREMENT AND THE CUSTOMER RESERVE REQUIREMENTS OF THE CUSTOMER PROTECTION RULE.

Initiated By: FINRA

Date Initiated: 05/27/2016

Docket/Case Number: 2012033105901

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief: Civil and Administrative Penalt(ies) /Fine(s)

**Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Decision & Order of Offer of Settlement**Resolution Date:** 02/05/2018**Sanctions Ordered:** Censure
Monetary/Fine \$1,500,000.00**Other Sanctions Ordered:** UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$1.5 MILLION AND REQUIRED TO SUBMIT AN UNDERTAKING PURSUANT TO WHICH THE FIRM'S PRESIDENT, OR HIS SUCCESSOR-IN-INTEREST, SHALL WITHIN 30 DAYS OF THE COMPLETION OF THE FIRM'S IMPLEMENTATION OF THE RECOMMENDATIONS RECEIVED FROM THE INDEPENDENT CONSULTANT TO BE RETAINED BY THE FIRM IN CONNECTION WITH THE ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER, ENTERED CONCURRENTLY HERewith WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION, CERTIFY IN WRITING TO FINRA THAT, AS OF THE DATE OF THE CERTIFICATION, THE FIRM HAS IN PLACE POLICIES, SYSTEMS AND PROCEDURES TO ADDRESS AND CORRECT THE VIOLATIONS DESCRIBED IN THIS OFFER OF SETTLEMENT.

Firm Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 30 SEPARATE INSTANCES, THE FIRM CREATED AND/OR INCREASED DEFICITS IN ITS SEGREGATION REQUIREMENT THROUGH DELIVERIES OR RETURNS OF SECURITIES. THE FINDINGS ALSO STATED THAT ON 14 OCCASIONS THE FIRM IMPROPERLY CALCULATED ITS CUSTOMER RESERVE FORMULA, WHICH, ON EIGHT OCCASIONS, RESULTED IN HINDSIGHT DEFICIENCIES BETWEEN \$945,000 AND \$77 MILLION. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM, INCLUDING WRITTEN PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH BOTH THE POSSESSION OR CONTROL REQUIREMENT AND THE CUSTOMER RESERVE ACCOUNT REQUIREMENT OF THE CUSTOMER PROTECTION RULE. UNDER THE TERMS OF THE OFFER, THE FIRM HAS ALSO CONSENTED, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS AND TO THE ENTRY OF FINDINGS AND VIOLATIONS ARISING OUT OF EXAMINATIONS CONDUCTED BY FINRA IN 2014, 2015 AND 2016, AS DESCRIBED BELOW, AND TO THE IMPOSITION OF THE SANCTIONS



CONTAINED HEREIN. THE ADDITIONAL FINDINGS ARE AS FOLLOWS: FROM NOVEMBER 2015 THROUGH MARCH 2016, THE FIRM HELD MULTIPLE POSITIONS IN CERTIFICATES OF DEPOSIT (CDS) ISSUED BY MAJOR FINANCIAL INSTITUTIONS FOR WHICH THERE WAS NO "READY MARKET," FOR OVER FIVE BUSINESS DAYS, BUT FAILED TO DEDUCT THE VALUE OF EACH POSITION EXCEEDING 30% OF THE FIRM'S TENTATIVE NET CAPITAL. THE FIRM CREATED AND MAINTAINED INACCURATE BOOKS AND RECORDS THAT INACCURATELY REPORTED THE AMOUNTS THE FIRM WAS REQUIRED TO MAINTAIN IN ITS CUSTOMER RESERVE ACCOUNT. ADDITIONALLY, INACCURATELY REPORTED ITS NET CAPITAL.

Disclosure 55 of 142

Reporting Source:

Regulator

Current Status:

Final

Allegations:

DURING THE REVIEW PERIOD, WEDBUSH REPORTED (I) APPROXIMATELY 118,785 INSTANCES TO THE LARGE OPTIONS POSITIONS REPORT ("LOPR") WITHOUT THE TAX ID OR TAX ID TYPE. (II) APPROXIMATELY 51,385 INSTANCES TO THE LOPR WITH THE "ACCOUNT ADDRESS CITY" FIELD INCORRECTLY POPULATED WITH "NO CITY"; (III) APPROXIMATELY 62,482 INSTANCES WITH THE "ACCOUNT STREET ADDRESS" FIELD INCORRECTLY POPULATED WITH "STREET NOT FOUND" AND (IV) 188 INSTANCES FOR ONE ACCOUNT WITH THE INCORRECT "ACCOUNT NAME" FIELD.

ALSO DURING THE REVIEW PERIOD, WEDBUSH ALSO FAILED TO REPORT THE CORRECT EFFECTIVE DATE TO THE LOPR FOR AN UNKNOWN NUMBER OF POSITIONS; A SAMPLE REVIEWED BY STAFF DURING THE PERIOD BETWEEN JANUARY 19, 2010 & MARCH 28, 2013 REVEALED THAT WEDBUSH HAD REPORTED APPROXIMATELY 3,144 POSITIONS WITHOUT THE CORRECT EFFECTIVE DATE AS A RESULT OF ERRORS RELATED TO THE FIRMS THIRD PARTY VENDORS PROCESSING OF CERTAIN TRADES. DURING THE REVIEW PERIOD BETWEEN JANUARY 19 & JUNE 7, 2012, WEDBUSH ALSO FAILED TO REPORT TO LOPR APPROXIMATELY 100,2326 INSTANCES THAT WERE CONNECTED TO THE FIRMS JOINT BACK OFFICE ACCOUNT.

THE CONDUCT DESCRIBED ABOVE VIOLATED ISE RULE 415(A). DURING THE REVIEW PERIOD, WEDBUSH FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW AND WRITTEN POLICIES & PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGES OPTIONS POSITIONS REPORTING REQUIREMENTS. THE CONDUCT ABOVE VIOLATED ISE RULE 401.

Initiated By:

INTERNATIONAL SECURITIES EXCHANGE



Date Initiated: 03/01/2016

Docket/Case Number: 2012-070

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/23/2016

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$90,000.00

Other Sanctions Ordered:

Sanction Details: WEDBUSH FINES \$90,000

Reporting Source: Firm

Current Status: Final

Allegations: DURING THE REVIEW PERIOD, WEDBUSH REPORTED (I) APPROXIMATELY 118,785 INSTANCES TO THE LARGE OPTIONS POSITIONS REPORT ("LOPR") WITHOUT THE TAX ID OR TAX ID TYPE. (II) APPROXIMATELY 51,385 INSTANCES TO THE LOPR WITH THE "ACCOUNT ADDRESS CITY" FIELD INCORRECTLY POPULATED WITH "NO CITY"; (III) APPROXIMATELY 62,482 INSTANCES WITH THE "ACCOUNT STREET ADDRESS" FIELD INCORRECTLY POPULATED WITH "STREET NOT FOUND" AND (IV) 188 INSTANCES FOR ONE ACCOUNT WITH THE INCORRECT "ACCOUNT NAME" FIELD. ALSO DURING THE REVIEW PERIOD, WEDBUSH ALSO FAILED TO REPORT THE CORRECT EFFECTIVE DATE TO THE LOPR FOR AN UNKNOWN NUMBER OF POSITIONS; A SAMPLE REVIEWED BY STAFF DURING THE PERIOD BETWEEN JANUARY 19, 2010 & MARCH 28, 2013 REVEALED THAT WEDBUSH HAD REPORTED APPROXIMATELY 3,144 POSITIONS WITHOUT THE CORRECT EFFECTIVE DATE AS A RESULT OF ERRORS RELATED TO THE FIRMS THIRD PARTY VENDORS PROCESSING OF CERTAIN TRADES.



DURING THE REVIEW PERIOD BETWEEN JANUARY 19 & JUNE 7, 2012, WEDBUSH ALSO FAILED TO REPORT TO LOPR APPROXIMATELY 100,2326 INSTANCES THAT WERE CONNECTED TO THE FIRMS JOINT BACK OFFICE ACCOUNT. THE CONDUCT DESCRIBED ABOVE VIOLATED ISE RULE 415(A). DURING THE REVIEW PERIOD, WEDBUSH FAILED TO HAVE ADEQUATE SUPERVISORY SYSTEMS AND CONTROLS IN PLACE, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW AND WRITTEN POLICIES & PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE EXCHANGES OPTIONS POSITIONS REPORTING REQUIREMENTS. THE CONDUCT ABOVE VIOLATED ISE RULE 401.

Initiated By: INTERNATIONAL SECURITIES EXCHANGE

Date Initiated: 03/01/2016

Docket/Case Number: 2012-070

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/23/2016

Sanctions Ordered: Monetary/Fine \$90,000.00

Other Sanctions Ordered:

Sanction Details: WEDBUSH FINED \$90,000

Disclosure 56 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SERVED AS THE CLEARING FIRM FOR A CORRESPONDENT BROKER-DEALER (THE CLIENT BROKER-DEALER) THAT WAS ENGAGED IN THE TRADING OF VARIOUS EXCHANGE-TRADED FUNDS (ETFs). THE FINDINGS STATED THAT THE FIRM'S CLIENT BROKER-DEALER ENGAGED IN A SYSTEMIC, RECURRING AND CYCLICAL PATTERN OF 'NAKED' REDEMPTION AND SHORT SALE TRADING ACTIVITY IN ETFs THAT RESULTED IN



SUBSTANTIAL, REPEATED FAILURES TO DELIVER THE ETFS BY THE FIRM WITHIN THE CONTINUOUS NET SETTLEMENT SYSTEM (CNS). THE FIRM ALLOCATED THE FAILS TO DELIVER ASSOCIATED WITH THE FOREGOING REDEMPTION AND TRADING ACTIVITY TO THE CLIENT BROKER-DEALER, WHICH, UPON RECEIVING BUY-IN NOTICES, THE CLIENT BROKER-DEALER TYPICALLY TOOK ACTION TO CLOSE OUT THE FAIL BY SUBMITTING AN ORDER TO CREATE UNITS IN THE ETFS ON T+6, EVEN THOUGH ITS REDEMPTION AND SHORT SALE ACTIVITIES THAT RESULTED IN THE FAILS TO DELIVER DID NOT QUALIFY AS BONA FIDE MARKET MAKING UNDER RULE 204 OF REGULATION SHO. IN ADDITION, THE CLIENT BROKER-DEALER WOULD TYPICALLY RE-ESTABLISH THE FAIL POSITION BY REDEEMING SHARES OF THE ETF THROUGH THE FIRM, OR EXECUTING SALES OF THE ETF THAT CLEARED THROUGH THE FIRM THE NEXT TRADING DAY. THE EXTENT AND MAGNITUDE OF THE CLIENT BROKER-DEALER'S NAKED REDEMPTION/SHORT SELLING IN THE SUBJECT ETFS WAS SIGNIFICANT. THE CLIENT BROKER-DEALER SUBMITTED AT LEAST 255 NAKED REDEMPTION ORDERS THROUGH THE FIRM IN 11 OF THE 14 ETFS INCLUDED IN THE REVIEW, TOTALING 295,950,000 SHARES FOR WHICH THE CLIENT BROKER-DEALER WAS NOT LONG THE REQUISITE NUMBER OF SHARES OF THE ETF AND OTHERWISE DID NOT HAVE THE FULL LEGAL AUTHORITY AND LEGAL AND BENEFICIAL RIGHT TO TENDER THOSE SHARES AT THE TIME THE CLIENT BROKER-DEALER SUBMITTED ITS REDEMPTION ORDERS. THE CLIENT BROKER-DEALER'S CHRONIC FAILS TO DELIVER IN ETF SHARES RESULTING FROM ITS ABOVE NAKED REDEMPTION/TRADING STRATEGY ALSO CONSTITUTED A SIGNIFICANT FACTOR IN THE 14 ETFS UNDER REVIEW BEING CLASSIFIED AS THRESHOLD SECURITIES UNDER REGULATION SHO FOR SUSTAINED TIMEFRAMES. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ASCERTAIN WHETHER THE CLIENT BROKER-DEALER BENEFICIALLY OWNED SUFFICIENT ETF SHARES TO COVER ITS REDEMPTION REQUESTS. IN FACT, THE FIRM WAS AWARE, OR SHOULD HAVE BEEN AWARE, THAT THE CLIENT BROKER-DEALER ROUTINELY WAS PLACING ETF REDEMPTION ORDERS WITH THE FIRM WHEN IT WAS INSUFFICIENTLY LONG THE ETF SHARES, RESULTING IN REPEATED FAILS TO DELIVER CONSISTENT WITH THE CLIENT BROKER-DEALER'S STRATEGY TO MAINTAIN A SHORT POSITION IN ETFS. IN ADDITION, THE FIRM FAILED TO ADEQUATELY FOLLOW UP ON THE CLIENT BROKER-DEALER'S REPEATED FAILS TO DELIVER THAT RESULTED FROM ITS CYCLICAL, REPETITIVE PATTERN OF NAKED REDEMPTION ORDERS AND SHORT SALES OF ETFS IN THE SECONDARY MARKET TO IDENTIFY AND TAKE STEPS TO ADDRESS THE MISCONDUCT. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, IMPLEMENT AND ENFORCE REASONABLE SUPERVISORY PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, DURING THE REVIEW PERIOD SPECIFIC TO COMPLIANCE WITH RULE 204 OF REGULATION SHO, OR SPECIFIC TO THE FIRM'S ACTIVITIES AS AN



AUTHORIZED PARTICIPANT IN CERTAIN ETFs, TO REASONABLY ENSURE THOSE ACTIVITIES COMPLIED WITH APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS. AS A RESULT OF ITS CONDUCT, THE FIRM VIOLATED NASDAQ RULES 2110 AND 3010, AND VIOLATED NASDAQ RULE 2110 BY FACILITATING ITS CLIENT BROKER-DEALER'S VIOLATIONS OF RULE 204 OF REGULATION SHO.

Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	02/25/2016
Docket/Case Number:	2010024386602
Principal Product Type:	Other
Other Product Type(s):	EXCHANGED-TRADED FUNDS
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	02/25/2016
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$337,500.00
Other Sanctions Ordered:	UNDERTAKING: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES
Sanction Details:	THE FIRM WAS CENSURED, FINED \$675,000 TO BE PAID JOINTLY TO NASDAQ AND FINRA, OF WHICH \$337,500 SHALL BE PAID TO NASDAQ AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SERVED AS THE CLEARING FIRM FOR A CORRESPONDENT BROKER-DEALER (THE



CLIENT BROKER-DEALER) THAT WAS ENGAGED IN THE TRADING OF VARIOUS EXCHANGE-TRADED FUNDS (ETFs). THE FINDINGS STATED THAT THE FIRM'S CLIENT BROKER-DEALER ENGAGED IN A SYSTEMIC, RECURRING AND CYCLICAL PATTERN OF 'NAKED' REDEMPTION AND SHORT SALE TRADING ACTIVITY IN ETFs THAT RESULTED IN SUBSTANTIAL, REPEATED FAILURES TO DELIVER THE ETFs BY THE FIRM WITHIN THE CONTINUOUS NET SETTLEMENT SYSTEM (CNS). THE FIRM ALLOCATED THE FAILS TO DELIVER ASSOCIATED WITH THE FOREGOING REDEMPTION AND TRADING ACTIVITY TO THE CLIENT BROKER-DEALER, WHICH, UPON RECEIVING BUY-IN NOTICES, THE CLIENT BROKER-DEALER TYPICALLY TOOK ACTION TO CLOSE OUT THE FAIL BY SUBMITTING AN ORDER TO CREATE UNITS IN THE ETFs ON T+6, EVEN THOUGH ITS REDEMPTION AND SHORT SALE ACTIVITIES THAT RESULTED IN THE FAILS TO DELIVER DID NOT QUALIFY AS BONA FIDE MARKET MAKING UNDER RULE 204 OF REGULATION SHO. IN ADDITION, THE CLIENT BROKER-DEALER WOULD TYPICALLY RE-ESTABLISH THE FAIL POSITION BY REDEEMING SHARES OF THE ETF THROUGH THE FIRM, OR EXECUTING SALES OF THE ETF THAT CLEARED THROUGH THE FIRM THE NEXT TRADING DAY. THE EXTENT AND MAGNITUDE OF THE CLIENT BROKER-DEALER'S NAKED REDEMPTION/SHORT SELLING IN THE SUBJECT ETFs WAS SIGNIFICANT. THE CLIENT BROKER-DEALER SUBMITTED AT LEAST 255 NAKED REDEMPTION ORDERS THROUGH THE FIRM IN 11 OF THE 14 ETFs INCLUDED IN THE REVIEW, TOTALING 295,950,000 SHARES FOR WHICH THE CLIENT BROKER-DEALER WAS NOT LONG THE REQUISITE NUMBER OF SHARES OF THE ETF AND OTHERWISE DID NOT HAVE THE FULL LEGAL AUTHORITY AND LEGAL AND BENEFICIAL RIGHT TO TENDER THOSE SHARES AT THE TIME THE CLIENT BROKER-DEALER SUBMITTED ITS REDEMPTION ORDERS. THE CLIENT BROKER-DEALER'S CHRONIC FAILS TO DELIVER IN ETF SHARES RESULTING FROM ITS ABOVE NAKED REDEMPTION/TRADING STRATEGY ALSO CONSTITUTED A SIGNIFICANT FACTOR IN THE 14 ETFs UNDER REVIEW BEING CLASSIFIED AS THRESHOLD SECURITIES UNDER REGULATION SHO FOR SUSTAINED TIMEFRAMES. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ASCERTAIN WHETHER THE CLIENT BROKER-DEALER BENEFICIALLY OWNED SUFFICIENT ETF SHARES TO COVER ITS REDEMPTION REQUESTS. IN FACT, THE FIRM WAS AWARE, OR SHOULD HAVE BEEN AWARE, THAT THE CLIENT BROKER-DEALER ROUTINELY WAS PLACING ETF REDEMPTION ORDERS WITH THE FIRM WHEN IT WAS INSUFFICIENTLY LONG THE ETF SHARES, RESULTING IN REPEATED FAILS TO DELIVER CONSISTENT WITH THE CLIENT BROKER-DEALER'S STRATEGY TO MAINTAIN A SHORT POSITION IN ETFs. IN ADDITION, THE FIRM FAILED TO ADEQUATELY FOLLOW UP ON THE CLIENT BROKER-DEALER'S REPEATED FAILS TO DELIVER THAT RESULTED FROM ITS CYCLICAL, REPETITIVE PATTERN OF NAKED REDEMPTION ORDERS AND SHORT SALES OF ETFs IN THE SECONDARY MARKET TO IDENTIFY AND TAKE STEPS TO ADDRESS



THE MISCONDUCT. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, IMPLEMENT AND ENFORCE REASONABLE SUPERVISORY PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, DURING THE REVIEW PERIOD SPECIFIC TO COMPLIANCE WITH RULE 204 OF REGULATION SHO, OR SPECIFIC TO THE FIRM'S ACTIVITIES AS AN AUTHORIZED PARTICIPANT IN CERTAIN ETFs, TO REASONABLY ENSURE THOSE ACTIVITIES COMPLIED WITH APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS. AS A RESULT OF ITS CONDUCT, THE FIRM VIOLATED NASDAQ RULES 2110 AND 3010, AND VIOLATED NASDAQ RULE 2110 BY FACILITATING ITS CLIENT BROKER-DEALER'S VIOLATIONS OF RULE 204 OF REGULATION SHO.

Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	02/25/2016
Docket/Case Number:	2010024386602
Principal Product Type:	Other
Other Product Type(s):	EXCHANGE TRADED FUNDS
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	02/25/2016
Sanctions Ordered:	Censure Monetary/Fine \$337,500.00
Other Sanctions Ordered:	UNDERTAKING: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES
Sanction Details:	THE FIRM WAS CENSURED, FINED \$337,500 SHALL BE PAID TO NASDAQ AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.
Firm Statement	THE FIRM WAS CENSURED, FINED \$337,500 SHALL BE PAID TO NASDAQ AND UNDERTAKES TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES.

Disclosure 57 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SERVED AS



THE CLEARING FIRM FOR A CORRESPONDENT BROKER-DEALER THAT WAS ENGAGED IN THE TRADING OF VARIOUS EXCHANGE-TRADED FUNDS (ETFs) AND THE FIRM WAS AN AUTHORIZED PARTICIPANT OF VARIOUS ETFs. THE FINDINGS STATED THAT THE CLIENT BROKER-DEALER ENGAGED IN A SYSTEMIC, RECURRING AND CYCLICAL PATTERN OF 'NAKED' REDEMPTION AND SHORT SALE TRADING ACTIVITY IN ETFs THAT RESULTED IN SUBSTANTIAL, REPEATED FAILURES TO DELIVER THE ETFs BY THE FIRM WITHIN THE CONTINUOUS NET SETTLEMENT SYSTEM. THE EXTENT AND MAGNITUDE OF THE CLIENT BROKER-DEALER'S NAKED REDEMPTION/SHORT SELLING IN THE SUBJECT ETFs WAS SIGNIFICANT. THE FIRM FAILED TO ASCERTAIN WHETHER THE CLIENT BROKER-DEALER BENEFICIALLY OWNED SUFFICIENT ETF SHARES TO COVER ITS REDEMPTION REQUESTS. IN FACT, THE FIRM WAS AWARE, OR SHOULD HAVE BEEN AWARE, THAT THE CLIENT BROKER-DEALER ROUTINELY WAS PLACING ETF REDEMPTION ORDERS WITH THE FIRM WHEN IT WAS INSUFFICIENTLY LONG THE ETF SHARES, RESULTING IN REPEATED FAILS TO DELIVER CONSISTENT WITH THE CLIENT BROKER-DEALER'S STRATEGY TO MAINTAIN A SHORT POSITION IN ETFs. IN ADDITION, THE FIRM FAILED TO ADEQUATELY FOLLOW UP ON THE CLIENT BROKER-DEALER'S REPEATED FAILS TO DELIVER THAT RESULTED FROM ITS CYCLICAL, REPETITIVE PATTERN OF NAKED REDEMPTION ORDERS AND SHORT SALES OF ETFs IN THE SECONDARY MARKET TO IDENTIFY AND TAKE STEPS TO ADDRESS THE MISCONDUCT. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, IMPLEMENT AND ENFORCE REASONABLE SUPERVISORY PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, DURING THE REVIEW PERIOD SPECIFIC TO COMPLIANCE WITH RULE 204 OF REGULATION SHO, OR SPECIFIC TO THE FIRM'S ACTIVITIES AS AN AUTHORIZED PARTICIPANT IN CERTAIN ETFs, TO REASONABLY ENSURE THOSE ACTIVITIES COMPLIED WITH APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS. WHILE THE FIRM MAINTAINED CERTAIN DESK PROCEDURES AND A CORPORATE POLICY CONCERNING CLOSE OUTS OF FAILS TO DELIVER AND PROCEDURES REGARDING THE PROCESSING OF ETF CREATION/REDEMPTION ORDERS DURING THE REVIEW PERIOD, THEY WERE OPERATIONAL IN NATURE. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES DID NOT ADDRESS EITHER RULE 204 OF REGULATION SHO OR THE FIRM'S ACTIVITIES AS AN AUTHORIZED PARTICIPANT AT ALL, LET ALONE PROVIDE FOR SUPERVISORY REVIEWS TO ENSURE FAILS WERE BEING APPROPRIATELY IDENTIFIED AND ADDRESSED, CLOSE-OUT PROCEDURES WERE BEING FOLLOWED AND FIRM PERSONNEL TASKED WITH CARRYING OUT THE FIRM'S OBLIGATIONS AND RESPONSIBILITIES AS AN AUTHORIZED PARTICIPANT WERE BOTH FAMILIAR WITH, AND CARRYING OUT, SUCH DUTIES CONSISTENT WITH THE FIRM'S AUTHORIZED PARTICIPANT AGREEMENTS AND APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS. THE FIRM FACILITATED ITS CLIENT BROKER-DEALER'S



VIOLATIONS OF RULE 204 OF REGULATION SHO IN REPEATEDLY EFFECTUATING, AS AN AUTHORIZED PARTICIPANT AND CLEARING FIRM, THE CLIENT BROKER-DEALER'S NAKED REDEMPTION ORDERS AND ETF SHORT SELL ORDERS, WITHOUT CONDUCTING ADEQUATE INQUIRY INTO WHETHER THE CLIENT BROKER-DEALER OWNED OR HAD FULL LEGAL AUTHORITY AND LEGAL AND BENEFICIAL RIGHT TO REDEEM ETF SHARES AND TAKING SUFFICIENT FOLLOW-UP ACTIONS TO ADDRESS THE CLIENT BROKER-DEALER'S RECURRING, CYCLICAL FAILS.

Initiated By: FINRA

Date Initiated: 02/25/2016

Docket/Case Number: 2010024386603

Principal Product Type: Other

Other Product Type(s): EXCHANGE-TRADED FUNDS

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 02/25/2016

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$337,500.00

Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES

Sanction Details: THE FIRM WAS CENSURED, FINED \$675,000 TO BE PAID JOINTLY TO NASDAQ AND FINRA, OF WHICH \$337,500 SHALL BE PAID TO FINRA, AND UNDERTAKES TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES.
FINE PAID IN FULL ON APRIL 26, 2016.

Reporting Source: Firm

**Current Status:**

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT SERVED AS THE CLEARING FIRM FOR A CORRESPONDENT BROKER-DEALER THAT WAS ENGAGED IN THE TRADING OF VARIOUS EXCHANGE-TRADED FUNDS (ETFs) AND THE FIRM WAS AN AUTHORIZED PARTICIPANT OF VARIOUS ETFs. THE FINDINGS STATED THAT THE CLIENT BROKER-DEALER ENGAGED IN A SYSTEMIC, RECURRING AND CYCLICAL PATTERN OF 'NAKED' REDEMPTION AND SHORT SALE TRADING ACTIVITY IN ETFs THAT RESULTED IN SUBSTANTIAL, REPEATED FAILURES TO DELIVER THE ETFs BY THE FIRM WITHIN THE CONTINUOUS NET SETTLEMENT SYSTEM. THE EXTENT AND MAGNITUDE OF THE CLIENT BROKER-DEALER'S NAKED REDEMPTION/SHORT SELLING IN THE SUBJECT ETFs WAS SIGNIFICANT. THE FIRM FAILED TO ASCERTAIN WHETHER THE CLIENT BROKER-DEALER BENEFICIALLY OWNED SUFFICIENT ETF SHARES TO COVER ITS REDEMPTION REQUESTS. IN FACT, THE FIRM WAS AWARE, OR SHOULD HAVE BEEN AWARE, THAT THE CLIENT BROKER-DEALER ROUTINELY WAS PLACING ETF REDEMPTION ORDERS WITH THE FIRM WHEN IT WAS INSUFFICIENTLY LONG THE ETF SHARES, RESULTING IN REPEATED FAILS TO DELIVER CONSISTENT WITH THE CLIENT BROKER-DEALER'S STRATEGY TO MAINTAIN A SHORT POSITION IN ETFs. IN ADDITION, THE FIRM FAILED TO ADEQUATELY FOLLOW UP ON THE CLIENT BROKER-DEALER'S REPEATED FAILS TO DELIVER THAT RESULTED FROM ITS CYCLICAL, REPETITIVE PATTERN OF NAKED REDEMPTION ORDERS AND SHORT SALES OF ETFs IN THE SECONDARY MARKET TO IDENTIFY AND TAKE STEPS TO ADDRESS THE MISCONDUCT. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO ESTABLISH, IMPLEMENT AND ENFORCE REASONABLE SUPERVISORY PROCEDURES, INCLUDING WRITTEN SUPERVISORY PROCEDURES, DURING THE REVIEW PERIOD SPECIFIC TO COMPLIANCE WITH RULE 204 OF REGULATION SHO, OR SPECIFIC TO THE FIRM'S ACTIVITIES AS AN AUTHORIZED PARTICIPANT IN CERTAIN ETFs, TO REASONABLY ENSURE THOSE ACTIVITIES COMPLIED WITH APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS. WHILE THE FIRM MAINTAINED CERTAIN DESK PROCEDURES AND A CORPORATE POLICY CONCERNING CLOSE OUTS OF FAILS TO DELIVER AND PROCEDURES REGARDING THE PROCESSING OF ETF CREATION/REDEMPTION ORDERS DURING THE REVIEW PERIOD, THEY WERE OPERATIONAL IN NATURE. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES DID NOT ADDRESS EITHER RULE 204 OF REGULATION SHO OR THE FIRM'S ACTIVITIES AS AN AUTHORIZED PARTICIPANT AT ALL, LET ALONE PROVIDE FOR SUPERVISORY REVIEWS TO ENSURE FAILS WERE BEING APPROPRIATELY IDENTIFIED AND ADDRESSED, CLOSE-OUT PROCEDURES WERE BEING FOLLOWED AND FIRM PERSONNEL TASKED WITH CARRYING OUT THE FIRM'S OBLIGATIONS AND RESPONSIBILITIES AS AN AUTHORIZED



PARTICIPANT WERE BOTH FAMILIAR WITH, AND CARRYING OUT, SUCH DUTIES CONSISTENT WITH THE FIRM'S AUTHORIZED PARTICIPANT AGREEMENTS AND APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS. THE FIRM FACILITATED ITS CLIENT BROKER-DEALER'S VIOLATIONS OF RULE 204 OF REGULATION SHO IN REPEATEDLY EFFECTUATING, AS AN AUTHORIZED PARTICIPANT AND CLEARING FIRM, THE CLIENT BROKER-DEALER'S NAKED REDEMPTION ORDERS AND ETF SHORT SELL ORDERS, WITHOUT CONDUCTING ADEQUATE INQUIRY INTO WHETHER THE CLIENT BROKER-DEALER OWNED OR HAD FULL LEGAL AUTHORITY AND LEGAL AND BENEFICIAL RIGHT TO REDEEM ETF SHARES AND TAKING SUFFICIENT FOLLOW-UP ACTIONS TO ADDRESS THE CLIENT BROKER-DEALER'S RECURRING, CYCLICAL FAILS.

Initiated By:	FINRA
Date Initiated:	02/25/2016
Docket/Case Number:	2010024386603
Principal Product Type:	Other
Other Product Type(s):	EXCHANGE-TRADED FUNDS
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	02/25/2016
Sanctions Ordered:	Censure Monetary/Fine \$337,500.00
Other Sanctions Ordered:	UNDERTAKING: REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$337,500 TO BE PAID TO FINRA, AND UNDERTAKES TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES.
Firm Statement	THE FIRM WAS CENSURED AND FINED \$337,500 TO BE PAID TO FINRA, AND UNDERTAKES TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES.

Disclosure 58 of 142

Reporting Source: Regulator



Current Status:	Final
Allegations:	<p>THE DEPARTMENT OF MARKET REGULATION OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA"), ON BEHALF OF BATS EXCHANGE, INC. ("BATS", "BZX", OR THE "EXCHANGE"), ALLEGES: THE FIRM COMMITTED EGREGIOUS AND SYSTEMIC SUPERVISORY VIOLATIONS IN ITS BUSINESS OF PROVIDING DIRECT MARKET ACCESS AND SPONSORED ACCESS (TOGETHER "MARKET ACCESS") TO BROKER-DEALERS AND NON-REGISTERED MARKET PARTICIPANTS ("MARKET ACCESS CUSTOMERS") TO MULTIPLE MARKET CENTERS, INCLUDING BZX. WITHOUT DEDICATING SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, WEDBUSH ENABLED ITS MARKET ACCESS CUSTOMERS TO FLOOD THE EXCHANGES WITH THOUSANDS OF POTENTIALLY MANIPULATIVE WASH TRADES, AND OTHER POTENTIALLY MANIPULATIVE TRADING ACTIVITY, SUCH AS LAYERING AND SPOOFING. WEDBUSH REAPED MILLIONS OF DOLLARS FROM ITS MARKET ACCESS BUSINESS, BUT FAILED TO DEVOTE SUFFICIENT RESOURCES, INCLUDING QUALIFIED AND ADEQUATELY TRAINED COMPLIANCE PERSONNEL, SURVEILLANCE SYSTEMS AND CONTROLS, TO DETECT AND PREVENT POTENTIAL MANIPULATIVE ACTIVITY BY ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE SUPERVISORY SYSTEMS AND PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECURITIES LAWS, RULES AND REGULATIONS, INCLUDING BZX RULES, ADDRESSING THE MONITORING, DETECTION, AND PREVENTION OF SUSPICIOUS AND POTENTIALLY MANIPULATIVE TRADING. THE FIRM ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE REGULATORY AND OTHER RISKS OF HAVING AND PROVIDING MARKET ACCESS. THE FIRM CREATED INCENTIVES THAT REWARDED COMPLIANCE PERSONNEL WITH MONTHLY COMPENSATION BASED ON MARKET ACCESS CUSTOMERS' TRADING VOLUME, FOR WHICH THEY HAD RESPONSIBILITY TO OVERSEE, AND FAILED TO MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIALLY MANIPULATIVE TRADING BY RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. AS A RESULT OF ITS CONDUCT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5 THEREUNDER AND VIOLATED BZX RULES 3.1, 5.1 AND 5.4.</p>
Initiated By:	BATS Z-EXCHANGE, INC.
Date Initiated:	10/01/2015
Docket/Case Number:	2011026311804
Principal Product Type:	Other



Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/30/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$566,666.00
Other Sanctions Ordered:	THIS DECISION EXPRESSLY INCLUDES A FINDING THAT THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND THAT THE FIRM CONSENTED TO THE WILLFUL FINDING. IN THE OFFER, THE FIRM CONFIRMED IT UNDERSTANDS THAT, UNDER BZX RULE 1.5(Z), THE WILLFUL FINDING MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$1,800,000 IN CONNECTION WITH THIS PROCEEDING AND THE CONCURRENT SETTLEMENTS OF DISCIPLINARY PROCEEDINGS WITH FINRA, NYSE REGULATION, INC. AND NASDAQ. THE FIRM IS ORDERED TO PAY \$566,666 TO THE BZX. THE REMAINING FINE AMOUNTS HAVE BEEN ALLOCATED \$566,666 TO NYSE REGULATION, INC., \$566,666 TO NASDAQ, AND \$100,002, TO FINRA. BZX TOOK INTO CONSIDERATION, FOR SANCTIONS PURPOSES, THAT THAT THE FIRM PAID \$2.44 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION, AND AGREED TO HIRE AN INDEPENDENT CONSULTANT, TO RESOLVE SIMILAR CLAIMS.
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY SYSTEMS AND PROCEDURES GOVERNING MARKET ACCESS WERE DEFICIENT IN NUMEROUS WAYS, INCLUDING THAT THE FIRM DID NOT CONDUCT ADEQUATE REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING ACTIVITY, DID NOT SUBJECT TO APPROPRIATE REVIEW ACCOUNTS THAT POSED HEIGHTENED RISK, INCLUDING WHEN AN ACCOUNT'S TRADING WAS THE SUBJECT OF MULTIPLE REGULATORY INQUIRIES, ALLOCATED INSUFFICIENT RESOURCES AND UNQUALIFIED PERSONNEL TO MONITOR ITS MARKET ACCESS BUSINESS AND ENSURE



COMPLIANCE WITH APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS, AND DELEGATED COMPLIANCE REVIEWS TO PERSONNEL TO MONITOR TRANSACTIONS FOR ACCOUNTS WHEN THEIR COMPENSATION WAS DIRECTLY TIED TO THE LEVEL OF TRADING ACTIVITY IN THE ACCOUNTS. DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND BZX RULES, INCLUDING SEC RULE 15C3-5. AS A RESULT, THE FIRM VIOLATED BZX RULES 3.1, 5.1 AND 5.4. THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS, AS REQUIRED BY SEC RULE 15C3-5. THE FIRM FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME AND FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL, AS REQUIRED BY SEC RULE 15C3-5(D). THE FIRM ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES AS REQUIRED BY SEC RULE 15C3-5(E). AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5 THEREUNDER AND VIOLATED BZX RULE 3.1. THE FIRM CREATED INCENTIVES THAT REWARDED COMPLIANCE PERSONNEL WITH MONTHLY COMPENSATION BASED ON MARKET ACCESS CUSTOMERS' TRADING VOLUME, FOR WHICH THEY HAD RESPONSIBILITY TO OVERSEE, AND FAILED TO MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIALLY MANIPULATIVE TRADING BY RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. THE FIRM CREATED THE APPEARANCE OF A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND

CURTAIL POTENTIAL VIOLATIVE ACTIVITY, IN VIOLATION OF BZX RULE 3.1

Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>THE DEPARTMENT OF MARKET REGULATION OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY ("FINRA"), ON BEHALF OF BATS EXCHANGE, INC. ("BATS", "BZX", OR THE "EXCHANGE"), ALLEGES: THE FIRM COMMITTED EGREGIOUS AND SYSTEMIC SUPERVISORY VIOLATIONS IN ITS BUSINESS OF PROVIDING DIRECT MARKET ACCESS AND SPONSORED ACCESS (TOGETHER "MARKET ACCESS") TO BROKER-DEALERS AND NON-REGISTERED MARKET PARTICIPANTS ("MARKET ACCESS CUSTOMERS") TO MULTIPLE MARKET CENTERS, INCLUDING BZX. WITHOUT DEDICATING SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, WEDBUSH ENABLED ITS MARKET ACCESS CUSTOMERS TO FLOOD THE EXCHANGES WITH THOUSANDS OF POTENTIALLY MANIPULATIVE WASH TRADES, AND OTHER POTENTIALLY MANIPULATIVE TRADING ACTIVITY, SUCH AS LAYERING AND SPOOFING. WEDBUSH REAPED MILLIONS OF DOLLARS FROM ITS MARKET ACCESS BUSINESS, BUT FAILED TO DEVOTE SUFFICIENT RESOURCES, INCLUDING QUALIFIED AND ADEQUATELY TRAINED COMPLIANCE PERSONNEL, SURVEILLANCE SYSTEMS AND CONTROLS, TO DETECT AND PREVENT POTENTIAL MANIPULATIVE ACTIVITY BY ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE SUPERVISORY SYSTEMS AND PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECURITIES LAWS, RULES AND REGULATIONS, INCLUDING BZX RULES, ADDRESSING THE MONITORING, DETECTION, AND PREVENTION OF SUSPICIOUS AND POTENTIALLY MANIPULATIVE TRADING. THE FIRM ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE REGULATORY AND OTHER RISKS OF HAVING AND PROVIDING MARKET ACCESS. THE FIRM CREATED INCENTIVES THAT REWARDED COMPLIANCE PERSONNEL WITH MONTHLY COMPENSATION BASED ON MARKET ACCESS CUSTOMERS' TRADING VOLUME, FOR WHICH THEY HAD RESPONSIBILITY TO OVERSEE, AND FAILED TO MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIALLY MANIPULATIVE TRADING BY RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. AS A RESULT OF ITS CONDUCT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5 THEREUNDER AND VIOLATED BZX RULES 3.1, 5.1 AND 5.4.</p>
Initiated By:	BATS Z-EXCHANGE, INC.



Date Initiated:	10/01/2015
Docket/Case Number:	2011026311804
Principal Product Type:	Other
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/01/2015
Sanctions Ordered:	Censure Monetary/Fine \$566,666.00
Other Sanctions Ordered:	
Sanction Details:	CENSURE AND FINE OF \$566,666
Firm Statement	<p>AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA'S DEPARTMENT OF MARKET REGULATION ON BEHALF OF BATS Z-EXCHANGE AND WEDBUSH SECURITIES, INC. THE OFFER OF SETTLEMENT AND CONSENT WAS SUBMITTED FOR THE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERENCED IN THE OFFER. THE OFFER WAS SUBMITTED IN CONJUNCTION WITH THE SETTLEMENTS OF THREE OTHER DISCIPLINARY ACTIONS FINRA BROUGHT AGAINST WEDBUSH ON BEHALF OF FINRA AND TWO OTHER SELF-REGULATORY ORGANIZATIONS, WHICH DISCIPLINARY ACTIONS INCLUDE SUBSTANTIALLY THE SAME ALLEGATIONS AND CHARGES AS THOSE IN THE COMPLAINT IN THIS ACTION. THE FIRM IS CENSURED AND FINED \$566,666. THE FIRM SETTLED THE RELATED FINRA AND EXCHANGE COMPLAINTS FOR A TOTAL FINE OF \$1,800,000, WHICH IS ALLOCATED AS FOLLOWS: \$566,666 EACH TO NYSE ARCA, BATS EXCHANGE, INC., AND NASDAQ, AND \$100,002 TO FINRA. IN SETTING THE FINE AMOUNT, THE PARTIES TOOK INTO CONSIDERATION THAT THE FIRM PAID \$2.44 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION AND AGREED TO HIRE AN INDEPENDENT CONSULTANT IN SETTLEMENT OF SIMILAR CLAIMS.</p>

Disclosure 59 of 142

Reporting Source: Regulator

**Current Status:**

Final

Allegations:

THE DEPARTMENT OF MARKET REGULATION OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA), ON BEHALF OF NYSE REGULATION, INC., ALLEGES: THE FIRM COMMITTED EGREGIOUS AND SYSTEMIC SUPERVISORY VIOLATIONS IN ITS BUSINESS OF PROVIDING MARKET ACCESS TO BROKER-DEALERS AND NON-REGISTERED MARKET PARTICIPANTS (MARKET ACCESS CUSTOMERS) TO MULTIPLE MARKET CENTERS, INCLUDING THE NYSE ARCA MARKETPLACE. WITHOUT DEDICATING SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, WEDBUSH ENABLED ITS MARKET ACCESS CUSTOMERS TO FLOOD THE EXCHANGES WITH THOUSANDS OF POTENTIALLY MANIPULATIVE WASH TRADES, AND OTHER POTENTIALLY MANIPULATIVE TRADING ACTIVITY, SUCH AS LAYERING AND SPOOFING. WEDBUSH REAPED MILLIONS OF DOLLARS FROM ITS MARKET ACCESS BUSINESS, BUT FAILED TO DEVOTE SUFFICIENT RESOURCES, INCLUDING QUALIFIED AND ADEQUATELY TRAINED COMPLIANCE PERSONNEL, SURVEILLANCE SYSTEMS AND CONTROLS, TO DETECT AND PREVENT POTENTIAL MANIPULATIVE ACTIVITY BY ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE SUPERVISORY SYSTEMS AND PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECURITIES LAWS, RULES AND REGULATIONS, INCLUDING NYSE ARCA EQUITIES RULES ADDRESSING THE MONITORING, DETECTION, AND PREVENTION OF SUSPICIOUS AND POTENTIALLY MANIPULATIVE TRADING. THE FIRM ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE REGULATORY AND OTHER RISKS OF HAVING AND PROVIDING MARKET ACCESS AND FAILED TO HAVE REASONABLE PROCEDURES TO ENSURE THAT ALL AUTHORIZED TRADERS OF ITS MARKET ACCESS CUSTOMERS COMPLY WITH ALL NYSE ARCA EQUITIES RULES. THE FIRM CREATED INCENTIVES THAT REWARDED COMPLIANCE PERSONNEL WITH MONTHLY COMPENSATION BASED ON MARKET ACCESS CUSTOMERS' TRADING VOLUME, FOR WHICH THEY HAD RESPONSIBILITY TO OVERSEE, AND FAILED TO MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIALLY MANIPULATIVE TRADING BY RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. THE FIRM FAILED TO USE DUE DILIGENCE TO LEARN ESSENTIAL FACTS RELATIVE TO MARKET ACCESS CUSTOMER ACCOUNTS AND FAILED TO PERIODICALLY REVIEW MARKET ACCESS CUSTOMER ACCOUNTS FOR IRREGULARITIES. THE FIRM ALSO FAILED TO TAKE REASONABLE STEPS TO AVOID SUBMISSION BY ITS MARKET ACCESS CUSTOMERS OF ORDERS THAT RESULTED IN LOCKED AND CROSSED MARKETS AND FAILED TO REASONABLY SUPERVISE ACTIVITY BY ITS MARKET ACCESS CUSTOMERS



WITH RESPECT TO LOCKED AND CROSSED MARKETS, ORDER PROTECTION RULES AND COMPLIANCE WITH NYSE ARCA EQUITIES RULE 7.37(E)(2) AND REGULATION NMS RULE 611(C). AS A RESULT OF ITS CONDUCT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND MARKET ACCESS RULE 15C3-5 AND REGULATION NMS RULE 611(C) AND VIOLATED NYSE ARCA EQUITIES RULES 6.1(B), 6.18, 6.18(A)-(C), 6.2, 7.30(B), 7.37(E)(2), 9.2(A), 9.2(B), 9.2(B)(4) AND 2010.

Initiated By: NYSE ARCA, INC.

Date Initiated: 10/01/2015

Docket/Case Number: 2011026311803

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Decision

Resolution Date: 12/01/2015

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$566,666.00

Other Sanctions Ordered:

Sanction Details: A HEARING OFFICER AT FINRA CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA'S DEPARTMENT OF MARKET REGULATION ON BEHALF OF NYSE REGULATION, INC. AND WEDBUSH SECURITIES, INC. THE OFFER OF SETTLEMENT AND CONSENT WAS SUBMITTED FOR THE PURPOSE OF SETTling THIS DISCIPLINARY PROCEEDING WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERENCED IN THE OFFER. THE OFFER WAS SUBMITTED IN CONJUNCTION WITH THE SETTLEMENTS OF THREE OTHER DISCIPLINARY ACTIONS FINRA BROUGHT AGAINST WEDBUSH ON BEHALF OF FINRA AND



TWO OTHER SELF-REGULATORY ORGANIZATIONS, WHICH DISCIPLINARY ACTIONS INCLUDE SUBSTANTIALLY THE SAME ALLEGATIONS AND CHARGES AS THOSE IN THE COMPLAINT IN THIS ACTION. THE FIRM IS CENSURED AND FINED \$566,666. THE FIRM SETTLED THE RELATED FINRA AND EXCHANGE COMPLAINTS FOR A TOTAL FINE OF \$1,800,000, WHICH IS ALLOCATED AS FOLLOWS: \$566,666 EACH TO NYSE ARCA, BATS EXCHANGE, INC., AND NASDAQ, AND \$100,002 TO FINRA. IN SETTING THE FINE AMOUNT, THE PARTIES TOOK INTO CONSIDERATION THAT THE FIRM PAID \$2.44 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION AND AGREED TO HIRE AN INDEPENDENT CONSULTANT IN SETTLEMENT OF SIMILAR CLAIMS.

Reporting Source:	Firm
Current Status:	Final
Allegations:	<p>THE DEPARTMENT OF MARKET REGULATION OF THE FINANCIAL INDUSTRY REGULATORY AUTHORITY (FINRA), ON BEHALF OF NYSE REGULATION, INC., ALLEGES: THE FIRM COMMITTED EGREGIOUS AND SYSTEMIC SUPERVISORY VIOLATIONS IN ITS BUSINESS OF PROVIDING MARKET ACCESS TO BROKER-DEALERS AND NON-REGISTERED MARKET PARTICIPANTS (MARKET ACCESS CUSTOMERS) TO MULTIPLE MARKET CENTERS, INCLUDING THE NYSE ARCA MARKETPLACE. WITHOUT DEDICATING SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, WEDBUSH ENABLED ITS MARKET ACCESS CUSTOMERS TO FLOOD THE EXCHANGES WITH THOUSANDS OF POTENTIALLY MANIPULATIVE WASH TRADES, AND OTHER POTENTIALLY MANIPULATIVE TRADING ACTIVITY, SUCH AS LAYERING AND SPOOFING. WEDBUSH REAPED MILLIONS OF DOLLARS FROM ITS MARKET ACCESS BUSINESS, BUT FAILED TO DEVOTE SUFFICIENT RESOURCES, INCLUDING QUALIFIED AND ADEQUATELY TRAINED COMPLIANCE PERSONNEL, SURVEILLANCE SYSTEMS AND CONTROLS, TO DETECT AND PREVENT POTENTIAL MANIPULATIVE ACTIVITY BY ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE SUPERVISORY SYSTEMS AND PROCEDURES THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH SECURITIES LAWS, RULES AND REGULATIONS, INCLUDING NYSE ARCA EQUITIES RULES ADDRESSING THE MONITORING, DETECTION, AND PREVENTION OF SUSPICIOUS AND POTENTIALLY MANIPULATIVE TRADING. THE FIRM ALSO FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE REGULATORY AND OTHER RISKS OF HAVING AND PROVIDING MARKET ACCESS AND FAILED TO HAVE REASONABLE PROCEDURES TO ENSURE THAT ALL AUTHORIZED TRADERS</p>



OF ITS MARKET ACCESS CUSTOMERS COMPLY WITH ALL NYSE ARCA EQUITIES RULES. THE FIRM CREATED INCENTIVES THAT REWARDED COMPLIANCE PERSONNEL WITH MONTHLY COMPENSATION BASED ON MARKET ACCESS CUSTOMERS' TRADING VOLUME, FOR WHICH THEY HAD RESPONSIBILITY TO OVERSEE, AND FAILED TO MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIALLY MANIPULATIVE TRADING BY RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. THE FIRM FAILED TO USE DUE DILIGENCE TO LEARN ESSENTIAL FACTS RELATIVE TO MARKET ACCESS CUSTOMER ACCOUNTS AND FAILED TO PERIODICALLY REVIEW MARKET ACCESS CUSTOMER ACCOUNTS FOR IRREGULARITIES. THE FIRM ALSO FAILED TO TAKE REASONABLE STEPS TO AVOID SUBMISSION BY ITS MARKET ACCESS CUSTOMERS OF ORDERS THAT RESULTED IN LOCKED AND CROSSED MARKETS AND FAILED TO REASONABLY SUPERVISE ACTIVITY BY ITS MARKET ACCESS CUSTOMERS WITH RESPECT TO LOCKED AND CROSSED MARKETS, ORDER PROTECTION RULES AND COMPLIANCE WITH NYSE ARCA EQUITIES RULE 7.37(E)(2) AND REGULATION NMS RULE 611(C). AS A RESULT OF ITS CONDUCT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND MARKET ACCESS RULE 15C3-5 AND REGULATION NMS RULE 611(C) AND VIOLATED NYSE ARCA EQUITIES RULES 6.1(B), 6.18, 6.18(A)-(C), 6.2, 7.30(B), 7.37(E)(2), 9.2(A), 9.2(B), 9.2(B)(4) AND 2010.

Initiated By:	NYSE ARCA, INC.
Date Initiated:	10/01/2015
Docket/Case Number:	2011026311803
Principal Product Type:	Other
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/01/2015
Sanctions Ordered:	Censure Monetary/Fine \$566,666.00
Other Sanctions Ordered:	
Sanction Details:	CENSURE AND FINE OF \$566,666
Firm Statement	A HEARING OFFICER AT FINRA CONSIDERED AN OFFER OF SETTLEMENT



AND CONSENT ENTERED INTO BETWEEN FINRA'S DEPARTMENT OF MARKET REGULATION ON BEHALF OF NYSE REGULATION, INC. AND WEDBUSH SECURITIES, INC. THE OFFER OF SETTLEMENT AND CONSENT WAS SUBMITTED FOR THE PURPOSE OF SETTling THIS DISCIPLINARY PROCEEDING WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERENCED IN THE OFFER. THE OFFER WAS SUBMITTED IN CONJUNCTION WITH THE SETTLEMENTS OF THREE OTHER DISCIPLINARY ACTIONS FINRA BROUGHT AGAINST WEDBUSH ON BEHALF OF FINRA AND TWO OTHER SELF-REGULATORY ORGANIZATIONS, WHICH DISCIPLINARY ACTIONS INCLUDE SUBSTANTIALLY THE SAME ALLEGATIONS AND CHARGES AS THOSE IN THE COMPLAINT IN THIS ACTION. THE FIRM IS CENSURED AND FINED \$566,666. THE FIRM SETTLED THE RELATED FINRA AND EXCHANGE COMPLAINTS FOR A TOTAL FINE OF \$1,800,000, WHICH IS ALLOCATED AS FOLLOWS: \$566,666 EACH TO NYSE ARCA, BATS EXCHANGE, INC., AND NASDAQ, AND \$100,002 TO FINRA. IN SETTING THE FINE AMOUNT, THE PARTIES TOOK INTO CONSIDERATION THAT THE FIRM PAID \$2.44 MILLION TO THE SECURITIES AND EXCHANGE COMMISSION AND AGREED TO HIRE AN INDEPENDENT CONSULTANT IN SETTLEMENT OF SIMILAR CLAIMS.

Disclosure 60 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED TO OATS REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM SUBMITTED REPORTS WITH INACCURATE "LVS QTY", FAILED TO SUBMIT ROUTE REPORTS, SUBMITTED AN ORDER EXECUTION REPORT FOR AN AGENCY ROUTED ORDER, SUBMITTED AN INACCURATE ORDER RECEIPT TIME, FAILED TO SUBMIT ORDER INFORMATION, AND FAILED TO SUBMIT THE APPROPRIATE ACCOUNT TYPE CODE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PROPERLY MEMORIALIZE OATS ORDER INFORMATION ON THE MEMORANDA OF BROKERAGE ORDERS. SPECIFICALLY, THE FIRM FAILED TO MEMORIALIZE IMMEDIATE OR CANCEL, OR INTERMARKET SWEEP ORDER SPECIAL HANDLING CODES, THE PEG SPECIAL HANDLING CODE, AND THE CUSTOMER INSTRUCTIONS REGARDING DISPLAYING THE LIMIT ORDER ON THE ORDER TICKET. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING RELEVANT INFORMATION TO ITS CUSTOMERS. SPECIFICALLY, THE FIRM FAILED TO DISCLOSE THAT THE TRANSACTIONS WERE EXECUTED AT AVERAGE



PRICES, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, ITS CAPACITY IN THE TRANSACTIONS, AND THAT IT CHARGED COMMISSIONS OR COMMISSION EQUIVALENTS. FINRA FOUND THAT THE FIRM'S SUPERVISORY SYSTEM FAILED TO PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO SEC RULE 204. SPECIFICALLY, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) DID NOT INCLUDE THE IDENTIFICATION OF THE PERSON RESPONSIBLE FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN BY THE APPROPRIATE SUPERVISOR, THE FREQUENCY OF THE SUPERVISORY REVIEWS, AND HOW THE SUPERVISORY REVIEWS SHOULD BE DOCUMENTED.

Initiated By: FINRA

Date Initiated: 09/22/2015

Docket/Case Number: 2013035824401

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/22/2015

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: THE FIRM WAS CENSURED, FINED \$20,000, AND REQUIRED TO REVISE ITS WSPS.
FINE PAID IN FULL ON DECEMBER 10, 2015.

Reporting Source: Firm



Current Status:	Final
Allegations:	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED TO OATS REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM SUBMITTED REPORTS WITH INACCURATE "LVS QTY", FAILED TO SUBMIT ROUTE REPORTS, SUBMITTED AN ORDER EXECUTION REPORT FOR AN AGENCY ROUTED ORDER, SUBMITTED AN INACCURATE ORDER RECEIPT TIME, FAILED TO SUBMIT ORDER INFORMATION, AND FAILED TO SUBMIT THE APPROPRIATE ACCOUNT TYPE CODE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PROPERLY MEMORIALIZE OATS ORDER INFORMATION ON THE MEMORANDA OF BROKERAGE ORDERS. SPECIFICALLY, THE FIRM FAILED TO MEMORIALIZE IMMEDIATE OR CANCEL, OR INTERMARKET SWEEP ORDER SPECIAL HANDLING CODES, THE PEG SPECIAL HANDLING CODE, AND THE CUSTOMER INSTRUCTIONS REGARDING DISPLAYING THE LIMIT ORDER ON THE ORDER TICKET. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING RELEVANT INFORMATION TO ITS CUSTOMERS. SPECIFICALLY, THE FIRM FAILED TO DISCLOSE THAT THE TRANSACTIONS WERE EXECUTED AT AVERAGE PRICES, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, ITS CAPACITY IN THE TRANSACTIONS, AND THAT IT CHARGED COMMISSIONS OR COMMISSION EQUIVALENTS. FINRA FOUND THAT THE FIRM'S SUPERVISORY SYSTEM FAILED TO PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO SEC RULE 204. SPECIFICALLY, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) DID NOT INCLUDE THE IDENTIFICATION OF THE PERSON RESPONSIBLE FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN BY THE APPROPRIATE SUPERVISOR, THE FREQUENCY OF THE SUPERVISORY REVIEWS, AND HOW THE SUPERVISORY REVIEWS SHOULD BE DOCUMENTED.</p>
Initiated By:	FINRA
Date Initiated:	09/22/2015
Docket/Case Number:	2013035824401
Principal Product Type:	Other
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	



Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/22/2015
Sanctions Ordered:	Censure Monetary/Fine \$20,000.00
Other Sanctions Ordered:	
Sanction Details:	CENSURE AND FINE OF \$20,000
Firm Statement	<p>WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED TO OATS REPORTS THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. THE FINDINGS STATED THAT SPECIFICALLY, THE FIRM SUBMITTED REPORTS WITH INACCURATE "LVS QTY", FAILED TO SUBMIT ROUTE REPORTS, SUBMITTED AN ORDER EXECUTION REPORT FOR AN AGENCY ROUTED ORDER, SUBMITTED AN INACCURATE ORDER RECEIPT TIME, FAILED TO SUBMIT ORDER INFORMATION, AND FAILED TO SUBMIT THE APPROPRIATE ACCOUNT TYPE CODE. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO PROPERLY MEMORIALIZE OATS ORDER INFORMATION ON THE MEMORANDA OF BROKERAGE ORDERS. SPECIFICALLY, THE FIRM FAILED TO MEMORIALIZE IMMEDIATE OR CANCEL, OR INTERMARKET SWEEP ORDER SPECIAL HANDLING CODES, THE PEG SPECIAL HANDLING CODE, AND THE CUSTOMER INSTRUCTIONS REGARDING DISPLAYING THE LIMIT ORDER ON THE ORDER TICKET. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING RELEVANT INFORMATION TO ITS CUSTOMERS. SPECIFICALLY, THE FIRM FAILED TO DISCLOSE THAT THE TRANSACTIONS WERE EXECUTED AT AVERAGE PRICES, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, ITS CAPACITY IN THE TRANSACTIONS, AND THAT IT CHARGED COMMISSIONS OR COMMISSION EQUIVALENTS. FINRA FOUND THAT THE FIRM'S SUPERVISORY SYSTEM FAILED TO PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO SEC RULE 204. SPECIFICALLY, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) DID NOT INCLUDE THE IDENTIFICATION OF THE PERSON RESPONSIBLE FOR SUPERVISION, THE SUPERVISORY STEPS AND REVIEWS TO BE TAKEN BY THE APPROPRIATE SUPERVISOR, THE FREQUENCY OF THE SUPERVISORY REVIEWS, AND HOW THE SUPERVISORY REVIEWS SHOULD BE DOCUMENTED.</p>

Disclosure 61 of 142

Reporting Source:	Regulator
Current Status:	Final



Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND FEBRUARY 28, 2011, THE FIRM FAILED TO REPORT NUMEROUS REPORTABLE OPTIONS POSITIONS BECAUSE THE FIRM HAD FAILED TO PROPERLY AGGREGATE AND REPORT POSITIONS TO THE OPTIONS CLEARING CORPORATION (OCC) LARGE OPTIONS POSITIONS REPORT (LOPR) FOR APPROXIMATELY 39 ACCOUNTS RELATED TO FIVE ACTING IN CONCERT (AIC) GROUPS THAT ACTED IN CONCERT. THIS CONDUCT VIOLATED CHAPTER XVIII, SECTION 18.10 OF THE BZX EXCHANGE RULES. DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND FEBRUARY 28, 2011, THE FIRM FAILED TO HAVE AN ADEQUATE SUPERVISORY SYSTEM IN PLACE TO ENSURE THE ACCURACY AND COMPLETENESS OF THE REPORTING OF ITS OPTIONS POSITIONS, INCLUDING IN-CONCERT REPORTING, TO THE LOPR. THIS CONDUCT VIOLATED CHAPTER XVIII, RULE 18.2(A)(1) OF THE BZX EXCHANGE RULES. DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND THE PRESENT, THE FIRM HAS FAILED TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES (WSPS) REGARDING IN-CONCERT REPORTING TO THE LOPR AND TO ENSURE THE ACCURACY AND COMPLETENESS OF ITS DAILY LOPR SUBMISSIONS. SPECIFICALLY, THE FIRM'S WSPS FAIL TO REFLECT: (I) THE STEP(S) THAT THE FIRM'S DESIGNATED PERSON RESPONSIBLE TO ENSURE COMPLIANCE WITH APPLICABLE RULES SHOULD TAKE TO ENSURE COMPLIANCE THEREWITH; (II) HOW OFTEN SUCH PERSON(S) SHOULD TAKE SUCH STEP(S); AND (III) HOW SUCH STEPS ARE DOCUMENTED. THIS CONDUCT VIOLATED CHAPTER V, RULES 5.1, 5.3, AND 5.4 OF THE BZX EXCHANGE RULES.

Initiated By: BATS Z-EXCHANGE, INC.

Date Initiated: 08/21/2015

Docket/Case Number: 2010024913201

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/21/2015



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: THE FIRM IS CENSURED, FINED \$20,000 AND UNDERTAKES TO REVISE ITS WSPS. IN DETERMINING TO RESOLVE THIS MATTER ON THE BASIS SET FORTH HEREIN, BATS CONSIDERED: (I) THAT THE FIRM PROMPTLY TOOK ACTION TO CORRECT THIS ACTIVITY PRIOR TO THE COMPLETION OF THE STAFF'S INVESTIGATION; AND (II) THAT THE FIRM PROMPTLY DEVELOPED AND IMPLEMENTED AN ENHANCED REPORTING SYSTEM GOVERNING THE IDENTIFICATION OF AIC ACCOUNTS PRIOR TO THE COMPLETION OF THE STAFFS INVESTIGATION. THE DECISION IS FINAL ON SEPTEMBER 21, 2015.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND FEBRUARY 28, 2011, THE FIRM FAILED TO REPORT NUMEROUS REPORTABLE OPTIONS POSITIONS BECAUSE THE FIRM HAD FAILED TO PROPERLY AGGREGATE AND REPORT POSITIONS TO THE OPTIONS CLEARING CORPORATION (OCC) LARGE OPTIONS POSITIONS REPORT (LOPR) FOR APPROXIMATELY 39 ACCOUNTS RELATED TO FIVE ACTING IN CONCERT (AIC) GROUPS THAT ACTED IN CONCERT. THIS CONDUCT VIOLATED CHAPTER XVIII, SECTION 18.10 OF THE BZX EXCHANGE RULES. DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND FEBRUARY 28, 2011, THE FIRM FAILED TO HAVE AN ADEQUATE SUPERVISORY SYSTEM IN PLACE TO ENSURE THE ACCURACY AND COMPLETENESS OF THE REPORTING OF ITS OPTIONS POSITIONS, INCLUDING IN-CONCERT REPORTING, TO THE LOPR. THIS CONDUCT VIOLATED CHAPTER XVIII, RULE 18.2(A)(1) OF THE BZX EXCHANGE RULES. DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND THE PRESENT, THE FIRM HAS FAILED TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES (WSPS) REGARDING IN-CONCERT REPORTING TO THE LOPR AND TO ENSURE THE ACCURACY AND COMPLETENESS OF ITS DAILY LOPR SUBMISSIONS. SPECIFICALLY, THE FIRM'S WSPS FAIL TO REFLECT: (I) THE STEP(S) THAT THE FIRM'S DESIGNATED PERSON RESPONSIBLE TO ENSURE COMPLIANCE WITH APPLICABLE RULES SHOULD TAKE TO



ENSURE COMPLIANCE THEREWITH; (II) HOW OFTEN SUCH PERSON(S) SHOULD TAKE SUCH STEP(S); AND (III) HOW SUCH STEPS ARE DOCUMENTED. THIS CONDUCT VIOLATED CHAPTER V, RULES 5.1, 5.3, AND 5.4 OF THE BZX EXCHANGE RULES.

Initiated By: BATS Z-EXCHANGE, INC.

Date Initiated: 08/21/2015

Docket/Case Number: 2010024913201

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/21/2015

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered: REVISE WSP'S

Sanction Details: CENSURED, FINE OF \$20,000 AND UNDERTAKING TO REVISE THE WSP'S

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND FEBRUARY 28, 2011, THE FIRM FAILED TO REPORT NUMEROUS REPORTABLE OPTIONS POSITIONS BECAUSE THE FIRM HAD FAILED TO PROPERLY AGGREGATE AND REPORT POSITIONS TO THE OPTIONS CLEARING CORPORATION (OCC) LARGE OPTIONS POSITIONS REPORT (LOPR) FOR APPROXIMATELY 39 ACCOUNTS RELATED TO FIVE ACTING IN CONCERT (AIC) GROUPS THAT ACTED IN CONCERT. THIS CONDUCT VIOLATED CHAPTER XVIII, SECTION 18.10 OF THE BZX EXCHANGE RULES. DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND FEBRUARY 28, 2011, THE FIRM FAILED TO HAVE AN ADEQUATE SUPERVISORY SYSTEM IN PLACE TO ENSURE THE ACCURACY AND COMPLETENESS OF THE REPORTING OF ITS OPTIONS POSITIONS, INCLUDING IN-CONCERT REPORTING, TO THE LOPR. THIS CONDUCT VIOLATED CHAPTER XVIII, RULE 18.2(A)(1) OF THE BZX EXCHANGE RULES. DURING THE PERIOD BETWEEN JANUARY 19, 2010 AND THE PRESENT, THE FIRM HAS FAILED TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES (WSPS) REGARDING IN-CONCERT REPORTING TO THE LOPR AND TO ENSURE THE ACCURACY AND COMPLETENESS OF ITS DAILY



LOPR SUBMISSIONS. SPECIFICALLY, THE FIRM'S WSPS FAIL TO REFLECT: (I) THE STEP(S) THAT THE FIRM'S DESIGNATED PERSON RESPONSIBLE TO ENSURE COMPLIANCE WITH APPLICABLE RULES SHOULD TAKE TO ENSURE COMPLIANCE THEREWITH; (II) HOW OFTEN SUCH PERSON(S) SHOULD TAKE SUCH STEP(S); AND (III) HOW SUCH STEPS ARE DOCUMENTED. THIS CONDUCT VIOLATED CHAPTER V, RULES 5.1, 5.3, AND 5.4 OF THE BZX EXCHANGE RULES.

Disclosure 62 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	THE FIRM VIOLATED NYSE ARCA EQUITIES RULE 2.24 AND SEC RULE 17A-3, BY FAILING TO RECORD ON ITS TRADE BLOTTERS ACCURATE EXECUTION TIMES FOR 226 TRANSACTIONS IN SIX SEPARATE SECURITIES. A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION.
Initiated By:	NYSE ARCA, INC.
Date Initiated:	05/12/2015
Docket/Case Number:	2013036228501
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/12/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No



Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM IS CENSURED AND FINED \$7,500. THE FINE MUST BE PAID WITHIN 30 DAYS OF THE DATE OF THIS DECISION OR THE FIRM MAY FACE SUSPENSION, PURSUANT TO THE TERMS OF THE DECISION AND NYSE ARCA OPTIONS RULE 13.2(A).

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM VIOLATED NYSE ARCA EQUITIES RULE 2.24 AND SEC RULE 17A-3, BY FAILING TO RECORD ON ITS TRADE BLOTTERS ACCURATE EXECUTION TIMES FOR 226 TRANSACTIONS IN SIX SEPARATE SECURITIES.

Initiated By: NYSE ARCA, INC.

Date Initiated: 05/12/2015

Docket/Case Number: 2013036228501

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/12/2015

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM IS CENSURED AND FINED \$7,500.

Firm Statement A FINRA HEARING OFFICER CONSIDERED AN OFFER OF SETTLEMENT AND CONSENT ENTERED INTO BETWEEN FINRA ON BEHALF OF NYSE REGULATION, INC. AND THE FIRM. WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, THE HEARING OFFICER ACCEPTED THE OFFER OF SETTLEMENT AND CONSENT AND ISSUED A DECISION ON MAY

12, 2015.

Disclosure 63 of 142**Reporting Source:** Regulator**Current Status:** Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT ITS SUPERVISORY SYSTEMS AND PROCEDURES GOVERNING MARKET ACCESS WERE DEFICIENT IN NUMEROUS WAYS. THE COMPLAINT ALLEGES THAT DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, ITS WRITTEN SUPERVISORY PROCEDURES (WSPS) CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION MANIPULATION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES, INCLUDING SEC RULE 15C3-5. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS, AS REQUIRED BY SEC RULE 15C3-5. THE FIRM FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS, AS REQUIRED BY SEC RULE 15C3-5(B). THE FIRM FAILED TO ENSURE, AS REQUIRED BY SEC RULE 15C3-5(C), THAT IT HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. THE FIRM FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME. IT FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL, AS REQUIRED BY SEC RULE 15C3-5(D). IT FAILED TO REASONABLY ALLOCATE,



BY WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ADEQUATELY REVIEW THE PERFORMANCE OF BROKER-DEALERS TO WHOM IT HAS ALLOCATED CERTAIN REGULATORY RESPONSIBILITIES. THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES AS REQUIRED BY SEC RULE 15C3-5(E). THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934, AND SEC RULE 15C3-5 THEREUNDER. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM ESTABLISHED A COMPENSATION SYSTEM RIFE WITH POTENTIAL CONFLICTS OF INTEREST. THE FIRM THEREBY KNOWINGLY AND DELIBERATELY CREATED A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY. MOREOVER, DESPITE ITS RECEIPT OF NUMEROUS REGULATORY INQUIRIES AS WELL AS EXCHANGE-GENERATED REPORTS IDENTIFYING HUNDREDS OF WASH TRADES ON A DAILY BASIS, THE FIRM TOOK NO STEPS TO CURTAIL WASH TRADES. THROUGH SUCH KNOWING AND DELIBERATE CONDUCT, IT ENABLED ARTIFICIALLY ELEVATED, DISTORTED AND MISLEADING TRADING VOLUMES OF MULTIPLE SECURITIES ACROSS MULTIPLE EXCHANGES. THE FIRM HANDSOMELY PROFITED FROM ITS ABJECT FAILURE TO REASONABLY MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIAL MANIPULATIVE ACTIVITY BY THE SAME RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. THE TREMENDOUS VOLUME GENERATED FROM THESE UNREGISTERED, FOREIGN, ANONYMOUS TRADERS SUBSTANTIALLY CONTRIBUTED TO ITS STATUS AS A LEADING LIQUIDITY AND VOLUME PROVIDER, AS WELL AS EXCHANGE REBATES AND REDUCED FEES.

Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	04/10/2015
Docket/Case Number:	2011026311802
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement



Resolution Date:	12/01/2015
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$566,666.00
Other Sanctions Ordered:	THE FIRM UNDERSTANDS THAT THIS SETTLEMENT INCLUDES A FINDING THAT IT WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND THAT UNDER ARTICLE I(DD) OF NASDAQ'S BY-LAWS, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$1,800,000 IN CONNECTION WITH THIS PROCEEDING AND THE CONCURRENT SETTLEMENTS OF DISCIPLINARY PROCEEDINGS WITH FINRA, NYSE REGULATION, INC. AND BATS EXCHANGE, INC. THE FIRM IS ORDERED TO PAY \$566,666 TO NASDAQ. THE REMAINING FINE AMOUNTS HAVE BEEN ALLOCATED \$566,666 TO NYSE REGULATION, INC., \$566,666 TO BATS EXCHANGE, INC., AND \$100,002, TO FINRA
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT ITS SUPERVISORY SYSTEMS AND PROCEDURES GOVERNING MARKET ACCESS WERE DEFICIENT IN NUMEROUS WAYS, INCLUDING THE FIRM DID NOT CONDUCT ADEQUATE REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING ACTIVITY, DID NOT SUBJECT TO APPROPRIATE REVIEW ACCOUNTS THAT POSED HEIGHTENED RISK, INCLUDING WHEN AN ACCOUNT'S TRADING WAS THE SUBJECT OF MULTIPLE REGULATORY INQUIRIES, ALLOCATED INSUFFICIENT RESOURCES AND UNQUALIFIED PERSONNEL TO MONITOR ITS MARKET ACCESS BUSINESS AND ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS, AND DELEGATED COMPLIANCE REVIEWS TO PERSONNEL TO MONITOR TRANSACTIONS FOR ACCOUNTS WHEN THEIR COMPENSATION WAS DIRECTLY TIED TO THE LEVEL OF TRADING ACTIVITY IN THE ACCOUNTS. DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, ITS WSPS CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION MANIPULATION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE



FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES, INCLUDING SEC RULE 15C3-5. AS A RESULT THE FIRM VIOLATED NASDAQ RULES 3010, 2110 AND 2010A. THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS, AS REQUIRED BY SEC RULE 15C3-5. THE FIRM FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME. THE FIRM FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL, AS REQUIRED BY SEC RULE 15C3-5(D). THE FIRM FAILED TO REASONABLY ALLOCATE, BY WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES AS REQUIRED BY SEC RULE 15C3-5(E). AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934, AND SEC RULE 15C3-5 THEREUNDER, AND VIOLATED NASDAQ RULE 2110 AND NASDAQ RULE 2010A. THE FIRM CREATED INCENTIVES THAT REWARDED COMPLIANCE PERSONNEL WITH MONTHLY COMPENSATION BASED ON MARKET ACCESS CUSTOMERS' TRADING VOLUME, FOR WHICH THEY HAD RESPONSIBILITY TO OVERSEE, AND FAILED TO MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIALLY MANIPULATIVE TRADING BY RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. THE FIRM CREATED THE APPEARANCE OF A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY, IN VIOLATION OF NASDAQ RULES 2110 AND 2010A.

Reporting Source:	Firm
Current Status:	Final
Allegations:	THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING



THAT ITS SUPERVISORY SYSTEMS AND PROCEDURES GOVERNING MARKET ACCESS WERE DEFICIENT IN NUMEROUS WAYS. THE COMPLAINT ALLEGES THAT DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, ITS WSPS CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION MANIPULATION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES, INCLUDING RULE 15C3-5. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS, AS REQUIRED BY SEC RULE 15C3-5. THE FIRM FAILED TO ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO MANAGE THE FINANCIAL, REGULATORY, AND OTHER RISKS OF PROVIDING MARKET ACCESS, AS REQUIRED BY RULE 15C3-5(B). THE FIRM FAILED TO ENSURE, AS REQUIRED BY RULE 15C3-5(C), THAT IT HAD IN PLACE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES. THE FIRM FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME. IT FAILED TO ENSURE THAT ITS REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES WERE UNDER ITS DIRECT AND EXCLUSIVE CONTROL, AS REQUIRED BY RULE 15C3-5(D). IT FAILED TO REASONABLY ALLOCATE, BY WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ADEQUATELY REVIEW THE PERFORMANCE OF BROKER-DEALERS TO WHOM IT HAS ALLOCATED CERTAIN REGULATORY RESPONSIBILITIES. THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES AS REQUIRED BY RULE 15C3-5(E). THUS, AS DETAILED, THE FIRM



WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT OF 1934, AND RULE 15C3-5 THEREUNDER. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM ESTABLISHED A COMPENSATION SYSTEM RIFE WITH POTENTIAL CONFLICTS OF INTEREST. THE FIRM THEREBY KNOWINGLY AND DELIBERATELY CREATED A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY. MOREOVER, DESPITE ITS RECEIPT OF NUMEROUS REGULATORY INQUIRIES AS WELL AS EXCHANGE-GENERATED REPORTS IDENTIFYING HUNDREDS OF WASH TRADES ON A DAILY BASIS, THE FIRM TOOK NO STEPS TO CURTAIL WASH TRADES. THROUGH SUCH KNOWING AND DELIBERATE CONDUCT, IT ENABLED ARTIFICIALLY ELEVATED, DISTORTED AND MISLEADING TRADING VOLUMES OF MULTIPLE SECURITIES ACROSS MULTIPLE EXCHANGES. THE FIRM HANDSOMELY PROFITED FROM ITS ABJECT FAILURE TO REASONABLY MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIAL MANIPULATIVE ACTIVITY BY THE SAME RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. THE TREMENDOUS VOLUME GENERATED FROM THESE UNREGISTERED, FOREIGN, ANONYMOUS TRADERS SUBSTANTIALLY CONTRIBUTED TO ITS STATUS AS A LEADING LIQUIDITY AND VOLUME PROVIDER, AS WELL AS EXCHANGE REBATES AND REDUCED FEES.

Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	04/10/2015
Docket/Case Number:	2011026311802
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/01/2015
Sanctions Ordered:	Censure Monetary/Fine \$566,666.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED A TOTAL OF \$566,666 IN CONNECTION WITH THIS PROCEEDING
Firm Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM



CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT AS REQUIRED BY SEC RULE 15C3-5(D)THE FIRM FAILED TO REASONABLY ALLOCATE, BY WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF THE RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES AS REQUIRED BY SEC RULE 15C3-5(E). AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934, AND SEC RULE 15C3-5 THEREUNDER, AND VIOLATED NASDAQ RULE 2110 AND NASDAQ RULE 2010A.

Disclosure 64 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO PROPERLY MARK SELL ORDERS AS LONG OR SHORT AND, AS A RESULT, ALSO FAILED TO REPORT THE TRANSACTIONS IN REPORTABLE SECURITIES TO THE FINRA TRADE REPORTING FACILITY WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT.
Initiated By:	FINRA
Date Initiated:	04/08/2015
Docket/Case Number:	2013036214001
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/08/2015



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$17,500.
FINE PAID IN FULL ON JUNE 9, 2015.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO PROPERLY MARK SELL ORDERS AS LONG OR SHORT AND, AS A RESULT, ALSO FAILED TO REPORT THE TRANSACTIONS IN REPORTABLE SECURITIES TO THE FINRA TRADE REPORTING FACILITY WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT.

Initiated By: FINRA

Date Initiated: 04/08/2015

Docket/Case Number: 2013036214001

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/10/2015

Sanctions Ordered: Censure
Monetary/Fine \$17,500.00

Other Sanctions Ordered:



Sanction Details:	THE FIRM WAS CENSURED AND FINED \$17,500.
Firm Statement	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT FAILED TO PROPERLY MARK SELL ORDERS AS LONG OR SHORT AND, AS A RESULT, ALSO FAILED TO REPORT THE TRANSACTIONS IN REPORTABLE SECURITIES TO THE FINRA TRADE REPORTING FACILITY WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT.

Disclosure 65 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT CREATED AND PRODUCED TO FINRA FALSIFIED AND MISLEADING DOCUMENTS, IN CONNECTION WITH ITS REVIEW OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS BETWEEN OCTOBER 1, 2011 AND DECEMBER 31, 2011. THE COMPLAINT ALLEGES THAT THE FIRM FABRICATED MUNICIPAL SECURITIES TRANSACTION REPORT CARDS (MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) REPORT CARDS) BY WHITING-OUT DATE INFORMATION AND ADDING SUPERVISORY SIGNATURES THAT GAVE THE FALSE IMPRESSION THAT THE FIRM CONDUCTED AND EVIDENCED SUPERVISORY REVIEWS OF MSRB REPORT CARDS DURING THE REVIEW PERIOD, WHEN IN FACT THE FIRM HAD NOT CONDUCTED SUCH SUPERVISORY REVIEWS. AS A RESULT, THE FIRM WILLFULLY VIOLATED MSRB RULE G-17. THE COMPLAINT ALSO ALLEGES THAT THE FIRM REPORTED MUNICIPAL SECURITIES TRANSACTIONS TO THE MSRB IN AN UNTIMELY MANNER, FAILED TO CONDUCT SUPERVISORY REVIEWS OF MSRB REPORT CARDS, AND FAILED TO DESIGNATE A REGISTERED PRINCIPAL WITH RESPONSIBILITY TO CONDUCT SUPERVISORY REVIEWS OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS. AS A RESULT, THE FIRM WILLFULLY VIOLATED MSRB RULES G-14 AND G-27.
Initiated By:	FINRA
Date Initiated:	12/18/2014
Docket/Case Number:	2012032080301
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other



Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	11/18/2015
Sanctions Ordered:	Censure Monetary/Fine \$130,000.00
Other Sanctions Ordered:	REQUIRED TO REMEDIATE THE SUPERVISORY VIOLATIONS DESCRIBED HEREIN
Sanction Details:	THE FIRM WAS CENSURED, FINED \$130,000 AND IS REQUIRED TO REMEDIATE THE SUPERVISORY VIOLATIONS DESCRIBED HEREIN. FINE PAID IN FULL ON MARCH 21, 2016.
Regulator Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT CREATED AND PRODUCED TO FINRA STAFF FALSIFIED AND MISLEADING DOCUMENTS, IN CONNECTION WITH THE STAFFS REVIEW OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS. THE FINDINGS STATED THAT THE FIRM ALTERED MSRB REPORT CARDS BY WHITING-OUT DATE INFORMATION AND ADDING SUPERVISORY SIGNATURES THAT GAVE THE FALSE IMPRESSION THAT THE FIRM CONDUCTED AND EVIDENCED SUPERVISORY REVIEWS OF MSRB REPORT CARDS, WHEN IN FACT THE FIRM HAD NOT CONDUCTED SUCH SUPERVISORY REVIEWS. THE FINDINGS ALSO STATED THAT THE FIRM REPORTED AT LEAST 55 MUNICIPAL SECURITIES TRANSACTIONS TO THE MSRB IN AN UNTIMELY MANNER, FAILED TO CONDUCT SUPERVISORY REVIEWS OF MSRB REPORT CARDS, AND FAILED TO DESIGNATE A REGISTERED PRINCIPAL WITH RESPONSIBILITY TO CONDUCT SUPERVISORY REVIEWS OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS. THERE WERE NO WILLFUL FINDINGS.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT CREATED AND PRODUCED TO FINRA FALSIFIED AND MISLEADING DOCUMENTS, IN CONNECTION WITH ITS REVIEW OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS BETWEEN OCTOBER 1, 2011 AND DECEMBER 31, 2011. THE COMPLAINT ALLEGE THAT THE FIRM FABRICATED MUNICIPAL SECURITIES TRANSACTION REPORT CARDS (MUNICIPAL SECURITIES RULEMAKING BOARD (MSRB) REPORT



CARDS) BY WHITING-OUT DATE INFORMATION AND ADDING SUPERVISORY SIGNATURES THAT GAVE THE FALSE IMPRESSION THAT THE FIRM CONDUCTED AND EVIDENCED SUPERVISORY REVIEWS OF MSRB REPORT CARDS DURING THE REVIEW PERIOD, WHEN IN FACT THE FIRM HAD NOT CONDUCTED SUCH SUPERVISORY REVIEWS. AS A RESULT, THE FIRM WILLFULLY VIOLATED MSRB RULE G-17. THE COMPLAINT ALSO ALLEGES THAT THE FIRM REPORTED MUNICIPAL SECURITIES TRANSACTIONS TO THE MSRB IN AN UNTIMELY MANNER, FAILED TO CONDUCT SUPERVISORY REVIEWS OF MSRB REPORT CARDS, AND FAILED TO DESIGNATE A REGISTERED PRINCIPAL WITH RESPONSIBILITY TO CONDUCT SUPERVISORY REVIEWS OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS. AS A RESULT, THE FIRM WILLFULLY VIOLATED MSRB RULES G-14 AND G-27.

Initiated By:	FINRA
Date Initiated:	12/18/2014
Docket/Case Number:	2012032080301
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	11/18/2015
Sanctions Ordered:	Censure Monetary/Fine \$130,000.00
Other Sanctions Ordered:	REQUIRED TO REMEDIATE THE SUPERVISORY VIOLATIONS
Sanction Details:	THE FIRM WAS CENSURED, FINED \$130,000 AND IS REQUIRED TO REMEDIATE THE SUPERVISORY VIOLATIONS
Firm Statement	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT CREATED AND PRODUCED TO FINRA STAFF FALSIFIED AND MISLEADING DOCUMENTS, IN CONNECTION WITH THE STAFFS REVIEW OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS. THE FINDINGS STATED THAT THE FIRM ALTERED MSRB REPORT CARDS BY WHITING-OUT DATE INFORMATION AND ADDING SUPERVISORY SIGNATURES THAT GAVE THE FALSE IMPRESSION THAT THE FIRM CONDUCTED AND EVIDENCED SUPERVISORY REVIEWS OF MSRB REPORT CARDS, WHEN IN FACT THE



FIRM HAD NOT CONDUCTED SUCH SUPERVISORY REVIEWS. THE FINDINGS ALSO STATED THAT THE FIRM REPORTED AT LEAST 55 MUNICIPAL SECURITIES TRANSACTIONS TO THE MSRB IN AN UNTIMELY MANNER, FAILED TO CONDUCT SUPERVISORY REVIEWS OF MSRB REPORT CARDS, AND FAILED TO DESIGNATE A REGISTERED PRINCIPAL WITH RESPONSIBILITY TO CONDUCT SUPERVISORY REVIEWS OF THE FIRM'S REPORTING OF MUNICIPAL SECURITIES TRANSACTIONS. THERE WERE NO WILLFUL FINDINGS.

Disclosure 66 of 142

Reporting Source:

Regulator

Current Status:

Final

Allegations:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY FORMATTED DATA. THE FINDINGS STATED THAT THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATIONS DISCLOSING TO ITS CUSTOMERS THAT TRANSACTIONS WERE EXECUTED AT AVERAGE PRICES, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, ITS CAPACITY IN THE TRANSACTIONS, AND/OR THAT IT CHARGED COMMISSIONS OR COMMISSION EQUIVALENTS. THE FIRM FAILED TO PREPARE ACCURATE BOOKS AND RECORDS. THE FIRM FAILED TO PROPERLY MARK PROPRIETARY SELL ORDERS AS LONG AND FAILED TO MARK SALE ORDERS AS SHORT AND AS A RESULT, THE FIRM FAILED TO REPORT THESE TRANSACTIONS TO VARIOUS EXCHANGES WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT. THE FIRM ALSO FAILED TO PROPERLY MARK SELL ORDERS AS LONG OR SHORT AND AS A RESULT, ALSO FAILED TO REPORT THE TRANSACTIONS TO VARIOUS EXCHANGES WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT. THE FIRM FAILED TO REPORT TRANSACTIONS IN TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)-ELIGIBLE SECURITIZED PRODUCTS TO TRACE WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR ONE OR MORE OF THE FOUR MINIMUM REQUIREMENTS FOR ADEQUATE WSPS REGARDING ACCURATELY IDENTIFY BUY, SHORT SALE, AND LONG SALE INFORMATION AND CLEARLY ERRONEOUS FILINGS, AND FAILED TO PROVIDE EVIDENCE OF SUPERVISORY REVIEW REGARDING ACCURACY



OF BOOKS AND RECORDS. THE FINDINGS ALSO INCLUDED THAT THE FIRM ALLOWED A REGISTERED REPRESENTATIVE TO ENGAGE IN PROPRIETARY TRADING AND ROUTING CUSTOMERS' ORDERS FOR EXECUTION ON BEHALF OF THE FIRM WITHOUT BEING PROPERLY REGISTERED AS A GENERAL SECURITIES REPRESENTATIVE AND EQUITY TRADER.

Initiated By: FINRA

Date Initiated: 12/09/2014

Docket/Case Number: 2011026107603

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/09/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$67,500.00

Other Sanctions Ordered: UNDERTAKING: REVISE THE FIRM'S WSPS

Sanction Details: THE FIRM WAS CENSURED, FINED \$67,500 AND UNDERTAKES TO REVISE ITS WSPS.

FINE PAID IN FULL ON FEBRUARY 2, 2015.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT TRANSMITTED REPORTS TO THE ORDER AUDIT TRAIL SYSTEM (OATS) THAT CONTAINED INACCURATE, INCOMPLETE, OR IMPROPERLY



FORMATTED DATA. THE FINDINGS STATED THAT THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATIONS DISCLOSING TO ITS CUSTOMERS THAT TRANSACTIONS WERE EXECUTED AT AVERAGE PRICES, THAT TRANSACTION DETAILS WERE AVAILABLE UPON REQUEST, ITS CAPACITY IN THE TRANSACTIONS, AND/OR THAT IT CHARGED COMMISSIONS OR COMMISSION EQUIVALENTS. THE FIRM FAILED TO PREPARE ACCURATE BOOKS AND RECORDS. THE FIRM FAILED TO PROPERLY MARK PROPRIETARY SELL ORDERS AS LONG AND FAILED TO MARK SALE ORDERS AS SHORT AND AS A RESULT, THE FIRM FAILED TO REPORT THESE TRANSACTIONS TO VARIOUS EXCHANGES WITH THE CORRECT SYMBOL INDICATING WHETHER THE TRANSACTIONS WERE LONG OR SHORT. THE FIRM FAILED TO REPORT TRANSACTIONS IN TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)-ELIGIBLE SECURITIZED PRODUCTS TO TRACE WITHIN 15 MINUTES OF THE TIME OF EXECUTION. THE FINDINGS ALSO STATED THAT THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO CERTAIN APPLICABLE SECURITIES LAWS AND REGULATIONS, AND/OR FINRA RULES. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR ONE OR MORE OF THE FOUR MINIMUM REQUIREMENTS FOR ADEQUATE WSPS REGARDING ACCURATELY IDENTIFY BUY, SHORT SALE, AND LONG SALE INFORMATION AND CLEARLY ERRONEOUS FILINGS, AND FAILED TO PROVIDE EVIDENCE OF SUPERVISORY REVIEW REGARDING ACCURACY OF BOOKS AND RECORDS. THE FINDINGS ALSO INCLUDED THAT THE FIRM ALLOWED A REGISTERED REPRESENTATIVE TO ENGAGE IN PROPRIETARY TRADING AND ROUTING CUSTOMERS' ORDERS FOR EXECUTION ON BEHALF OF THE FIRM WITHOUT BEING PROPERLY REGISTERED AS A GENERAL SECURITIES REPRESENTATIVE AND EQUITY TRADER.

Initiated By: FINRA

Date Initiated: 12/09/2014

Docket/Case Number: 2011026107603

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/09/2014

Sanctions Ordered: Censure



Monetary/Fine \$67,500.00

Other Sanctions Ordered:

UNDERTAKING: REVISE THE FIRM'S WSP

Sanction Details:

THE FIRM WAS CENSURED, FINED \$67,500 AND UNDERTAKES TO REVISE ITS WSPS.

Firm Statement

THE FIRM WAS CENSURED, FINED \$67,500 AND UNDERTAKES TO REVISE ITS WSPS.

Disclosure 67 of 142

Reporting Source:

Regulator

Current Status:

Final

Allegations:

SEC ADMIN RELEASE 34-73506 / NOVEMBER 3, 2014: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B), 15B(C)(2) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AGAINST WEDBUSH SECURITIES INC. ("WEDBUSH" OR "RESPONDENT"). IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THESE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS HEREIN, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTS TO THE ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(B), 15B(C)(2) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT: THESE PROCEEDINGS INVOLVE THE SALE OF NON-INVESTMENT GRADE OR "JUNK" BONDS ISSUED BY THE COMMONWEALTH OF PUERTO RICO ("PUERTO RICO") BY WEDBUSH, A REGISTERED BROKER-DEALER AND MUNICIPAL SECURITIES DEALER, TO CUSTOMERS IN AMOUNTS BELOW THE MINIMUM DENOMINATION OF THE ISSUE. RULE G-15(F) PROMULGATED BY THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB") PROHIBITS DEALERS FROM EFFECTING CUSTOMER TRANSACTIONS IN MUNICIPAL SECURITIES IN AMOUNTS BELOW THE MINIMUM DENOMINATIONS OF THE ISSUES. MINIMUM DENOMINATIONS ARE GENERALLY INTENDED TO LIMIT SALES OF MUNICIPAL SECURITIES TO RETAIL CUSTOMERS FOR WHOM SUCH BONDS



MAY NOT BE SUITABLE, BUT THE PROSCRIPTIONS OF RULE G-15(F) APPLY TO ALL TRANSACTIONS WITH CUSTOMERS, REGARDLESS OF WHETHER THE SECURITIES ARE SUITABLE FOR THE CUSTOMER. IN MARCH 2014, WEDBUSH VIOLATED MSRB RULE G-15(F) BY EXECUTING THREE SALES TRANSACTIONS IN THE PUERTO RICO BONDS WITH CUSTOMERS IN AMOUNTS BELOW THE \$100,000 MINIMUM DENOMINATION OF THE ISSUE ESTABLISHED BY THE ISSUER, PUERTO RICO, AND SPECIFIED IN THE OFFICIAL STATEMENT. THE LIMITED EXCEPTIONS PROVIDED UNDER MSRB RULE G-15(F) FOR CUSTOMER TRANSACTIONS IN MUNICIPAL SECURITIES BELOW THE MINIMUM DENOMINATION OF AN ISSUE DID NOT APPLY TO THESE TRANSACTIONS. RESPONDENT SOLICITED ALL OF THE CUSTOMER SALES TRANSACTIONS. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, RESPONDENT WILLFULLY VIOLATED MSRB RULE G-15(F). AS A RESULT OF RESPONDENT'S WILLFUL VIOLATIONS OF MSRB RULE G-15(F), RESPONDENT WILLFULLY VIOLATED SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Initiated By: UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 11/03/2014

Docket/Case Number: 3-16240

Principal Product Type: Other

Other Product Type(s): NON-INVESTMENT GRADE OR "JUNK" BONDS

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 11/03/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$67,200.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: ACCORDINGLY, IT IS HEREBY ORDERED THAT: RESPONDENT CEASE AND



DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT AND MSRB RULE G-15(F). RESPONDENT IS CENSURED. RESPONDENT SHALL, WITHIN SEVEN (7) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$67,200. RESPONDENT WILLFULLY VIOLATED MSRB RULE G-15(F). AS A RESULT OF RESPONDENT'S WILLFUL VIOLATIONS OF MSRB RULE G-15(F), RESPONDENT WILLFULLY VIOLATED SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Regulator Statement

IN DETERMINING TO ACCEPT THE OFFER, THE COMMISSION CONSIDERED REMEDIAL ACTS PROMPTLY UNDERTAKEN BY RESPONDENT. AFTER IT BECAME AWARE THAT IT HAD EFFECTED CUSTOMER TRANSACTIONS IN THE 2014 BONDS BELOW THE MINIMUM DENOMINATION OF THE ISSUE, RESPONDENT CANCELLED THE TRANSACTIONS. RESPONDENT WILL UNDERTAKE TO REVIEW THE ADEQUACY OF ITS EXISTING POLICIES AND PROCEDURES RELATING TO COMPLIANCE WITH MSRB RULE G-15(F). AFTER THAT REVIEW, RESPONDENT WILL MAKE SUCH CHANGES AS ARE NECESSARY TO EFFECT COMPLIANCE WITH MSRB RULE G-15(F), INCLUDING ADOPTING NEW POLICIES AND PROCEDURES OR SUPPLEMENTING EXISTING POLICIES AND PROCEDURES. RESPONDENT WILL IMPLEMENT THESE POLICIES AND PROCEDURES, AND CONDUCT TRAINING AS TO THE POLICIES AND PROCEDURES AND COMPLIANCE WITH MSRB RULE G-15(F). RESPONDENT WILL INFORM COMMISSION STAFF NO LATER THAN SIX (6) MONTHS AFTER THE ENTRY OF THIS ORDER THAT IT HAS COMPLIED WITH THE ABOVE UNDERTAKINGS.

Reporting Source:

Firm

Current Status:

Final

Allegations:

SEC ADMIN RELEASE 34-73506 / NOVEMBER 3, 2014: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B), 15B(C)(2) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AGAINST WEDBUSH SECURITIES INC. ("WEDBUSH" OR "RESPONDENT"). IN ANTICIPATION OF THE INSTITUTION OF THESE PROCEEDINGS, RESPONDENT HAS SUBMITTED AN OFFER OF SETTLEMENT WHICH THE COMMISSION HAS DETERMINED TO ACCEPT. SOLELY FOR THE PURPOSE OF THESE PROCEEDINGS AND ANY OTHER PROCEEDINGS BROUGHT BY OR ON BEHALF OF THE COMMISSION, OR TO WHICH THE COMMISSION IS A PARTY, AND WITHOUT ADMITTING OR DENYING THE FINDINGS HEREIN, EXCEPT AS TO THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, WHICH ARE ADMITTED, RESPONDENT CONSENTS TO THE



ENTRY OF THIS ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS PURSUANT TO SECTIONS 15(B), 15B(C)(2) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER. ON THE BASIS OF THIS ORDER AND RESPONDENT'S OFFER, THE COMMISSION FINDS THAT: THESE PROCEEDINGS INVOLVE THE SALE OF NON-INVESTMENT GRADE OR "JUNK" BONDS ISSUED BY THE COMMONWEALTH OF PUERTO RICO ("PUERTO RICO") BY WEDBUSH, A REGISTERED BROKER-DEALER AND MUNICIPAL SECURITIES DEALER, TO CUSTOMERS IN AMOUNTS BELOW THE MINIMUM DENOMINATION OF THE ISSUE. RULE G-15(F) PROMULGATED BY THE MUNICIPAL SECURITIES RULEMAKING BOARD ("MSRB") PROHIBITS DEALERS FROM EFFECTING CUSTOMER TRANSACTIONS IN MUNICIPAL SECURITIES IN AMOUNTS BELOW THE MINIMUM DENOMINATIONS OF THE ISSUES. MINIMUM DENOMINATIONS ARE GENERALLY INTENDED TO LIMIT SALES OF MUNICIPAL SECURITIES TO RETAIL CUSTOMERS FOR WHOM SUCH BONDS MAY NOT BE SUITABLE, BUT THE PROSCRIPTIONS OF RULE G-15(F) APPLY TO ALL TRANSACTIONS WITH CUSTOMERS, REGARDLESS OF WHETHER THE SECURITIES ARE SUITABLE FOR THE CUSTOMER. IN MARCH 2014, WEDBUSH VIOLATED MSRB RULE G-15(F) BY EXECUTING THREE SALES TRANSACTIONS IN THE PUERTO RICO BONDS WITH CUSTOMERS IN AMOUNTS BELOW THE \$100,000 MINIMUM DENOMINATION OF THE ISSUE ESTABLISHED BY THE ISSUER, PUERTO RICO, AND SPECIFIED IN THE OFFICIAL STATEMENT. THE LIMITED EXCEPTIONS PROVIDED UNDER MSRB RULE G-15(F) FOR CUSTOMER TRANSACTIONS IN MUNICIPAL SECURITIES BELOW THE MINIMUM DENOMINATION OF AN ISSUE DID NOT APPLY TO THESE TRANSACTIONS. RESPONDENT SOLICITED ALL OF THE CUSTOMER SALES TRANSACTIONS. AS A RESULT OF THE CONDUCT DESCRIBED ABOVE, RESPONDENT WILLFULLY VIOLATED MSRB RULE G-15(F). AS A RESULT OF RESPONDENT'S WILLFUL VIOLATIONS OF MSRB RULE G-15(F), RESPONDENT WILLFULLY VIOLATED SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Initiated By:	UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Date Initiated:	11/02/2014
Docket/Case Number:	3-16240
Principal Product Type:	Other
Other Product Type(s):	NON-INVESTMENT GRADE OR "JUNK" BONDS
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	



Resolution: Order

Resolution Date: 11/03/2014

Sanctions Ordered: Censure
Monetary/Fine \$67,200.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: ACCORDINGLY, IT IS HEREBY ORDERED THAT: RESPONDENT CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTION 15B(C)(1) OF THE EXCHANGE ACT AND MSRB RULE G-15(F) . RESPONDENT IS CENSURED. RESPONDENT SHALL, WITHIN SEVEN (7) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$67,200. RESPONDENT WILLFULLY VIOLATED MSRB RULE G-15(F). AS A RESULT OF RESPONDENT'S WILLFUL VIOLATIONS OF MSRB RULE G-15(F), RESPONDENT WILLFULLY VIOLATED SECTION 15B(C)(1) OF THE EXCHANGE ACT.

Firm Statement IN DETERMINING TO ACCEPT THE OFFER, THE COMMISSION CONSIDERED REMEDIAL ACTS PROMPTLY UNDERTAKEN BY RESPONDENT. AFTER IT BECAME AWARE THAT IT HAD EFFECTED CUSTOMER TRANSACTIONS IN THE 2014 BONDS BELOW THE MINIMUM DENOMINATION OF THE ISSUE, RESPONDENT CANCELLED THE TRANSACTIONS. RESPONDENT WILL UNDERTAKE TO REVIEW THE ADEQUACY OF ITS EXISTING POLICIES AND PROCEDURES RELATING TO COMPLIANCE WITH MSRB RULE G-15(F). AFTER THAT REVIEW, RESPONDENT WILL MAKE SUCH CHANGES AS ARE NECESSARY TO EFFECT COMPLIANCE WITH MSRB RULE G-15(F), INCLUDING ADOPTING NEW POLICIES AND PROCEDURES OR SUPPLEMENTING EXISTING POLICIES AND PROCEDURES. RESPONDENT WILL IMPLEMENT THESE POLICIES AND PROCEDURES, AND CONDUCT TRAINING AS TO THE POLICIES AND PROCEDURES AND COMPLIANCE WITH MSRB RULE G-15(F). RESPONDENT WILL INFORM COMMISSION STAFF NO LATER THAN SIX (6) MONTHS AFTER THE ENTRY OF THIS ORDER THAT IT HAS COMPLIED WITH THE ABOVE UNDERTAKINGS.

Disclosure 68 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 16 INSTANCES, THE FIRM HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT RESULTED FROM SALES OF A SECURITY THAT THE SELLER WAS DEEMED



TO OWN PURSUANT TO §242.200 OF REGULATION SHO AND INTENDED TO DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIMEFRAME PRESCRIBED BY RULE 204(A)(2) OF REGULATION SHO.

Initiated By: FINRA

Date Initiated: 10/22/2014

Docket/Case Number: 2010021544001

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED EQUITY SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/22/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$20,000. FINE PAID IN FULL ON DECEMBER 29, 2014.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IN 16 INSTANCES, THE FIRM HAD A FAIL-TO-DELIVER POSITION AT A REGISTERED CLEARING AGENCY IN AN EQUITY SECURITY THAT RESULTED FROM SALES OF A SECURITY THAT THE SELLER WAS DEEMED TO OWN PURSUANT TO §242.200 OF REGULATION SHO AND INTENDED TO



DELIVER ONCE ALL RESTRICTIONS ON DELIVERY HAD BEEN REMOVED, AND DID NOT CLOSE THE FAIL-TO-DELIVER POSITION BY PURCHASING OR BORROWING SECURITIES OF LIKE KIND AND QUANTITY WITHIN THE TIMEFRAME PRESCRIBED BY RULE 204(A)(2) OF REGULATION SHO.

Initiated By: FINRA

Date Initiated: 10/22/2014

Docket/Case Number: 2010021544001

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/22/2014

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$20,000.

Firm Statement THE FIRM WAS CENSURED AND FINED \$20,000 ON 10/22/2014

Disclosure 69 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO HAVE A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS AND FINRA RULES, AND NASD RULE 3010(B), BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT ENGAGED. THE COMPLAINT ALLEGES THAT DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING



LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES, INCLUDING SEC RULE 15C3-5. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE ANTI-MONEY LAUNDERING (AML) POLICIES AND PROCEDURES AND FAILED TO REASONABLY MONITOR, DETECT, AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS ACTIVITY BY ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO DEVELOP AND IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER. ALTHOUGH THE FIRM HAD AML POLICIES AND PROCEDURES IN PLACE, THEY WERE NOT TAILORED TO ITS MARKET ACCESS BUSINESS AND THEREFORE COULD NOT REASONABLY BE EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS. THE FIRM MISSED OR OTHERWISE FAILED TO INVESTIGATE NUMEROUS RED FLAGS OF SUSPICIOUS ACTIVITY RELATED TO ITS MARKET ACCESS BUSINESS AND CLIENTS. THIS FAILURE WAS AT LEAST PARTLY THE RESULT OF THE FIRM'S FAILURE TO ADOPT CLEAR LINES OF RESPONSIBILITY FOR AML COMPLIANCE REGARDING THE MARKET ACCESS BUSINESS. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO SYSTEMATICALLY MANAGE THE REGULATORY AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS. THE FIRM ALSO FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME. THE FIRM FAILED TO REASONABLY ALLOCATE, BY WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ADEQUATELY REVIEW THE PERFORMANCE OF BROKER-



DEALERS TO WHOM IT HAS ALLOCATED CERTAIN REGULATORY RESPONSIBILITIES. THE FIRM KNOWINGLY AND DELIBERATELY CREATED A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY AND PROFITED HANDSOMELY FROM ITS ABJECT FAILURE TO REASONABLY MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIAL MANIPULATIVE ACTIVITY BY THE SAME RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS.

Initiated By: FINRA

Date Initiated: 08/18/2014

Docket/Case Number: 2009020634401

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 12/01/2015

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$100,002.00

Other Sanctions Ordered: THE FIRM UNDERSTANDS THAT THIS SETTLEMENT INCLUDES A FINDING THAT IT WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND THAT UNDER ARTICLE III, SECTION 4 OF FINRA'S BY-LAWS, THIS MAKES THE FIRM SUBJECT TO A STATUTORY DISQUALIFICATION WITH RESPECT TO MEMBERSHIP.

Sanction Details: THE FIRM WAS CENSURED AND FINED A TOTAL OF \$1,800,000 IN CONNECTION WITH THIS PROCEEDING AND THE CONCURRENT SETTLEMENTS WITH THE NASDAQ STOCK MARKET, LLC, NYSE REGULATION, INC. AND BATS EXCHANGE, INC. THE FINE HAS BEEN ALLOCATED \$566,666 TO EACH OF THE SEPARATELY EXECUTED SETTLEMENTS AND THE FIRM IS FINED THE REMAINDER OF THE FINE,



\$100,002, IN THIS PROCEEDING.
FINE PAID IN FULL ON FEBRUARY 9, 2015.

Regulator Statement

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT WITHOUT DEDICATING SUFFICIENT RESOURCES TO ENSURE APPROPRIATE REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY SYSTEMS AND PROCEDURES, THE FIRM, THROUGH EMPLOYEES AND MANAGEMENT OF ITS CORRESPONDENT SERVICES DIVISION ENABLED ITS MARKET ACCESS CUSTOMERS TO FLOOD EXCHANGES WITH THOUSANDS OF POTENTIALLY MANIPULATIVE WASH TRADES, AND OTHER POTENTIALLY MANIPULATIVE TRADING ACTIVITY, SUCH AS LAYERING AND SPOOFING. THE FINDINGS STATED THAT THE FIRM REAPED MILLIONS OF DOLLARS FROM ITS MARKET ACCESS BUSINESS. THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES GOVERNING MARKET ACCESS WERE DEFICIENT IN THAT THE FIRM DID NOT CONDUCT ADEQUATE REVIEWS FOR POTENTIALLY MANIPULATIVE TRADING ACTIVITY, DID NOT SUBJECT TO APPROPRIATE REVIEW ACCOUNTS THAT POSED HEIGHTENED RISK, INCLUDING WHEN AN ACCOUNT'S TRADING WAS THE SUBJECT OF MULTIPLE REGULATORY INQUIRIES, ALLOCATED INSUFFICIENT RESOURCES AND UNQUALIFIED PERSONNEL TO MONITOR ITS MARKET ACCESS BUSINESS AND ENSURE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, RULES AND REGULATIONS, AND DELEGATED COMPLIANCE REVIEWS TO PERSONNEL TO MONITOR TRANSACTIONS FOR ACCOUNTS WHEN THEIR COMPENSATION WAS DIRECTLY TIED TO THE LEVEL OF TRADING ACTIVITY IN THE ACCOUNTS. DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, ITS WSPS CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES, INCLUDING SECURITIES EXCHANGE ACT OF 1934 RULE 15C3-5. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO DEVELOP AND IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER AS THEY RELATE TO THE FIRM'S MARKET ACCESS BUSINESS. THE FIRM'S AML



POLICIES AND PROCEDURES WERE NOT ADEQUATELY TAILORED TO ITS MARKET ACCESS BUSINESS AND COULD NOT REASONABLY BE EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS BY ITS MARKET ACCESS BUSINESS CUSTOMERS. THE FIRM'S FAILURE TO INVESTIGATE NUMEROUS RED FLAGS OF POTENTIALLY SUSPICIOUS ACTIVITY RELATED TO ITS MARKET ACCESS BUSINESS AND CLIENTS WAS AT LEAST PARTLY THE RESULT OF THE FIRM'S FAILURE TO ADOPT CLEAR LINES OF RESPONSIBILITY FOR AML COMPLIANCE REGARDING THE MARKET ACCESS BUSINESS. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO SYSTEMATICALLY MANAGE THE REGULATORY AND OTHER RISKS OF PROVIDING MARKET ACCESS. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5. FINRA FOUND THAT THE FIRM CREATED INCENTIVES THAT REWARDED COMPLIANCE PERSONNEL WITH MONTHLY COMPENSATION BASED ON MARKET ACCESS CUSTOMERS' TRADING VOLUME, FOR WHICH THEY HAD RESPONSIBILITY TO OVERSEE, AND FAILED TO MONITOR AND DETECT THOUSANDS OF INSTANCES OF POTENTIALLY MANIPULATIVE TRADING BY RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS. THE FIRM CREATED THE APPEARANCE OF A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO HAVE A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SECURITIES LAWS AND FINRA RULES, AND NASD RULE 3010(B), BY FAILING TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT ENGAGED. THE COMPLAINT ALLEGES THAT DESPITE NUMEROUS RED FLAGS THAT SHOULD HAVE ALERTED THE FIRM TO THE TYPES OF POTENTIAL MANIPULATION BY ITS MARKET ACCESS CUSTOMERS, THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) CONTINUED TO LACK REASONABLE OR ANY PROCEDURES AND REVIEWS FOR VARIOUS TYPES OF PRICE MANIPULATION, INCLUDING LAYERING, SPOOFING, PRE-ARRANGED TRADING, AUTO-EXECUTION, EXCESSIVE ORDER ENTRY AND MARKING-THE-CLOSE, AND CONTAINED FUNDAMENTAL FLAWS WITH RESPECT TO ESTABLISHED REVIEWS. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WSPS REASONABLY DESIGNED TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED



REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES, INCLUDING SEC RULE 15C3-5. THE COMPLAINT ALSO ALLEGES THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE ADEQUATE ANTI-MONEY LAUNDERING (AML) POLICIES AND PROCEDURES AND FAILED TO REASONABLY MONITOR, DETECT, AND CAUSE THE REPORTING OF POTENTIALLY SUSPICIOUS ACTIVITY BY ITS MARKET ACCESS CUSTOMERS. THE FIRM FAILED TO DEVELOP AND IMPLEMENT AML POLICIES, PROCEDURES, AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT AND THE IMPLEMENTING REGULATIONS PROMULGATED THEREUNDER. ALTHOUGH THE FIRM HAD AML POLICIES AND PROCEDURES IN PLACE, THEY WERE NOT TAILORED TO ITS MARKET ACCESS BUSINESS AND THEREFORE COULD NOT REASONABLY BE EXPECTED TO DETECT AND CAUSE THE REPORTING OF SUSPICIOUS TRANSACTIONS. THE FIRM MISSED OR OTHERWISE FAILED TO INVESTIGATE NUMEROUS RED FLAGS OF SUSPICIOUS ACTIVITY RELATED TO ITS MARKET ACCESS BUSINESS AND CLIENTS. THIS FAILURE WAS AT LEAST PARTLY THE RESULT OF THE FIRM'S FAILURE TO ADOPT CLEAR LINES OF RESPONSIBILITY FOR AML COMPLIANCE REGARDING THE MARKET ACCESS BUSINESS. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO SYSTEMATICALLY MANAGE THE REGULATORY AND OTHER RISKS OF PROVIDING MARKET ACCESS. THE FIRM FAILED TO APPROPRIATELY CONTROL THE RISKS ASSOCIATED WITH PROVIDING ITS CUSTOMERS WITH MARKET ACCESS SO AS NOT TO JEOPARDIZE THE FIRM'S AND OTHER MARKET PARTICIPANTS' FINANCIAL CONDITION AND THE INTEGRITY OF THE TRADING ON THE SECURITIES MARKETS. THE FIRM ALSO FAILED TO ENSURE THAT IT HAD ADEQUATE RISK MANAGEMENT CONTROLS TO PREVENT THE ENTRY OF ERRONEOUS ORDERS, BY REJECTING ORDERS THAT EXCEED APPROPRIATE PRICE OR SIZE PARAMETERS, ON AN ORDER-BY-ORDER BASIS OR OVER A SHORT PERIOD OF TIME. THE FIRM FAILED TO REASONABLY ALLOCATE, BY WRITTEN CONTRACT, AFTER A THOROUGH DUE DILIGENCE REVIEW, CONTROL OVER SPECIFIC REGULATORY RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES TO A BROKER-DEALER CUSTOMER. THE FIRM FAILED TO ADEQUATELY REVIEW THE PERFORMANCE OF BROKER-DEALERS TO WHOM IT HAS ALLOCATED CERTAIN REGULATORY RESPONSIBILITIES. THE FIRM KNOWINGLY AND DELIBERATELY CREATED A DISINCENTIVE FOR ITS EMPLOYEES TO CONDUCT RIGOROUS AND EFFECTIVE MONITORING AND CURTAIL POTENTIAL VIOLATIVE ACTIVITY AND PROFITED HANDSOMELY FROM ITS ABJECT FAILURE TO REASONABLY MONITOR AND DETECT THOUSANDS OF INSTANCES OF



POTENTIAL MANIPULATIVE ACTIVITY BY THE SAME RECIDIVIST CUSTOMERS, DESPITE REPEATED RED FLAGS.

Initiated By: FINRA

Date Initiated: 08/21/2014

Docket/Case Number: 2009020634401

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 12/01/2015

Sanctions Ordered: Censure
Monetary/Fine \$100,002.00

Other Sanctions Ordered:

Sanction Details: THE FIRM IS FINED \$100,002, IN THIS PROCEEDING.

Firm Statement WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT THE FIRM FAILED TO ESTABLISH, DOCUMENT AND MAINTAIN A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES REASONABLY DESIGNED TO SYSTEMATICALLY MANAGE THE REGULATORY AND OTHER RISKS OF PROVIDING MARKET ACCESS. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULE 15C3-5.

Disclosure 70 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: SEC ADMIN RELEASE 34-72340, IA RELEASE 40-3845 / JUNE 6, 2014: THE SECURITIES AND EXCHANGE COMMISSION DEEMS IT APPROPRIATE AND IN THE PUBLIC INTEREST THAT PUBLIC ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS BE, AND HEREBY ARE, INSTITUTED PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 ("EXCHANGE ACT") AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 ("ADVISERS ACT") AGAINST WEDBUSH SECURITIES INC.



("WEDBUSH" OR "THE FIRM"), AND OTHERS (COLLECTIVELY "RESPONDENTS"). AFTER AN INVESTIGATION, THE DIVISION OF ENFORCEMENT ALLEGES THAT: THESE PROCEEDINGS INVOLVE THE MARKET ACCESS BUSINESS OF WEDBUSH. FROM JULY 2011 UNTIL AT LEAST JANUARY 2013 (THE "RELEVANT PERIOD"), WEDBUSH SERVED AS THE GATEWAY TO U.S. MARKETS FOR DOZENS OF TRADING FIRMS, INCLUDING FOREIGN, DOMESTIC, REGISTERED, AND UNREGISTERED FIRMS, AS WELL AS THOUSANDS OF THEIR TRADERS. MOST OF THESE FIRMS AND THEIR TRADERS ENGAGED IN TRADING ACTIVITY THAT DID NOT FLOW THROUGH ANY WEDBUSH SYSTEMS BEFORE REACHING EXCHANGES AND OTHER TRADING VENUES IN THE U.S. DURING THE RELEVANT PERIOD, THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 THEREUNDER BECAUSE IT DID NOT MAINTAIN EXCLUSIVE CONTROL OVER RISK MANAGEMENT CONTROLS IN SPONSORED ACCESS TRADING PLATFORMS; DID NOT HAVE A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES THAT WAS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, INCLUDING THOSE THAT MUST BE SATISFIED ON A PRE-ORDER ENTRY BASIS; DID NOT HAVE CONTROLS AND PROCEDURES REASONABLY DESIGNED TO RESTRICT ACCESS TO MARKET ACCESS TRADING SYSTEMS TO PERSONS AND ACCOUNTS PRE-APPROVED AND AUTHORIZED BY THE FIRM; DID NOT ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES RELATING TO MARKET ACCESS; AND DID NOT CONDUCT AN ADEQUATE REVIEW OF ITS MARKET ACCESS CONTROLS AND PROCEDURES. THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 THEREUNDER BECAUSE IT FAILED TO FILE REPORTS OF SUSPICIOUS TRADING ACTIVITY IN CONNECTION WITH IS MARKET ACCESS BUSINESS. THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER BECAUSE IT FAILED TO PRESERVE ORIGINALS OR COPIES OF COMMUNICATIONS CONTAINING TRADING INSTRUCTIONS RELATING TO ISOS SUBMITTED BY ITS CUSTOMERS UNDER A FIRM MPID THROUGH THIRD-PARTY TRADING PLATFORMS. THE FIRM WILLFULLY VIOLATED RULE 203(B)(1) OF REGULATION SHO BECAUSE IT ALLOWED SPONSORED ACCESS CUSTOMERS TO SUBMIT SHORT-SALE ORDERS FOR SECURITIES THAT WERE NOT EASY TO BORROW WITHOUT FIRST OTHERWISE LOCATING SHARES TO BORROW. THE FIRM WILLFULLY VIOLATED RULE 611(C) OF REGULATION NMS BECAUSE IT ALLOWED SPONSORED ACCESS CUSTOMERS TO SUBMIT ISOS WITHOUT THE FIRM TAKING REASONABLE STEPS TO ENSURE THAT IT SATISFIED THE REQUIREMENTS FOR SENDING ISOS.

Initiated By:

UNITED STATES SECURITIES AND EXCHANGE COMMISSION



Date Initiated:	06/06/2014
Docket/Case Number:	3-15913
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	11/20/2014
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$2,447,043.38 Cease and Desist/Injunction
Other Sanctions Ordered:	UNDERTAKINGS
Sanction Details:	IT IS HEREBY ORDERED THAT: RESPONDENT WEDBUSH CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS, IS CENSURED AND SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,447,043.38 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT WEDBUSH SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT. IN CONNECTION WITH THE CONDUCT DESCRIBED, WEDBUSH ACTED WILLFULLY.
Regulator Statement	IT IS FURTHER ORDERED THAT THE ADMINISTRATIVE LAW JUDGE SHALL ISSUE AN INITIAL DECISION NO LATER THAN 300 DAYS FROM THE DATE OF SERVICE OF THIS ORDER. SEC ADMIN RELEASE 34-73652, IA RELEASE 40-3971 / NOVEMBER 20, 2014: RESPONDENT WEDBUSH HAS SUBMITTED AN OFFER OF SETTLEMENT THAT THE COMMISSION HAS DETERMINED TO ACCEPT. RESPONDENT ADMITS THE FACTS AND ACKNOWLEDGES THAT ITS CONDUCT VIOLATED THE FEDERAL SECURITIES LAWS, ADMITS THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, AND CONSENTS TO THE ENTRY OF THIS ORDER MAKING



FINDINGS AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 AS TO WEDBUSH SECURITIES INC. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT WEDBUSH'S OFFER. ACCORDINGLY, PURSUANT TO SECTIONS 15(B) AND 21C OF THE EXCHANGE ACT AND SECTION 203(E) OF THE ADVISERS ACT, IT IS HEREBY ORDERED THAT: RESPONDENT WEDBUSH CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A) OF THE EXCHANGE ACT; RULES 15C3-5, 17A-4, AND 17A-8 THEREUNDER; RULE 203(B)(1) OF REGULATION SHO; AND RULE 611(C) OF REGULATION NMS. RESPONDENT WEDBUSH IS CENSURED. RESPONDENT WEDBUSH SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,447,043.38 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT WEDBUSH SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

Reporting Source: Firm

Current Status: Final

Allegations: THE SEC ALLEGES THE FIRM WILLFULLY VIOLATED SECTION 15(C)(3) OF THE EXCHANGE ACT AND RULE 15C3-5 THEREUNDER BECAUSE IT DID NOT MAINTAIN EXCLUSIVE CONTROL OVER RISK MANAGEMENT CONTROLS IN SPONSORED ACCESS TRADING PLATFORMS; DID NOT HAVE A SYSTEM OF RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES THAT WAS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH ALL REGULATORY REQUIREMENTS, INCLUDING THOSE THAT MUST BE SATISFIED ON A PRE-ORDER ENTRY BASIS; DID NOT HAVE CONTROLS AND PROCEDURES REASONABLY DESIGNED TO RESTRICT ACCESS TO MARKET ACCESS TRADING SYSTEMS TO PERSONS AND ACCOUNTS PRE-APPROVED AND AUTHORIZED BY THE FIRM; DID NOT ESTABLISH, DOCUMENT, AND MAINTAIN A SYSTEM FOR REGULARLY REVIEWING THE EFFECTIVENESS OF ITS RISK MANAGEMENT CONTROLS AND SUPERVISORY PROCEDURES RELATING TO MARKET ACCESS; AND DID NOT CONDUCT AN ADEQUATE REVIEW OF ITS MARKET ACCESS CONTROLS AND PROCEDURES. THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-8 THEREUNDER BECAUSE IT FAILED TO FILE REPORTS OF SUSPICIOUS TRADING ACTIVITY IN CONNECTION WITH IS MARKET ACCESS BUSINESS. THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE EXCHANGE ACT AND RULE 17A-4(B)(4) THEREUNDER BECAUSE IT FAILED TO PRESERVE ORIGINALS OR COPIES



OF COMMUNICATIONS CONTAINING TRADING INSTRUCTIONS RELATING TO ISOS SUBMITTED BY ITS CUSTOMERS UNDER A FIRM MPID THROUGH THIRD-PARTY TRADING PLATFORMS. THE FIRM WILLFULLY VIOLATED RULE 203(B)(1) OF REGULATION SHO BECAUSE IT ALLOWED SPONSORED ACCESS CUSTOMERS TO SUBMIT SHORT-SALE ORDERS FOR SECURITIES THAT WERE NOT EASY TO BORROW WITHOUT FIRST OTHERWISE LOCATING SHARES TO BORROW. THE FIRM WILLFULLY VIOLATED RULE 611(C) OF REGULATION NMS BECAUSE IT ALLOWED SPONSORED ACCESS CUSTOMERS TO SUBMIT ISOS WITHOUT THE FIRM TAKING REASONABLE STEPS TO ENSURE THAT IT SATISFIED THE REQUIREMENTS FOR SENDING ISOS.

Initiated By: SECURITIES AND EXCHANGE COMMISSION

Date Initiated: 06/06/2014

Docket/Case Number: 3-15913

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 11/20/2014

Sanctions Ordered: Censure
Monetary/Fine \$2,447,043.38
Cease and Desist/Injunction

Other Sanctions Ordered: UNDERTAKINGS

Sanction Details: ORDERED THAT: RESPONDENT WEDBUSH CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS, IS CENSURED AND SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,447,043.38 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT WEDBUSH SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT. IN CONNECTION WITH THE CONDUCT DESCRIBED, WEDBUSH ACTED WILLFULLY.

Firm Statement IT IS FURTHER ORDERED THAT THE ADMINISTRATIVE LAW JUDGE SHALL ISSUE AN INITIAL DECISION NO LATER THAN 300 DAYS FROM THE DATE OF SERVICE OF THIS ORDER. SEC ADMIN RELEASE 34-73652, IA RELEASE 40-3971 / NOVEMBER 20, 2014: RESPONDENT WEDBUSH HAS SUBMITTED AN



OFFER OF SETTLEMENT THAT THE COMMISSION HAS DETERMINED TO ACCEPT. RESPONDENT ADMITS THE FACTS AND ACKNOWLEDGES THAT ITS CONDUCT VIOLATED THE FEDERAL SECURITIES LAWS, ADMITS THE COMMISSION'S JURISDICTION OVER IT AND THE SUBJECT MATTER OF THESE PROCEEDINGS, AND CONSENTS TO THE ENTRY OF THIS ORDER MAKING FINDINGS AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER PURSUANT TO SECTIONS 15(B) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934 AND SECTION 203(E) OF THE INVESTMENT ADVISERS ACT OF 1940 AS TO WEDBUSH SECURITIES INC. IN VIEW OF THE FOREGOING, THE COMMISSION DEEMS IT APPROPRIATE IN THE PUBLIC INTEREST TO IMPOSE THE SANCTIONS AGREED TO IN RESPONDENT WEDBUSH'S OFFER. ACCORDINGLY, PURSUANT TO SECTIONS 15(B) AND 21C OF THE EXCHANGE ACT AND SECTION 203(E) OF THE ADVISERS ACT, IT IS HEREBY ORDERED THAT: RESPONDENT WEDBUSH CEASE AND DESIST FROM COMMITTING OR CAUSING ANY VIOLATIONS AND ANY FUTURE VIOLATIONS OF SECTIONS 15(C)(3) AND 17(A) OF THE EXCHANGE ACT; RULES 15C3-5, 17A-4, AND 17A-8 THEREUNDER; RULE 203(B)(1) OF REGULATION SHO; AND RULE 611(C) OF REGULATION NMS. RESPONDENT WEDBUSH IS CENSURED. RESPONDENT WEDBUSH SHALL, WITHIN TEN (10) DAYS OF THE ENTRY OF THIS ORDER, PAY A CIVIL MONEY PENALTY IN THE AMOUNT OF \$2,447,043.38 TO THE SECURITIES AND EXCHANGE COMMISSION. RESPONDENT WEDBUSH SHALL COMPLY WITH THE UNDERTAKINGS ENUMERATED IN THE OFFER OF SETTLEMENT.

Disclosure 71 of 142

Reporting Source:	Regulator
Current Status:	Final
Appealed To and Date Appeal Filed:	ON SEPTEMBER 21, 2015, THE FIRM APPEALED THE DECISION TO THE NATIONAL ADJUDICATORY COUNCIL (NAC).
Allegations:	THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO PROVIDE TRADE DATA REQUESTED BY THE SEC AND FINRA, COMMONLY KNOWN AS "BLUE SHEETS," FOR MORE THAN 160,000 TRADES THAT IT EXECUTED FOR CORRESPONDENT FIRMS, AND FAILED TO PROPERLY SUBMIT BLUE SHEETS REQUESTED BY THE SEC AND FINRA FOR MORE THAN 5.6 MILLION TRADES. THE FIRM KNEW OR SHOULD HAVE KNOWN THAT ITS BLUE SHEET SUBMISSIONS TO THE SEC WERE INACCURATE AND INCOMPLETE. THE COMPLAINT ALLEGES THAT THESE FAILURES WERE DUE IN PART TO THE FIRM'S LACK OF AN ADEQUATE AUDIT SYSTEM PROVIDING FOR ACCOUNTABILITY OF ITS BLUE SHEET SUBMISSIONS AND ITS LACK OF A SUPERVISORY SYSTEM AND PROCEDURES FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE



COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND WITH APPLICABLE FINRA AND NASD RULES FOR ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS. THE FIRM KNEW OR SHOULD HAVE KNOWN THAT ITS AUDIT SYSTEM DID NOT PROVIDE FOR ACCOUNTABILITY OF ITS BLUE SHEET SUBMISSIONS. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULES 17A-4(F)(3)(V), 17A-4(J) AND 17A-25 THEREUNDER, AND FINRA RULE 2010.

Initiated By:	FINRA
Date Initiated:	06/04/2014
Docket/Case Number:	2012034934301
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision
Resolution Date:	05/18/2016
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine \$1,000,000.00
Other Sanctions Ordered:	COSTS
Sanction Details:	THE FIRM WAS FINED \$1,000,000 AND ORDERED TO PAY COSTS OF \$9,085.21. FINE PAID IN FULL ON JULY 11, 2016.
Regulator Statement	EXTENDED HEARING PANEL DECISION RENDERED AUGUST 27, 2015 WHEREIN THE FIRM WAS FINED IN THE AGGREGATE \$1,000,000 AND ORDERED TO PAY COSTS IN THE AMOUNT OF \$9,085.21. THE SANCTIONS WERE BASED ON FINDINGS THAT THE FIRM SUBMITTED INCOMPLETE AND INACCURATE BLUE SHEETS TO THE SEC IN WILLFUL VIOLATION OF THE SECURITIES EXCHANGE ACT OF 1934 SECTION 17(A), SEC RULES 17A-4(J) AND 17A-25, AND FINRA RULE 2010. THE FIRM SUBMITTED INCOMPLETE AND INACCURATE BLUE SHEETS, (REQUESTED TRADE DATA), TO THE SEC IN VIOLATION OF THE SPECIFIED LAW AND REGULATIONS. DUE TO THE



FIRM'S CORRESPONDENT FIRM PROBLEM THE FIRM SUBMITTED 169 INCOMPLETE BLUE SHEET RESPONSES TO THE SEC, OMITTING ANY INFORMATION REGARDING 31,466 TRADES. DUE TO A MISSING HEADER PROBLEM THE FIRM SUBMITTED MORE THAN 50 INCOMPLETE BLUE SHEETS TO THE SEC, OMITTING ANY INFORMATION REGARDING 4.4 MILLION TRANSACTIONS. DUE TO A TRUNCATED CUSIP PROBLEM THE FIRM SUBMITTED 161 INCOMPLETE BLUE SHEETS TO THE SEC. A TOTAL OF 111,463 TRANSACTIONS WERE MISSING FROM BLUE SHEETS SUBMITTED TO THE SEC AND FINRA BECAUSE OF THE TRUNCATED CUSIP PROBLEM. THE FINDINGS STATED THAT THE FIRM SUBMITTED INCOMPLETE AND INACCURATE BLUE SHEETS TO FINRA. DUE TO THE CORRESPONDENT FIRM PROBLEM THE FIRM SUBMITTED 254 INCOMPLETE BLUE SHEET RESPONSES TO FINRA, OMITTING ANY INFORMATION REGARDING 17,609 TRADES. DUE TO THE MISSING HEADER PROBLEM THE FIRM SUBMITTED MORE THAN 49 INCOMPLETE BLUE SHEETS TO FINRA, OMITTING ANY INFORMATION REGARDING 1.2 MILLION TRANSACTIONS. DUE TO THE TRUNCATED CUSIP PROBLEM THE FIRM SUBMITTED 125 INCOMPLETE BLUE SHEETS TO FINRA. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO HAVE IN PLACE AN AUDIT SYSTEM PROVIDING FOR ACCOUNTABILITY REGARDING INPUTTING OF RECORDS IN WILLFUL VIOLATION OF THE SECURITIES EXCHANGE ACT OF 1934 SECTION 17(A), SEC RULE 17A-4(F)(3)(V), AND FINRA RULE 2010. SPECIFICALLY, THE FIRM HAD NO AUDIT SYSTEM IN PLACE PROVIDING ACCOUNTABILITY FOR THE INFORMATION ENTERED INTO ITS BLUE SHEETS RESPONSES. THE FIRM WAS IGNORANT OF THE DEFECTS IN ITS BLUE SHEET SUBMISSIONS BECAUSE IT HAD NO SYSTEM FOR AUDITING THE INFORMATION ENTERED INTO ITS BLUE SHEET RESPONSES TO PROVIDE FOR ACCOUNTABILITY. THE LACK OF ACCOUNTABILITY WAS MANIFEST FROM THE TESTIMONY AT THE FINRA EXTENDED HEARING. THE TWO CO-CHIEFS OF COMPLIANCE REFERRED THE EXTENDED HEARING PANEL TO IT WITNESSES FOR EXPLANATIONS AS THOUGH COMPLIANCE WAS NOT INVOLVED IN ENSURING THAT THE INFORMATION IN THE BLUE SHEETS WAS COMPLETE AND ACCURATE. THE FIRM'S IT STAFF MADE IT PLAIN THAT THEY DID WHAT THEY WERE ASKED TO DO AND NO MORE. THEY DID NOT KNOW WHAT WAS REQUIRED FOR THE FILING OF BLUE SHEETS THAT COMPLIED WITH THE APPLICABLE LAWS AND REGULATIONS. FURTHERMORE, THE SENIOR COMPLIANCE PERSONNEL INSTITUTED NO PROCEDURES FOR CHECKING THE ENTRY OF INFORMATION IN THE BLUE SHEETS BEFORE SUBMISSION, AND ANY QUARTERLY REVIEW OF THE BLUE SHEETS AFTER SUBMISSION WAS PURELY AD HOC. THE FINDINGS ALSO INCLUDED THAT THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE WRITTEN SUPERVISORY PROCEDURES (WSPS) REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS, AND RULES.



SPECIFICALLY, THE FIRM'S WSPS SAY NOTHING ABOUT SUPERVISION OF BLUE SHEETS. THEY SAY ONLY THAT THE BUSINESS CONDUCT DEPARTMENT IS RESPONSIBLE FOR RESPONDING TO REQUESTS AND RETAINING RECORDS OF THE REQUESTS AND RESPONSES. CONSEQUENTLY, THE FIRM DID NOT HAVE ANY SUPERVISORY SYSTEM OR WRITTEN SUPERVISORY PROCEDURES FOR SUPERVISING THE SUBMISSION OF THE FIRM'S BLUE SHEETS. IF THE FIRM HAD SIMPLY SPOT-CHECKED ITS SUBMISSIONS, IT WOULD HAVE DISCOVERED MANY OF THE PROBLEMS. THE FIRM IS SUBJECT TO A STATUTORY DISQUALIFICATION FOR ITS WILLFUL VIOLATIONS OF FEDERAL SECURITIES LAWS AND REGULATIONS. ON SEPTEMBER 21, 2015, THE FIRM APPEALED THE DECISION TO THE NAC. ON MAY 18, 2016, THE FIRM WITHDREW ITS APPEAL OF THE EXTENDED HEARING PANEL DECISION. ACCORDINGLY, THE MATTER IS NOW FINAL.

Reporting Source: Firm

Current Status: Final

Appealed To and Date Appeal Filed: ON SEPTEMBER 21, 2015, THE FIRM APPEALED THE DECISION TO THE NATIONAL ADJUDICATORY COUNCIL (NAC). ON MAY 18, 2016, THE FIRM WITHDREW ITS APPEAL OF THE EXTENDED HEARING PANEL DECISION. ACCORDINGLY, THE MATTER IS NOW FINAL.

Allegations: THE FIRM WAS NAMED A RESPONDENT IN A FINRA COMPLAINT ALLEGING THAT IT FAILED TO PROVIDE TRADE DATA REQUESTED BY THE SEC AND FINRA, COMMONLY KNOWN AS "BLUE SHEETS," FOR MORE THAN 160,000 TRADES THAT IT EXECUTED FOR CORRESPONDENT FIRMS, AND FAILED TO PROPERLY SUBMIT BLUE SHEETS REQUESTED BY THE SEC AND FINRA FOR MORE THAN 5.6 MILLION TRADES. THE FIRM KNEW OR SHOULD HAVE KNOWN THAT ITS BLUE SHEET SUBMISSIONS TO THE SEC WERE INACCURATE AND INCOMPLETE. THE COMPLAINT ALLEGES THAT THESE FAILURES WERE DUE IN PART TO THE FIRM'S LACK OF AN ADEQUATE AUDIT SYSTEM PROVIDING FOR ACCOUNTABILITY OF ITS BLUE SHEET SUBMISSIONS AND ITS LACK OF A SUPERVISORY SYSTEM AND PROCEDURES FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS AND WITH APPLICABLE FINRA AND NASD RULES FOR ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS. THE FIRM KNEW OR SHOULD HAVE KNOWN THAT ITS AUDIT SYSTEM DID NOT PROVIDE FOR ACCOUNTABILITY OF ITS BLUE SHEET SUBMISSIONS. AS A RESULT, THE FIRM WILLFULLY VIOLATED SECTION 17(A) OF THE SECURITIES EXCHANGE ACT OF 1934 AND RULES 17A-4(F)(3)(V), 17A-4(J) AND 17A-25 THEREUNDER, AND FINRA RULE 2010.

Initiated By: FINRA



Date Initiated: 06/04/2014

Docket/Case Number: 2012034934301

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 05/18/2016

Sanctions Ordered: Monetary/Fine \$1,000,000.00

Other Sanctions Ordered: COSTS

Sanction Details: THE FIRM WAS FINED \$1,000,000 AND ORDERED TO PAY COSTS OF \$9,085.21.

Firm Statement EXTENDED HEARING PANEL DECISION RENDERED AUGUST 27, 2015 WHEREIN THE FIRM WAS FINED IN THE AGGREGATE \$1,000,000 AND ORDERED TO PAY COSTS IN THE AMOUNT OF \$9,085.21. ON SEPTEMBER 21, 2015, THE FIRM APPEALED THE DECISION TO THE NAC. ON MAY 18, 2016, THE FIRM WITHDREW ITS APPEAL OF THE EXTENDED HEARING PANEL DECISION. ACCORDINGLY, THE MATTER IS NOW FINAL.

Disclosure 72 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE. AS A RESULT, THE FIRM VIOLATED NASDAQ RULE 4755.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 05/15/2014

Docket/Case Number: 2011026107601

Principal Product Type: No Product



Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/15/2014

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: SEE ABOVE

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE. AS A RESULT, THE FIRM VIOLATED NASDAQ RULE 4755.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 05/15/2014

Docket/Case Number: 2011026107601

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:



Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/15/2014
Sanctions Ordered:	Censure Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE. AS A RESULT, THE FIRM VIOLATED NASDAQ RULE 4755.
Firm Statement	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE SANCTIONS AND TO THE ENTRY OF FINDINGS THAT IT ENTERED ORDERS INTO THE NASDAQ MARKET CENTER THAT FAILED TO CORRECTLY INDICATE WHETHER THE ORDERS WERE A BUY, SHORT SALE OR LONG SALE. AS A RESULT, THE FIRM VIOLATED NASDAQ RULE 4755.

Disclosure 73 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WEDBUSH SECURITIES INC. ("WEDBUSH"), A CBOE STOCK EXCHANGE, LLC ("CBSX") TPH ORGANIZATION, WAS CENSURED AND FINED \$5,000 FOR THE FOLLOWING CONDUCT. WEDBUSH FAILED TO ESTABLISH AND MAINTAIN A UNIQUE LOGON ID BY OR BEFORE JANUARY 2, 2012 AND, AS A RESULT, IMPROPERLY CAUSED NUMEROUS ORDERS TO BE EXECUTED THROUGH A LOGON ID THAT WAS NOT UNIQUE, AS REQUIRED BY CBSX REGULATORY CIRCULAR 11-151. (EXCHANGE RULE 4.1 - JUST AND EQUITABLE PRINCIPLES OF TRADE)
Initiated By:	CHICAGO BOARD OPTIONS EXCHANGE
Date Initiated:	12/11/2013
Docket/Case Number:	13-0073
Principal Product Type:	Options
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	



Resolution: Decision & Order of Offer of Settlement

Resolution Date: 02/27/2014

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: A \$5,000 FINE AND A CENSURE.

Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH SECURITIES INC. ("WEDBUSH"), A CBOE STOCK EXCHANGE, LLC ("CBSX") TPH ORGANIZATION, WAS CENSURED AND FINED \$5,000 FOR THE FOLLOWING CONDUCT. WEDBUSH FAILED TO ESTABLISH AND MAINTAIN A UNIQUE LOGON ID BY OR BEFORE JANUARY 2, 2012 AND, AS A RESULT, IMPROPERLY CAUSED NUMEROUS ORDERS TO BE EXECUTED THROUGH A LOGON ID THAT WAS NOT UNIQUE, AS REQUIRED BY CBSX REGULATORY CIRCULAR 11-151. (EXCHANGE RULE 4.1 - JUST AND EQUITABLE PRINCIPLES OF TRADE)

Initiated By: CHICAGO BOARD OPTIONS EXCHANGE

Date Initiated: 12/11/2013

Docket/Case Number: 13-0073

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 03/11/2014

Sanctions Ordered: Censure
Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: A \$5,000 FINE AND A CENSURE.



Disclosure 74 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: NYSE RULES 123C, 132(A), 342(A) AND (B), 2010, WEDBUSH SECURITIES INC. FAILED TO COMPLY WITH REQUIREMENTS GOVERNING THE CANCELLATION OF MARKET-ON-CLOSE (MOC), LIMIT- ON-CLOSE (LOC) AND CLOSING OFFSET (CO) ORDERS ON THE NYSE, IN THAT VARIOUS DIRECT MARKET ACCESS AND SPONSORED ACCESS (MARKET ACCESS) CUSTOMERS TO WHICH THE FIRM PROVIDED ACCESS TO TRADE DIRECTLY ON THE NYSE VIA A FIRM MNEMONIC HAD CANCELLED ORDERS ON THE NYSE BETWEEN 3:45 P.M. AND 3:58 P.M. THAT WERE NOT THE RESULT OF LEGITIMATE ORDER ERRORS. FIRM MARKET ACCESS CUSTOMER TRADING VIA A FIRM MNEMONIC TESTED THE CONNECTIVITY OF ITS ELECTRONIC SYSTEMS TO THE NYSE'S SYSTEMS IN A MANNER INCONSISTENT WITH ESTABLISHED PROCEDURES BY ENTERING AND SENDING TO THE NYSE LOC ORDERS AND CANCELLATIONS, OVER DIFFERENT TRADE DATES TO PURCHASE TWO STOCKS AT A LIMIT PRICE OF \$.01, WHEN THE STOCKS HAD TRADED AT \$15 AND \$40, RESPECTIVELY; SUCH ORDERS WERE ENTERED IN THE GUISE OF ACTUAL ORDERS WITHOUT DENOTING EACH MESSAGE AS A TEST ORDER OR CANCELLATION. BY PERMITTING ITS MARKET ACCESS CUSTOMER TO TEST ITS ELECTRONIC ORDER ROUTING SYSTEMS' CONNECTIVITY TO THE NYSE'S SYSTEMS IN A MANNER INCONSISTENT WITH ESTABLISHED NYSE PROCEDURES, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE IN THE CONDUCT OF ITS BUSINESS. THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES OR SYSTEMS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC, LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS. THE FIRM, THROUGH TWO MARKET ACCESS CUSTOMERS WHICH WERE NON-MEMBER ORGANIZATIONS UNAFFILIATED WITH THE FIRM, SUBMITTED FOR COMPARISON OR SETTLEMENT NUMEROUS TRANSACTIONS VIA A FIRM MNEMONIC THAT WERE ERRONEOUSLY MARKED WITH A "P" ACCOUNT TYPE INDICATOR CODE, WHEN SUCH ORDERS SHOULD HAVE BEEN MARKED WITH AN "A" ACCOUNT TYPE INDICATOR CODE. THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES OR SYSTEMS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS.



Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 12/19/2013

Docket/Case Number: 2012032742901

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/19/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$95,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$95,000 AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEMS REGARDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC,LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS AND A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY FINRA'S OFFICE OF DISCIPLINARY AFFAIRS.

Reporting Source: Firm

Current Status: Final

**Allegations:**

NYSE RULES 123C, 132(A), 342(A) AND (B), 2010, WEDBUSH SECURITIES INC. FAILED TO COMPLY WITH REQUIREMENTS GOVERNING THE CANCELLATION OF MARKET-ON-CLOSE (MOC), LIMIT- ON-CLOSE (LOC) AND CLOSING OFFSET (CO) ORDERS ON THE NYSE, IN THAT VARIOUS DIRECT MARKET ACCESS AND SPONSORED ACCESS (MARKET ACCESS) CUSTOMERS TO WHICH THE FIRM PROVIDED ACCESS TO TRADE DIRECTLY ON THE NYSE VIA A FIRM MNEMONIC HAD CANCELLED ORDERS ON THE NYSE BETWEEN 3:45 P.M. AND 3:58 P.M. THAT WERE NOT THE RESULT OF LEGITIMATE ORDER ERRORS. FIRM MARKET ACCESS CUSTOMER TRADING VIA A FIRM MNEMONIC TESTED THE CONNECTIVITY OF ITS ELECTRONIC SYSTEMS TO THE NYSE'S SYSTEMS IN A MANNER INCONSISTENT WITH ESTABLISHED PROCEDURES BY ENTERING AND SENDING TO THE NYSE LOC ORDERS AND CANCELLATIONS, OVER DIFFERENT TRADE DATES TO PURCHASE TWO STOCKS AT A LIMIT PRICE OF \$.01, WHEN THE STOCKS HAD TRADED AT \$15 AND \$40, RESPECTIVELY; SUCH ORDERS WERE ENTERED IN THE GUISE OF ACTUAL ORDERS WITHOUT DENOTING EACH MESSAGE AS A TEST ORDER OR CANCELLATION. BY PERMITTING ITS MARKET ACCESS CUSTOMER TO TEST ITS ELECTRONIC ORDER ROUTING SYSTEMS' CONNECTIVITY TO THE NYSE'S SYSTEMS IN A MANNER INCONSISTENT WITH ESTABLISHED NYSE PROCEDURES, THE FIRM FAILED TO OBSERVE HIGH STANDARDS OF COMMERCIAL HONOR AND JUST AND EQUITABLE PRINCIPLES OF TRADE IN THE CONDUCT OF ITS BUSINESS. THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES OR SYSTEMS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC, LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS. THE FIRM, THROUGH TWO MARKET ACCESS CUSTOMERS WHICH WERE NON-MEMBER ORGANIZATIONS UNAFFILIATED WITH THE FIRM, SUBMITTED FOR COMPARISON OR SETTLEMENT NUMEROUS TRANSACTIONS VIA A FIRM MNEMONIC THAT WERE ERRONEOUSLY MARKED WITH A "P" ACCOUNT TYPE INDICATOR CODE, WHEN SUCH ORDERS SHOULD HAVE BEEN MARKED WITH AN "A" ACCOUNT TYPE INDICATOR CODE. THE FIRM HAD NO WRITTEN SUPERVISORY PROCEDURES OR SYSTEMS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS.

Initiated By:

FINRA

Date Initiated:

12/19/2013

Docket/Case Number:

2012032742901

Principal Product Type:

Equity Listed (Common & Preferred Stock)

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:**

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:**Resolution:**

Acceptance, Waiver & Consent(AWC)

Resolution Date:

12/19/2013

Sanctions Ordered:Censure
Monetary/Fine \$95,000.00**Other Sanctions Ordered:**

UNDERTAKING

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$95,000 AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEMS REGARDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC,LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS AND A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY FINRA'S OFFICE OF DISCIPLINARY AFFAIRS. FINE WAS PAID JANUARY 14, 2014.

Firm Statement

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$95,000 AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEMS REGARDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 123C WITH RESPECT TO MOC,LOC AND CO ORDERS ENTERED AND CANCELLED BY FIRM MARKET ACCESS CUSTOMERS AND A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE RULE 132 WITH RESPECT TO ACCOUNT TYPE INDICATOR CODES ON ORDERS ENTERED ON THE NYSE BY FIRM MARKET ACCESS CUSTOMERS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY FINRA'S OFFICE OF DISCIPLINARY AFFAIRS. FINE WAS PAID JANUARY 14, 2014.

Disclosure 75 of 142**Reporting Source:**

Regulator



Current Status:	Final
Allegations:	<p>MSRB RULES G-8, G-14, AND G-27, FINRA RULES 2010 AND 2110(A), AND NASD RULE 2320:</p> <p>THE FIRM FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY AND IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.</p> <p>THE FIRM FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USER'S MANUAL; THE FIRM FAILED TO REPORT THE CORRECT TIME OF TRADE TO THE RTRS IN MUNICIPAL SECURITIES TRANSACTIONS, AND FAILED TO REPORT INFORMATION THE TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL.</p> <p>THE FIRM FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON THE MEMORANDUM OF MUNICIPAL SECURITIES TRANSACTIONS FOR THE ACCOUNT OF THE FIRM EXECUTED WITH ANOTHER BROKER OR DEALER.</p> <p>THE FIRM IMPROPERLY REPORTED INFORMATION TO THE RTRS THAT IT SHOULD NOT HAVE; THE FIRM IMPROPERLY REPORTED PURCHASE AND SALE TRANSACTIONS IN MUNICIPAL SECURITIES TO THE RTRS, WHEN THE INTER-DEALER DELIVERS WERE STEP OUTS AND THUS WERE NOT INTER-DEALER TRANSACTIONS REPORTABLE TO THE RTRS.</p> <p>THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES, WHICH SPECIFIED THAT THE FIRM WOULD PERFORM DAILY REVIEWS OF TRADES ON THE MSRB WEBSITE FOR ACCURACY AND TIMELINESS AND MONTHLY REVIEWS OF THE FIRM'S MSRB REPORTS CARDS.</p>
Initiated By:	FINRA
Date Initiated:	10/16/2013
Docket/Case Number:	2009018146101
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other



Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/16/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$95,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE IT IS CENSURED AND FINED \$95,000 (\$15,000 FOR VIOLATIONS OF NASD RULE 2320, FINRA RULE 2010, AND FINRA RULE 2111(A), \$67,500 FOR VIOLATIONS OF MSRB RULE G-14, \$7,500 FOR VIOLATIONS OF MSRB RULE G-8, AND \$5,000 FOR VIOLATIONS OF MSRB RULE G-27). FINE PAID IN FULL ON NOVEMBER 15, 2013.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	MSRB RULES G-8, G-14, AND G-27, FINRA RULES 2010 AND 2110(A), AND NASD RULE 2320: THE FIRM FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY AND IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS. THE FIRM FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USER'S MANUAL; THE FIRM FAILED TO REPORT THE CORRECT TIME OF TRADE TO THE RTRS IN MUNICIPAL SECURITIES TRANSACTIONS, AND FAILED TO REPORT INFORMATION THE TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL. THE FIRM FAILED TO SHOW THE CORRECT TIME OF EXECUTION ON THE MEMORANDUM OF MUNICIPAL SECURITIES TRANSACTIONS FOR THE ACCOUNT OF THE FIRM EXECUTED WITH



ANOTHER BROKER OR DEALER. THE FIRM IMPROPERLY REPORTED INFORMATION TO THE RTRS THAT IT SHOULD NOT HAVE; THE FIRM IMPROPERLY REPORTED PURCHASE AND SALE TRANSACTIONS IN MUNICIPAL SECURITIES TO THE RTRS, WHEN THE INTER-DEALER DELIVERS WERE STEP OUTS AND THUS WERE NOT INTER-DEALER TRANSACTIONS REPORTABLE TO THE RTRS. THE FIRM FAILED TO ENFORCE ITS WRITTEN SUPERVISORY PROCEDURES, WHICH SPECIFIED THAT THE FIRM WOULD PERFORM DAILY REVIEWS OF TRADES ON THE MSRB WEBSITE FOR ACCURACY AND TIMELINESS AND MONTHLY REVIEWS OF THE FIRM'S MSRB REPORTS CARDS.

Initiated By:	FINRA
Date Initiated:	10/16/2013
Docket/Case Number:	2009018146101
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/16/2013
Sanctions Ordered:	Censure Monetary/Fine \$95,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE IT IS CENSURED AND FINED \$95,000 (\$15,000 FOR VIOLATIONS OF NASD RULE 2320, FINRA RULE 2010, AND FINRA RULE 2111(A), \$67,500 FOR VIOLATIONS OF MSRB RULE G-14, \$7,500 FOR VIOLATIONS OF MSRB RULE G-8, AND \$5,000 FOR VIOLATIONS OF MSRB RULE G-27).
Firm Statement	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE IT IS CENSURED AND FINED \$95,000 (\$15,000 FOR VIOLATIONS OF NASD RULE 2320, FINRA RULE 2010, AND FINRA RULE 2111(A), \$67,500 FOR VIOLATIONS OF MSRB RULE G-14, \$7,500 FOR VIOLATIONS OF MSRB RULE G-8, AND \$5,000 FOR VIOLATIONS OF MSRB RULE G-27).



Disclosure 76 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>FINRA RULES 2010, 4560, 6380A(A), 6730(A), NASD RULES 2110, 3010, 3360, NYSE RULE 421 - WEDBUSH SECURITIES INC., DURING A TWO-YEAR SHORT INTEREST REVIEW PERIOD, SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS TO FINRA AND ALSO FAILED TO REPORT SHORT INTEREST POSITIONS. DURING A TWO-YEAR SHORT INTEREST REVIEW PERIOD, THE FIRM SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS TO FINRA WHICH INCLUDED SHORT INTEREST POSITIONS FOR CERTAIN NASDAQ, NYSE, NYSE AMEX, NYSE ARCA, AND OVER-THE-COUNTER (OTC) EQUITY SECURITIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND FINRA RULES CONCERNING SHORT INTEREST REPORTING. DURING A TRADE REPORTING REVIEW PERIOD, THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) LAST SALE REPORTS OF TRANSACTIONS IN NATIONAL MARKET SYSTEM (NMS) SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6380A(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.</p>
Initiated By:	FINRA
Date Initiated:	09/27/2013
Docket/Case Number:	2009016641301
Principal Product Type:	Equity - OTC
Other Product Type(s):	NMS SECURITIES, TRACE-ELIGIBLE AGENCY DEBT SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	



Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/27/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$87,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$87,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SHORT INTEREST POSITION REPORTS WITHIN 90 DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL ON NOVEMBER 19, 2013.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA RULES 2010, 4560, 6380A(A), 6730(A), NASD RULES 2110, 3010, 3360, NYSE RULE 421 - WEDBUSH SECURITIES INC., DURING A TWO-YEAR SHORT INTEREST REVIEW PERIOD, SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS TO FINRA AND ALSO FAILED TO REPORT SHORT INTEREST POSITIONS. DURING A TWO-YEAR SHORT INTEREST REVIEW PERIOD, THE FIRM SUBMITTED INACCURATE SHORT INTEREST POSITION REPORTS TO FINRA WHICH INCLUDED SHORT INTEREST POSITIONS FOR CERTAIN NASDAQ, NYSE, NYSE AMEX, NYSE ARCA, AND OVER-THE-COUNTER (OTC) EQUITY SECURITIES. DURING A TRADE REPORTING REVIEW PERIOD, THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) LAST SALE REPORTS OF TRANSACTIONS IN NATIONAL MARKET SYSTEM (NMS) SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA RULE 6380A(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010. THE FIRM FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE AGENCY DEBT SECURITIES WITHIN 15 MINUTES OF THE EXECUTION TIME. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF FINRA



RULE 6730(A) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF FINRA RULE 2010.

Initiated By:	FINRA
Date Initiated:	09/27/2013
Docket/Case Number:	2009016641301
Principal Product Type:	Equity - OTC
Other Product Type(s):	NMS SECURITIES, TRACE-ELIGIBLE AGENCY DEBT SECURITIES
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/07/2013
Sanctions Ordered:	Censure Monetary/Fine \$87,500.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$87,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SHORT INTEREST POSITION REPORTS WITHIN 90 DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.
Firm Statement	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$87,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING SHORT INTEREST POSITION REPORTS WITHIN 90 DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

Disclosure 77 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC RULES 10B-10, 17A-3, SEC RULE 605 OF REGULATION NMS, SEC RULE 200(G) OF REGULATION SHO, FINRA RULES 2010, 6182, NASD RULES 3010, 3110 WEDBUSH SECURITIES INC. FAILED TO PROVIDE WRITTEN



NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND THE REPORTED PRICE. THE FIRM MADE AVAILABLE REPORTS ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM (NMS) SECURITIES IT RECEIVED FOR EXECUTION FROM ANY PERSON. THE REPORTS INCLUDED INCORRECT INFORMATION AS TO ORDER TYPE AND SIZE CATEGORIES. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR FINRA RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WSPS IN ORDER HANDLING (DISCLOSURE OF ORDER ROUTING INFORMATION); TRADE REPORTING (RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF, ACCURATE REPORTING BY THIRD PARTY); SALES TRANSACTIONS (DETERMINING AND MARKING SALES AS LONG OR SHORT)(PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT); (PRE-BORROWING IN AGED FAILS, ACCEPTING SHORT SALE ORDERS AFTER AN AGED FAIL OCCURS, NAKED SHORT SELLING ANTIFRAUD RULE, REPORTING SHORT SALE INDICATORS, REPORTING SALES AS LONG OR SHORT); PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT; AND OTHER RULES (BOOKS AND RECORDS). THE FIRM FAILED TO PROVIDE EVIDENCE OF SUPERVISORY REVIEW FOR TRADE REPORTING (RISKLESS PRINCIPAL TRADES, RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF) (ORDER ENTRY INTO NASDAQ) (ACCURATE REPORTING BY THIRD PARTY); AND OTHER RULES (BOOKS AND RECORDS). THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND THE CORRECT PRICE AND THE AVERAGE PRICE DETAILS. THE FIRM FAILED TO PROPERLY MARK SELL ORDERS AS SHORT AND, AS A RESULT, FAILED TO REPORT TRANSACTIONS IN REPORTABLE SECURITIES TO THE TRADE REPORTING FACILITY WITH A SHORT SALE INDICATOR. THE FIRM FAILED TO SHOW THE CORRECT ORDER ENTRY TIME AND THE CORRECT LONG/SHORT SALE INDICATOR IN ITS PROPRIETARY TRADING LEDGER.

Initiated By: FINRA

Date Initiated: 06/25/2013

Docket/Case Number: 2009017002603

Principal Product Type: Other

Other Product Type(s): NATIONAL MARKET SYSTEM (NMS)SECURITIES, REPORTABLE SECURITIES

Principal Sanction(s)/Relief Sought:



Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/25/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$72,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$72,500 AND REQUIRED TO REVISE ITS WSPS REGARDING ORDER HANDLING (DISCLOSURE OF ORDER ROUTING INFORMATION); TRADE REPORTING (RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF, ACCURATE REPORTING BY THIRD PARTY); SALES TRANSACTIONS (DETERMINING AND MARKING SALES AS LONG OR SHORT)(PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT); (PRE-BORROWING IN AGED FAILS, ACCEPTING SHORT SALE ORDERS AFTER AN AGED FAIL OCCURS, NAKED SHORT SELLING ANTIFRAUD RULE, REPORTING SHORT SALE INDICATORS, REPORTING SALES AS LONG OR SHORT); PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT; AND OTHER RULES (BOOKS AND RECORDS) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC. FINE PAID IN FULL ON JULY 24, 2013.

Reporting Source: Firm

Current Status: Final

Allegations: SEC RULES 10B-10, 17A-3, SEC RULE 605 OF REGULATION NMS, SEC RULE 200(G) OF REGULATION SHO, FINRA RULES 2010, 6182, NASD RULES 3010, 3110 WEDBUSH SECURITIES INC. FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND THE REPORTED PRICE. THE FIRM MADE AVAILABLE REPORTS ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM (NMS) SECURITIES IT RECEIVED FOR EXECUTION FROM ANY PERSON. THE REPORTS INCLUDED INCORRECT INFORMATION AS TO ORDER TYPE AND SIZE CATEGORIES. THE FIRM'S SUPERVISORY SYSTEM



DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND/OR FINRA RULES ADDRESSING QUALITY OF MARKET TOPICS. THE FIRM'S WRITTEN SUPERVISORY PROCEDURES (WSPS) FAILED TO PROVIDE FOR MINIMUM REQUIREMENTS FOR ADEQUATE WSPS IN ORDER HANDLING (DISCLOSURE OF ORDER ROUTING INFORMATION); TRADE REPORTING (RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF, ACCURATE REPORTING BY THIRD PARTY); SALES TRANSACTIONS (DETERMINING AND MARKING SALES AS LONG OR SHORT)(PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT); (PRE-BORROWING IN AGED FAILS, ACCEPTING SHORT SALE ORDERS AFTER AN AGED FAIL OCCURS, NAKED SHORT SELLING ANTIFRAUD RULE, REPORTING SHORT SALE INDICATORS, REPORTING SALES AS LONG OR SHORT); PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT; AND OTHER RULES (BOOKS AND RECORDS). THE FIRM FAILED TO PROVIDE EVIDENCE OF SUPERVISORY REVIEW FOR TRADE REPORTING (RISKLESS PRINCIPAL TRADES, RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF) (ORDER ENTRY INTO NASDAQ) (ACCURATE REPORTING BY THIRD PARTY); AND OTHER RULES (BOOKS AND RECORDS). THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMERS ITS CORRECT CAPACITY IN TRANSACTIONS AND THE CORRECT PRICE AND THE AVERAGE PRICE DETAILS. THE FIRM FAILED TO PROPERLY MARK SELL ORDERS AS SHORT AND, AS A RESULT, FAILED TO REPORT TRANSACTIONS IN REPORTABLE SECURITIES TO THE TRADE REPORTING FACILITY WITH A SHORT SALE INDICATOR. THE FIRM FAILED TO SHOW THE CORRECT ORDER ENTRY TIME AND THE CORRECT LONG/SHORT SALE INDICATOR IN ITS PROPRIETARY TRADING LEDGER.

Initiated By:	FINRA
Date Initiated:	06/25/2013
Docket/Case Number:	2009017002603
Principal Product Type:	Other
Other Product Type(s):	NATIONAL MARKET SYSTEM (NMS)SECURITIES, REPORTABLE SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	06/25/2013
Sanctions Ordered:	Censure Monetary/Fine \$72,500.00



Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$72,500 AND REQUIRED TO REVISE ITS WSPS REGARDING ORDER HANDLING (DISCLOSURE OF ORDER ROUTING INFORMATION); TRADE REPORTING (RISKLESS PRINCIPAL TRADES REPORTING ON FIRM'S BEHALF, ACCURATE REPORTING BY THIRD PARTY); SALES TRANSACTIONS (DETERMINING AND MARKING SALES AS LONG OR SHORT)(PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT); (PRE-BORROWING IN AGED FAILS, ACCEPTING SHORT SALE ORDERS AFTER AN AGED FAIL OCCURS, NAKED SHORT SELLING ANTIFRAUD RULE, REPORTING SHORT SALE INDICATORS, REPORTING SALES AS LONG OR SHORT); PROMPT DELIVERY OF SALES TRANSACTIONS BY SETTLEMENT; AND OTHER RULES (BOOKS AND RECORDS) WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC.

Firm Statement THE FIRM SIGNED THE PROPOSED AWC ON MAY 30 2013 AND IT WAS ACCEPTED BY FINRA ON JUNE 25 2013.

Disclosure 78 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: NASDAQ RULES 2110, 3010, 4755 - WEDBUSH SECURITIES, INC.'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS. THE FIRM FAILED TO CORRECTLY INDICATE WHETHER ORDERS WERE A BUY, SHORT SALE OR LONG SALE FOR SOME ORDERS ENTERED INTO THE NASDAQ MARKET CENTER.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 04/02/2013

Docket/Case Number: 2009017002602

Principal Product Type: Other

Other Product Type(s): NASDAQ SECURITIES

Principal Sanction(s)/Relief Sought:


Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/02/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$12,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NATIONAL REVIEW COUNSEL.

Reporting Source: Firm

Current Status: Final

Allegations: NASDAQ RULES 2110, 3010, 4755 - WEDBUSH SECURITIES, INC.'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASDAQ RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS. THE FIRM FAILED TO CORRECTLY INDICATE WHETHER ORDERS WERE A BUY, SHORT SALE OR LONG SALE FOR SOME ORDERS ENTERED INTO THE NASDAQ MARKET CENTER.

Initiated By: NASDAQ STOCK MARKET

Date Initiated: 04/02/2013

Docket/Case Number: 2009017002602

Principal Product Type: Other



Other Product Type(s):	NASDAQ SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/02/2013
Sanctions Ordered:	Censure Monetary/Fine \$12,500.00
Other Sanctions Ordered:	UNDERTAKING TO UPDATE THE WSP'S
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; WEDBUSH WAS CENSURED, FINED \$12,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NATIONAL REVIEW COUNSEL.
Firm Statement	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; WEDBUSH WAS CENSURED, FINED \$12,500 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NATIONAL REVIEW COUNSEL AND WHICH WAS ACCEPTED ON APRIL 2 2013.

Disclosure 79 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	BATS RULES 5.1, 11.19 - WEDBUSH SECURITIES, INC.'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND BATS RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE. THE FIRM FAILED TO CORRECTLY INDICATE WHETHER TWO ORDERS WERE A BUY, SHORT SALE OR LONG SALE IN SOME TRANSACTIONS.



Initiated By: BATS Z-EXCHANGE, INC.

Date Initiated: 03/08/2013

Docket/Case Number: 2009017002601

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/08/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$12,500, AND REQUIRED TO REVISE IT WSPS REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE APPEALS COMMITTEE.

Reporting Source: Firm

Current Status: Final

Allegations: BATS RULES 5.1, 11.19 - WEDBUSH SECURITIES, INC.'S SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES (WSPS) WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND BATS RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-



MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE. THE FIRM FAILED TO CORRECTLY INDICATE WHETHER TWO ORDERS WERE A BUY, SHORT SALE OR LONG SALE IN SOME TRANSACTIONS.

Initiated By: BATS Y-EXCHANGE, INC.

Date Initiated: 03/08/2013

Docket/Case Number: 2009017002601

Principal Product Type: Other

Other Product Type(s): UNSPECIFIED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/12/2013

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered: UNDERTAKING TO UPDATE THE WSP'S

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. WEDBUSH WAS CENSURED, FINED \$12,500, AND REQUIRED TO REVISE IT WSP'S REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE APPEALS COMMITTEE.

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$12,500, AND REQUIRED TO REVISE IT WSPS REGARDING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND NON-MERITORIOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS AND SHORT SALE ORDER ENTRY ON THE BATS EXCHANGE WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE APPEALS COMMITTEE WHICH DID ACCEPT THE AWC ON MARCH 8, 2013.



Reporting Source:	Firm
Current Status:	Final
Allegations:	ON JUNE 20, 2007 AND JULY 31, 2009 THE FIRM FAILED TO INCLUDE THE ADMINISTRATIVE ACTIONS ON CRD ON THE NY INSURANCE LICENSE APPLICATION.
Initiated By:	NY STATE DEPARTMENT OF FINANCIAL SERVICES
Date Initiated:	11/13/2012
Docket/Case Number:	2012-0174-S
Principal Product Type:	Insurance
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Stipulation and Consent
Resolution Date:	03/08/2013
Sanctions Ordered:	Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM PAID A FINE OF \$10,000 WHICH WAS SENT WITH THE PROPOSED STIPULATION ON NOVEMBER 13, 2012.
Firm Statement	THE FIRM SENT A SIGNED COPY OF THE STIPULATION ADMITTING THE FIRM HAD NOT PROVIDED INFORMATION REGARDING THE ADMINISTRATIVE ACTIONS ON THE 2007 AND 2009 APPLICATIONS ALONG WITH THE CHECK TO PAY THE \$10,000 PENALTY. NY SIGNED THE STIPULATION AND SENT THE FIRM A COPY ON MARCH 8 2013.

Disclosure 81 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	**11/30/12** OFFER OF SETTLEMENT AND CONSENT FILED BY FINRA MARKET REGULATION, LEGAL SECTION AND PENDING. NYSE ARCA: FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO



HEREIN, WEDBUSH SECURITIES, INC. STIPULATED THAT FROM ON OR ABOUT JULY 30, 2009 TO ON OR ABOUT MAY 21, 2010 IT: 1.VIOLATED NYSE ARCA OPTIONS RULE 6.67(B) BY FAILING TO COMPLY WITH THE ORDER FORMAT REQUIREMENTS OF THE EXCHANGE BY SUBMITTING ORDERS WITH INCORRECT INFORMATION AS TO WHETHER SUCH TRANSACTION WAS AN OPENING OR CLOSING TRANSACTION. 2.VIOLATED NYSE ARCA OPTIONS RULE 6.14 BY MAKING ADJUSTMENTS TO POSITIONS AT THE OPTIONS CLEARING CORPORATION THAT WERE NOT FOR THE PURPOSE OF CORRECTING A BONA FIDE ERROR. 3. VIOLATED NYSE ARCA OPTIONS RULE 11.18 BY FAILING TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS AND THE OPERATION OF ITS BUSINESS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE ARCA OPTIONS RULE 6.14. STIPULATED SANCTION: 1. CENSURE; AND 2. FINE IN THE AMOUNT OF \$25,000.

Initiated By: NYSE ARCA, INC.

Date Initiated: 11/30/2012

Docket/Case Number: 20110275603

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 01/02/2013

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: NYSE ARCA HEARING BOARD DECISION ISSUED JANUARY 2, 2013 WHEREIN IN ACCORDANCE WITH THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM IS CENSURED AND FINED \$25,000.

Regulator Statement OTHER CASE NUMBER: 13-ARCA-01



Reporting Source: Firm

Current Status: Final

Allegations: **11/30/12** OFFER OF SETTLEMENT AND CONSENT FILED BY FINRA MARKET REGULATION, LEGAL SECTION AND PENDING. FOR THE SOLE PURPOSE OF SETTLING THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS REFERRED TO HEREIN, WEDBUSH SECURITIES, INC. STIPULATED THAT FROM ON OR ABOUT JULY 30, 2009 TO ON OR ABOUT MAY 21, 2010 IT: 1.VIOLATED NYSE ARCA OPTIONS RULE 6.67(B) BY FAILING TO COMPLY WITH THE ORDER FORMAT REQUIREMENTS OF THE EXCHANGE BY SUBMITTING ORDERS WITH INCORRECT INFORMATION AS TO WHETHER SUCH TRANSACTION WAS AN OPENING OR CLOSING TRANSACTION. 2.VIOLATED NYSE ARCA OPTIONS RULE 6.14 BY MAKING ADJUSTMENTS TO POSITIONS AT THE OPTIONS CLEARING CORPORATION THAT WERE NOT FOR THE PURPOSE OF CORRECTING A BONA FIDE ERROR. 3. VIOLATED NYSE ARCA OPTIONS RULE 11.18 BY FAILING TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS ASSOCIATED PERSONS AND THE OPERATION OF ITS BUSINESS REASONABLY DESIGNED TO ENSURE COMPLIANCE WITH NYSE ARCA OPTIONS RULE 6.14. STIPULATED SANCTION: 1. CENSURE; AND 2. FINE IN THE AMOUNT OF \$25,000.

Initiated By: NYSE ARCA INC.

Date Initiated: 11/30/2012

Docket/Case Number: 20110275603

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 01/02/2013

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:



Sanction Details:	NYSE ARCA HEARING BOARD DECISION ISSUED JANUARY 2, 2013 WHEREIN IN ACCORDANCE WITH THE OFFER OF SETTLEMENT AND CONSENT, THE FIRM IS CENSURED AND FINED \$25,000.
Firm Statement	ON NOVEMEBR 25, 2012 WEDBUSH SIGNED AN OFFER OF SETTLEMENT WHCIH WAS SIGNED BY COUNSEL FOR FINRA MARKET REGULATION ON NOVEMBER 30, 2013. THE HEARING BOARD ACCEPTED THE OFFER OF SETTLEMENT AND ISSUED THE DECISION ON JANUARY 2, 2013 OF A CENSURE AND FINE OF \$25,000.

Disclosure 82 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SECTION 12(K)(2) OF THE SECURITIES EXCHANGE ACT OF 1934 - WEDBUSH SECURITIES INC. FAILED, IN NUMEROUS INSTANCES, TO PROHIBIT EXECUTIONS IN SHORT SALES SUBJECT TO THE SEC EMERGENCY ORDER BY NON-BROKER-DEALER SPONSORED ACCESS CLIENTS OF THE FIRM.
Initiated By:	FINRA
Date Initiated:	11/21/2012
Docket/Case Number:	2008015084501
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/21/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$35,000.00

**Other Sanctions Ordered:****Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$35,000. FINE PAID IN FULL ON 12/19/12.

Reporting Source:

Firm

Current Status:

Final

Allegations:

SECTION 12(K)(2) OF THE SEA OF 1934 - WEDBUSH SECURITIES FAILED IN SEVERAL INSTANCES TO PROHIBIT EXECUTIONS IN SHORT SALES SUBJECT TO THE SEC EMERGENCY ORDER BY NON-BROKER-DEALER SPONSORED ACCESS CLIENTS OF THE FIRM.

Initiated By:

FINRA

Date Initiated:

11/21/2012

Docket/Case Number:

2008015084501

Principal Product Type:

Equity Listed (Common & Preferred Stock)

Other Product Type(s):**Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:**

Acceptance, Waiver & Consent(AWC)

Resolution Date:

11/21/2012

Sanctions Ordered:

Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered:**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THE FIRM WAS CENSURED AND FINED \$35,000

Firm Statement

THE FIRM WAS CENSURED AND FINED \$35,000 11/21/2012.

Disclosure 83 of 142**Reporting Source:**

Regulator



Current Status:	Final
Allegations:	MSRB RULES G-32 AND G-36: FROM JUNE 2, 2008 THROUGH JUNE 30, 2011, THE FIRM DID NOT TIMELY FILE OFFICIAL STATEMENTS (OS) FOR 39 PRIMARY MUNICIPAL OFFERINGS IN WHICH IT ACTED AS A LEAD OR SOLE MANAGER. MSRB RULE G36(B)(I) REQUIRES AN UNDERWRITER TO SEND THE FILE OFFICIAL STATEMENT FOR A MUNICIPAL OFFERING TO THE MSRB WITHIN ONE BUSINESS DAY AFTER THE OFFICIAL STATEMENT IS RECEIVED FROM THE ISSUER, BUT NO LATER THAN TEN BUSINESS DAYS AFTER THE FINAL AGREEMENT. MSRB RULE G-32 REPLACED MSRB RULE G-36 AS OF JUNE 1, 2009. MSRB RULE G-32(B)(I)(B)(1) REQUIRES THE UNDERWRITER OF A PRIMARY OFFERING OF MUNICIPAL SECURITIES TO SEND THE OFFICIAL STATEMENT TO THE ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) WITHIN ONE BUSINESS DAY AFTER RECEIPT OF THE OFFICIAL STATEMENT FROM THE ISSUER, BUT BY NO LATER THAN THE CLOSING DATE.
Initiated By:	FINRA
Date Initiated:	10/19/2012
Docket/Case Number:	2010021286801
Principal Product Type:	Other
Other Product Type(s):	PRIMARY MUNICIPAL OFFERINGS
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/19/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine \$5,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS FINED \$5,000. FINE PAID IN FULL ON 11/14/2012.



Reporting Source:	Firm
Current Status:	Final
Allegations:	MSRB RULES G-32 AND G-36: FROM JUNE 2, 2008 THROUGH JUNE 30, 2011, THE FIRM DID NOT TIMELY FILE OFFICIAL STATEMENTS (OS) FOR 39 PRIMARY MUNICIPAL OFFERINGS IN WHICH IT ACTED AS A LEAD OR SOLE MANAGER. MSRB RULE G36(B)(I) REQUIRES AN UNDERWRITER TO SEND THE FILE OFFICIAL STATEMENT FOR A MUNICIPAL OFFERING TO THE MSRB WITHIN ONE BUSINESS DAY AFTER THE OFFICIAL STATEMENT IS RECEIVED FROM THE ISSUER, BUT NO LATER THAN TEN BUSINESS DAYS AFTER THE FINAL AGREEMENT. MSRB RULE G-32 REPLACED MSRB RULE G-36 AS OF JUNE 1, 2009. MSRB RULE G-32(B)(I)(B)(1) REQUIRES THE UNDERWRITER OF A PRIMARY OFFERING OF MUNICIPAL SECURITIES TO SEND THE OFFICIAL STATEMENT TO THE ELECTRONIC MUNICIPAL MARKET ACCESS (EMMA) WITHIN ONE BUSINESS DAY AFTER RECEIPT OF THE OFFICIAL STATEMENT FROM THE ISSUER, BUT BY NO LATER THAN THE CLOSING DATE.
Initiated By:	FINRA
Date Initiated:	10/19/2012
Docket/Case Number:	2010021286801
Principal Product Type:	Other
Other Product Type(s):	PRIMARY MUNICIPAL OFFERINGS
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/19/2012
Sanctions Ordered:	Monetary/Fine \$5,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE THE FIRM IS FINED \$5,000.



Reporting Source: Regulator

Current Status: Final

Allegations: CHAPTER XV, RULE 5.1 OF THE BZA EXCHANGE RULES, CHAPTER XXIII, RULE 23.1(J) OF THE BZA EXCHANGE RULES - WEDBUSH SECURITIES INC. MADE A DECISION TO EXERCISE AND SUBMITTED AN EXPIRING EXERCISE DECLARATION (EED) AFTER THE 5:30 P.M. EASTERN TIME CUT-OFF TIME BASED ON MATERIAL INFORMATION RELEASED AFTER THE CUT-OFF TIME FOR AN OPTIONS POSITION IN PRODUCT A HELD IN A FIRM PROPRIETARY ACCOUNT. THE FIRM FAILED TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH EXCHANGE RULES RELATING TO THE OBLIGATIONS OF AN EXCHANGE PARTICIPANT WHEN EXERCISING OPTIONS CONTRACTS.

Initiated By: BATS Z-EXCHANGE, INC.

Date Initiated: 05/21/2012

Docket/Case Number: 20110709

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/21/2012

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$75,000.00
Disgorgement/Restitution

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$75,000, ORDERED TO PAY RESTITUTION OF \$73,326, PLUS INTEREST, TO THE HARMED CUSTOMERS



AND REQUIRED TO REVISE ITS SUPERVISORY SYSTEM, INCLUDING WRITTEN SUPERVISORY PROCEDURES REGARDING OBLIGATIONS OF AN EXCHANGE PARTICIPANT WHEN EXERCISING OPTIONS CONTRACTS WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE CHIEF REGULATORY OFFICER

Reporting Source: Firm

Current Status: Final

Allegations: THE EXERCISE OF OPTIONS AFTER THE 5:30 P.M. EST CUT-OFF TIME DUE TO A NEWS RELEASE AFTER THE CUT-OFF TIME. FAILURE TO HAVE ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO ENSURE AN EXERCISE DOES NOT TAKE PLACE AFTER THE CUT-OFF TIME ABSENT AN APPLICABLE EXCEPTION.

Initiated By: BATS EXCHANGE, INC. ("BZX")

Date Initiated: 03/03/2011

Docket/Case Number: 20110709

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: \$75,000 FINE
RESTITUTION OF \$73,326
UNDERTAKING TO REVISE THE WRITTEN SUPERVISORY PROCEDURES

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/23/2012

Sanctions Ordered: Censure
Monetary/Fine \$75,000.00
Disgorgement/Restitution

Other Sanctions Ordered: UNDERTAKING TO MODIFY THE FIRMS WRITTEN SUPERVISORY PROCEDURES

Sanction Details: \$75,000 FINE AND \$73,326 IN RESTITUTION AND AN UNDERTAKING TO MODIFY THE FIRMS WRITTEN SUPERVISORY PROCEDURES.

Disclosure 85 of 142

Reporting Source: Regulator

**Current Status:**

Final

Allegations:

FINRA RULES 2010, 7450, NASD RULES 1021, 1031, 2110, 3010, 6955 - WEDBUSH SECURITIES INC. PERMITTED ITS SPONSORED ACCESS AND DIRECT MARKET ACCESS (SM/DMA) CLIENTS TO USE MARKET ACCESS SYSTEMS TO ELECTRONICALLY ROUTE ORDERS DIRECTLY TO NASDAQ AND TO ELECTRONIC COMMUNICATIONS NETWORKS (ECNS) USING A FIRM MARKET PARTICIPANT IDENTIFIER (MPID). AS EXECUTING BROKER, THE FIRM HAD AN ORDER AUDIT TRAIL SYSTEM (OATS) REPORTING OBLIGATION FOR THESE ORDERS AND FOR APPROXIMATELY 18 MONTHS FAILED TO REPORT APPROXIMATELY 1.6 BILLION REPORTABLE ORDER EVENTS (ROES) WHICH CONSTITUTED ALMOST ALL OF ITS OATS REPORTING OBLIGATION DURING THAT PERIOD. THE FIRM ALSO FAILED TO SUBMIT APPROXIMATELY 2.9 MILLION ROES ATTRIBUTABLE TO SECONDARY MPIDS THAT THE FIRM USED TO SEGREGATE SA/DMA CLIENT ACTIVITY. THESE ROES WERE NOT SUBMITTED UNTIL FINRA APPRISED THE FIRM OF THE NON-REPORTING. ALTHOUGH THE FIRM'S WRITTEN SUPERVISORY PROCEDURES REQUIRED A PERIODIC REVIEW TO DETERMINE WHETHER ALL REQUIRED INFORMATION WAS BEING REPORTED, IT FAILED TO REPORT MORE THAN 99 PERCENT OF ITS OATS REPORTABLE ACTIVITY FOR SEVERAL YEARS. AS A RESULT OF ITS INCLUSION OF SA/DMA ACTIVITY, THE FIRM ATTEMPTED TO REPORT SEVERAL MILLION ROES AND IMMEDIATELY ENCOUNTERED DIFFICULTIES IN REPORTING ROES TIMELY BECAUSE ITS EMAIL SYSTEMS WERE INCAPABLE OF HANDLING THE AMOUNT OF DATA GENERATED. THE FIRM DID NOT PERFORM ANY TESTING TO DETERMINE IF ITS SYSTEMS WERE EQUIPPED TO REPORT THAT NUMBER OF ORDERS. THE FIRM TRIED INTERNET FILE TRANSFER (IFT) AND FILE TRANSFER PROTOCOL (FTP) WHICH ALSO DIDN'T WORK AND CONTRIBUTED TO LATE REPORTING FOR MORE THAN FOUR YEARS. THE FIRM SUBMITTED APPROXIMATELY 279 MILLION ROES LATE. BASED ON FEEDBACK FROM THE OATS WEBSITE, THE FIRM KNEW, OR SHOULD HAVE KNOWN, HOW MANY ROES IT WAS SUBMITTING LATE AND HOW ITS LATE REPORTING COMPARED TO THAT OF ITS PEERS AND THE INDUSTRY. FOR APPROXIMATELY FOUR YEARS, THE FIRM FAILED TO REPAIR APPROXIMATELY 12.7 MILLION REJECTED REPAIRABLE ROES BECAUSE OF CONTEXT OR SYNTAX ERRORS. THE FIRM OPERATED UNDER THE FALSE ASSUMPTION THAT REJECTED ROES COULD NOT BE REPAIRED AFTER THE FIVE OATS BUSINESS DAY WINDOW, DID NOT DEDICATE THE RESOURCES NECESSARY TO MAKE ALL REQUIRED REPAIRS WITHIN THE WINDOW AND THEN GAVE UP ONCE THE FIVE OATS BUSINESS DAYS HAD ELAPSED. AFTER CLARIFYING ITS MISUNDERSTANDING AND KNOWING THAT REPAIRS COULD BE MADE BEYOND THE FIVE-DAY WINDOW, IT STILL PERIODICALLY MADE REPAIRS MONTHS LATE OR NOT AT ALL. THE FIRM'S FAILURE TO ROUTINELY PERFORM PRE-SUBMISSION CHECKS OF OATS DATA FOR ACCURACY



FURTHER EXACERBATED ITS PROBLEMS WITH TRANSMITTING ROES THAT WERE REJECTED AND REQUIRED REPAIR. THE FIRM TRANSMITTED MORE THAN 26.7 MILLION ROUTE OR COMBINED ORDER/ROUTE REPORT REPORTS TO OATS THAT OATS WAS UNABLE TO LINK TO THE RELATED ORDER ROUTED TO NASDAQ DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA WHICH REPRESENTED MORE THAN 98 PERCENT OF ALL MATCH-ELIGIBLE ROUTE OR COMBINED ORDER/ROUTE REPORTS IT TRANSMITTED TO OATS DURING THAT PERIOD. THE FIRM TRANSMITTED MORE THAN 14 MILLION ROUTE OR COMBINED ORDER/ROUTE REPORTS THAT OATS WAS UNABLE TO LINK TO THE CORRESPONDING NEW ORDER TRANSMITTED BY THE DESTINATION MEMBER FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM TRANSMITTED MORE THAN FOUR MILLION ROUTE OR COMBINED ORDER/ROUTE REPORTS TO OATS THAT WERE SUBMITTED BY OTHER MEMBERS WHERE THE FIRM WAS NAMED AS THE SENT TO FIRM THAT OATS WAS UNABLE TO MATCH TO A RELATED NEW ORDER REPORT SUBMITTED BY THE FIRM DUE TO INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA.(CONTINUED IN COMMENT)

Initiated By:	FINRA
Date Initiated:	03/30/2012
Docket/Case Number:	2007007769001
Principal Product Type:	Equity - OTC
Other Product Type(s):	NASDAQ SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	06/25/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$750,000.00
Other Sanctions Ordered:	UNDERTAKING

**Sanction Details:**

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$750,000 AND REQUIRED TO RETAIN WITHIN 30 DAYS OF THE ORDER ACCEPTING THE OFFER OF SETTLEMENT, AN INDEPENDENT CONSULTANT (IC) TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S POLICIES, SYSTEMS, CONTROLS, PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING RELATED TO OATS REPORTING AND THE FIRM'S SUPERVISION OF OATS REPORTING. AT THE CONCLUSION OF THE REVIEW WHICH SHALL BE NO MORE THAN 120 DAYS AFTER THE DATE OF THE ORDER, THE IC SHALL SUBMIT AN INITIAL REPORT TO THE FIRM AND FINRA WHICH SHALL INCLUDE RECOMMENDATIONS RELATING TO OATS REPORTING AND THE FIRM'S SUPERVISION OF OATS REPORTING. WITHIN 60 DAYS AFTER DELIVERY OF THE INITIAL REPORT, THE FIRM SHALL ADOPT AND IMPLEMENT THE IC'S RECOMMENDATIONS OR PROPOSE ALTERNATIVE PROCEDURES. WITHIN 30 DAYS, THE IC SHALL EVALUATE THE ALTERNATIVE PROCEDURES AND PROVIDE THE FIRM AND FINRA WITH A WRITTEN DECISION REFLECTING HIS/HER DETERMINATION. THE FIRM WILL ABIDE BY THE IC'S ULTIMATE DETERMINATION, ADOPT AND IMPLEMENT ALL RECOMMENDATIONS. WITHIN 30 DAYS, THE FIRM SHALL PROVIDE FINRA WITH A WRITTEN IMPLEMENTATION REPORT, CERTIFIED BY A FIRM OFFICER. THE IC SHALL CONDUCT A FOLLOW-UP REVIEW AND SUBMIT A WRITTEN FINAL REPORT NO LATER THAN ONE YEAR FROM THE DATE OF THE ORDER. WITHIN 30 DAYS OF RECEIPT OF THE IC'S FINAL REPORT, THE FIRM SHALL ADOPT AND IMPLEMENT THE FINAL REPORT'S RECOMMENDATIONS. FINE PAID IN FULL ON JULY 23, 2013.

Regulator Statement

ALLEGATIONS CONTINUED: THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SYSTEM TO SUPERVISE THE ACTIVITIES OF ITS REGISTERED REPRESENTATIVES, REGISTERED PRINCIPALS AND OTHER ASSOCIATED PERSONS THAT WAS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD/FINRA RULES, TO WIT NASD RULES 6955, 7450, AND FINRA RULES 6955 AND 7450. THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES TO SUPERVISE THE TYPES OF BUSINESS IN WHICH IT WAS ENGAGED AND TO SUPERVISE THE ACTIVITIES OF REGISTERED REPRESENTATIVES, REGISTERED PRINCIPAL AND OTHER ASSOCIATED PERSONS TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD/FINRA RULES, TO WIT, NASD RULE 6955 AND FINRA RULE 7450. FOR APPROXIMATELY THREE YEARS, THE FIRM FAILED TO REGISTER AN INDIVIDUAL AS A GENERAL SECURITIES PRINCIPAL. FOR MORE THAN TWO YEARS, THE FIRM FAILED TO REGISTER AN INDIVIDUAL AS A GENERAL SECURITIES REPRESENTATIVE.



Reporting Source: Firm

Current Status: Final

Allegations: OATS NON-REPORTING,LATE REPORTING AND SUPERVISION NASD RULE 6955/FINRA RULE 7450, NASD RULE 2110 AND 3010/FINRA RULE 2010, NASD RULE 1021 AND 1031 FAILURE TO REGISTER AN INDIVIDUAL AS A GENERAL SECURITIES PRINCIPAL.

Initiated By: FINRA

Date Initiated: 03/30/2012

Docket/Case Number: 20070077690

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 06/25/2013

Sanctions Ordered: Censure
Monetary/Fine \$750,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$750,000 AND REQUIRED TO RETAIN WITHIN 30 DAYS OF THE ORDER ACCEPTING THE OFFER OF SETTLEMENT, AN INDEPENDENT CONSULTANT (IC) TO CONDUCT A COMPREHENSIVE REVIEW OF THE FIRM'S POLICIES, SYSTEMS, CONTROLS, PROCEDURES (WRITTEN AND OTHERWISE), AND TRAINING RELATED TO OATS REPORTING AND THE FIRM'S SUPERVISION OF OATS REPORTING. AT THE CONCLUSION OF THE REVIEW WHICH SHALL BE NO MORE THAN 120 DAYS AFTER THE DATE OF THE ORDER, THE IC SHALL SUBMIT AN INITIAL REPORT TO THE FIRM AND FINRA WHICH SHALL INCLUDE RECOMMENDATIONS RELATING TO OATS REPORTING AND THE FIRM'S SUPERVISION OF OATS REPORTING. WITHIN 60 DAYS AFTER DELIVERY OF THE INITIAL REPORT, THE FIRM SHALL ADOPT AND IMPLEMENT THE IC'S RECOMMENDATIONS OR PROPOSE ALTERNATIVE PROCEDURES. WITHIN 30 DAYS, THE IC SHALL EVALUATE THE ALTERNATIVE PROCEDURES AND PROVIDE THE FIRM AND FINRA WITH A



WRITTEN DECISION REFLECTING HIS/HER DETERMINATION. THE FIRM WILL ABIDE BY THE IC'S ULTIMATE DETERMINATION, ADOPT AND IMPLEMENT ALL RECOMMENDATIONS. WITHIN 30 DAYS, THE FIRM SHALL PROVIDE FINRA WITH A WRITTEN IMPLEMENTATION REPORT, CERTIFIED BY A FIRM OFFICER. THE IC SHALL CONDUCT A FOLLOW-UP REVIEW AND SUBMIT A WRITTEN FINAL REPORT NO LATER THAN ONE YEAR FROM THE DATE OF THE ORDER. WITHIN 30 DAYS OF RECEIPT OF THE IC'S FINAL REPORT, THE FIRM SHALL ADOPT AND IMPLEMENT THE FINAL REPORT'S RECOMMENDATIONS.

Firm Statement

THE FIRM SUBMITTED AN OFFER OF SETTLEMENT WITHOUT ADMITTING OR DENYING THE ALLEGATIONS ON MAY 2, 2013. THE OFFER WAS ACCEPTED BY THE HEARING BOARD AND THE FINRA NAC ON JUNE 25, 2013.

Disclosure 86 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: SEC EXCHANGE ACT RULE 15C3-3(B)(1), FINRA RULE 2010, NASD RULE 11870: THE FIRM FAILED TO PROMPTLY OBTAIN AND MAINTAIN POSSESSION OR CONTROL OVER ITS CUSTOMERS' SECURITIES. AN OPERATIONS EMPLOYEE AT ONE OF THE FIRM'S BRANCH OFFICES ERRONEOUSLY TENDERED PAR VALUE \$7,305,000 IN CORPORATE BONDS HELD IN FIVE CUSTOMER ACCOUNTS AT THE FIRM. THE TENDER WAS ERRONEOUS IN THAT NONE OF THE CUSTOMERS HAD REQUESTED THAT THEIR BONDS BE TENDERED. AFTER SEVERAL UNSUCCESSFUL ATTEMPTS BY THE FIRM TO RESCIND THE TENDER, THE FIRM CREATED A SHORT POSITION IN THE ERROR ACCOUNT OF THE BRANCH OFFICE WHERE THE TENDER HAD OCCURRED. BASED ON THE EXISTENCE OF THIS SHORT POSITION, WHICH OFFSET THE LONG POSITIONS IN THE FIVE CUSTOMER ACCOUNTS, THE FIRM DETERMINED THAT IT WAS NOT OBLIGATED TO PROMPTLY OBTAIN AND MAINTAIN POSSESSION OR CONTROL OVER THE CUSTOMERS' BONDS. CONSEQUENTLY, THE FIRM DID NOT BUY SUFFICIENT BONDS TO COVER ITS SHORT POSITION UNTIL ABOUT A YEAR TWO MONTHS LATER. THE FIRM DETERMINED THAT IT WAS REQUIRED TO NEITHER BUY NOR BORROW ITS CUSTOMERS' BONDS POSITIONS BASED ON A LONGSTANDING INTERPRETATION OF EXCHANGE ACT RULE 15C3-3, WHICH RELIEVES BROKER-DEALERS OF THEIR NORMAL POSSESSION AND CONTROL OBLIGATIONS UNDER CERTAIN CIRCUMSTANCES. IN THIS CASE, HOWEVER, THE FIRM WAS NOT ENTITLED TO THE BENEFIT OF THE INTERPRETATION BECAUSE THE INTERPRETATION ONLY APPLIES TO FIRM SHORT POSITIONS THAT RESULT FROM ACTUAL SHORT SALES TO CUSTOMERS. IN ORDER TO MONITOR



THE POSITIONS OF CUSTOMERS WHOSE BONDS HAD BEEN ERRONEOUSLY TENDERED, THE FIRM CREATED A NEW SECURITY IDENTIFICATION NUMBER FOR THOSE BONDS IN ITS INTERNAL SECURITIES TRACKING SYSTEM. TWO CONSEQUENCES OF THIS ACTION WERE THAT A RESTRICTED FLAG WAS ATTACHED TO THE NEW SECURITY IDENTIFICATION NUMBER, AND THE CUSIP NUMBER OF THE PRE-TENDER BONDS WAS NO LONGER ASSOCIATED WITH THE POSITIONS REPRESENTING THE TENDERED BONDS. TWO OF THE ACCOUNTS FROM WHICH THE BONDS WERE ERRONEOUSLY TENDERED WERE HELD BY THE SAME BENEFICIAL OWNER. IN TOTAL, THE TWO ACCOUNTS HELD PAR VALUE \$6,105,000 OF THE BONDS. THE CUSTOMER REQUESTED THAT BOTH OF HIS ACCOUNTS BE TRANSFERRED IN THEIR ENTIRETY TO ANOTHER BROKER-DEALER VIA THE AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE (ACATS). TO THAT END, THE RECEIVING BROKER-DEALER SENT THE FIRM A TRANSFER INITIATION FORM (TIF) FOR EACH OF THE TWO ACCOUNTS. IN LIGHT OF THE RESTRICTED FLAG ASSOCIATED WITH THE CUSTOMER'S BOND POSITIONS AND THE LACK OF A VALID CUSIP NUMBER, THE FIRM'S ACATS DEPARTMENT DID NOT TRANSFER ANY OF THE CUSTOMER'S BONDS. SPECIFICALLY, THE FIRM'S ACATS DEPARTMENT VALIDATED THE TIF FOR ONE OF THE ACCOUNTS BUT DELETED THE BOND POSITION FROM THE TRANSFER. AS TO THE SECOND ACCOUNT, THE FIRM'S ACATS DEPARTMENT REJECTED THE TIF ALTOGETHER, AS THE ONLY SECURITIES IN THE ACCOUNT WERE THE BONDS.

Initiated By:	FINRA
Date Initiated:	12/15/2011
Docket/Case Number:	2009018521301
Principal Product Type:	Debt - Corporate
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/15/2011



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?

No

Sanctions Ordered:

Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$15,000. FINE PAID IN FULL JANUARY 31, 2012.

Reporting Source:

Firm

Current Status:

Final

Allegations:

IN MARCH 2009 AN OPERATIONS EMPLOYEE AT ONE OF THE FIRM'S BRANCH OFFICES ERRONEOUSLY TENDERED CORPORATE BONDS HELD IN FIVE CUSTOMER ACCOUNTS AT THE FIRM. AFTER SEVERAL UNSUCCESSFUL ATTEMPTS BY THE FIRM TO RESCIND THE TENDER, THE FIRM CREATED A SHORT POSITION IN THE ERROR ACCOUNT OF THE BRANCH OFFICE WHERE THE TENDER HAD OCCURRED. THE FIRM DETERMINED THAT IT WAS REQUIRED TO NEITHER BUY NOR BORROW ITS CUSTOMERS' BONDS POSITIONS BASED ON A LONGSTANDING INTERPRETATION OF EXCHANGE ACT RULE 15C3-3, WHICH RELIEVES BROKER-DEALERS OF THEIR NORMAL POSSESSION AND CONTROL OBLIGATIONS UNDER CERTAIN CIRCUMSTANCES. IN THIS CASE, HOWEVER, THE FIRM WAS NOT ENTITLED TO THE BENEFIT OF THE INTERPRETATION BECAUSE THE INTERPRETATION ONLY APPLIES TO FIRM SHORT POSITIONS THAT RESULT FROM ACTUAL SHORT SALES TO CUSTOMERS. THE CUSTOMER REQUESTED THAT BOTH OF HIS ACCOUNTS BE TRANSFERRED IN THEIR ENTIRETY TO ANOTHER BROKER-DEALER VIA THE AUTOMATED CUSTOMER ACCOUNT TRANSFER SERVICE (ACATS). TO THAT END, THE RECEIVING BROKER-DEALER SENT THE FIRM A TRANSFER INITIATION FORM (TIF) FOR EACH OF THE TWO ACCOUNTS. IN LIGHT OF THE RESTRICTED FLAG ASSOCIATED WITH THE CUSTOMER'S BOND POSITIONS AND THE LACK OF A VALID CUSIP NUMBER, THE FIRM'S ACATS DEPARTMENT DID NOT TRANSFER ANY OF THE CUSTOMER'S BONDS. SPECIFICALLY, THE FIRM'S ACATS DEPARTMENT VALIDATED THE TIF FOR ONE OF THE ACCOUNTS BUT DELETED THE BOND POSITION FROM THE TRANSFER. AS TO THE SECOND ACCOUNT, THE FIRM'S ACATS DEPARTMENT REJECTED THE TIF ALTOGETHER, AS THE ONLY SECURITIES



IN THE ACCOUNT WERE THE BONDS. VIOLATIONS OF SEC EXCHANGE ACT
RULE 15C3-3(B)(1), FINRA RULE 2010, NASD RULE 11870

Initiated By: FINRA

Date Initiated: 12/15/2011

Docket/Case Number: 2009018521301

Principal Product Type: Debt - Corporate

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/15/2011

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THE FIRM IS CENSURED AND FINED \$15,000.

Disclosure 87 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: BROKER DEALER OPERATED A BRANCH OFFICE IN NEVADA WITHOUT FIRST OBTAINING A LICENSE FROM THE DIVISION.

Initiated By: NEVADA

Date Initiated: 11/18/2010

Docket/Case Number: I10-336-JH

URL for Regulatory Action:

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Cease and Desist


Other Sanction(s)/Relief Sought:
Resolution: Order

Resolution Date: 08/05/2011

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$1,000.00

Other Sanctions Ordered:
Sanction Details: FINES PAID IN FULL ON 8/5/11.

Reporting Source: Firm

Current Status: Final

Allegations: BROKER DEALER OPERATED A BRANCH OFFICE IN NEVADA WITHOUT FIRST REGISTERING IT

Initiated By: NEVADA SECURITIES DIVISION

Date Initiated: 11/18/2010

Docket/Case Number: I10-336-JH

Principal Product Type: No Product

Other Product Type(s):
Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought: FINE

Resolution: Order

Resolution Date: 08/05/2011

Sanctions Ordered: Monetary/Fine \$1,000.00

Other Sanctions Ordered:
Sanction Details: FINES PAID 8/5/2011



Firm Statement	FIRM WAS NOT AWARE THAT NEVADA DID NOT PERMIT UNREGISTERED HOME OFFICES WHICH ARE PERMITTED UNDER FINRA AND NYSE RULES
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Disclosure 88 of 142

Reporting Source:	Firm
Current Status:	Final
Allegations:	FAILING TO REPORT REGULATORY ACTIONS TO THE COLORADO DIVISION OF INSURANCE DURING THE PERIOD 2004-2010 IN VIOLATION OF 10-2-801(1)(A) AND 10-2-801(3), C.R.S.
Initiated By:	COLORADO DIVISION OF INSURANCE
Date Initiated:	08/31/2010
Docket/Case Number:	228311
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Stipulation and Consent
Resolution Date:	04/18/2011
Sanctions Ordered:	Monetary/Fine \$14,300.00
Other Sanctions Ordered:	
Sanction Details:	\$14,300 FINE PAID VIA A CHECK ISSUED MAY 4, 2011.
Firm Statement	THE FIRM WITHOUT ADMITTING OR DENYING THE ALLEGATIONS STIPULATED TO THE ORDER ISSUED APRIL 18, 2011 IMPOSING A FINE OF \$14,300.

Disclosure 89 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SECTION 17 OF THE SECURITIES EXCHANGE ACT OF 1934, SEC RULES 17A-3, 17A-4, FINRA RULE 2010, NASD RULES 2110, 3010, 3010(A), 3010(B), 3010(C), 3010(D), 3010(E), 3110: THE FIRM AND SOME OF ITS PRINCIPALS



KNEW BEFORE THE FIRM HIRED TWO REGISTERED REPRESENTATIVES, WHO WERE ALSO RELATIVES THAT THE REGISTERED REPRESENTATIVES CONCENTRATED THEIR SECURITIES BUSINESS IN THE SALE OF VARIABLE ANNUITY PRODUCTS, A RELATIVELY UNTAPPED LINE OF BUSINESS AT THE FIRM. NEVERTHELESS, UPON HIRING THEM, THE FIRM AND ITS PRINCIPALS FAILED TO REVIEW AND DETERMINE WHETHER THE FIRM'S SUPERVISORY SYSTEMS AND PROCEDURES WERE REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS GOVERNING THE SALES OF VARIABLE ANNUITY PRODUCTS. THE FIRM, ACTING THROUGH ITS RESPONSIBLE PRINCIPALS, FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE THE FIRM'S COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS WITH RESPECT TO THE VARIABLE ANNUITY BUSINESS TRANSACTED BY THE FIRM AND THE REGISTERED REPRESENTATIVES. ONE OF ITS PRINCIPALS ACTED AS HEAD OF THE FIRM'S INSURANCE DEPARTMENT AND WAS THE FIRM PRINCIPAL WHO PRIMARILY WAS RESPONSIBLE FOR ESTABLISHING AND MAINTAINING THE FIRM'S SUPERVISORY SYSTEM AND ESTABLISHING, MAINTAINING AND ENFORCING ITS WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO INSURANCE PRODUCTS, INCLUDING VARIABLE ANNUITIES. THE FIRM, ACTING IN PART THROUGH A PRINCIPAL, FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS CONCERNING VARIABLE ANNUITIES. DURING THE REGISTERED REPRESENTATIVES' REGISTRATION WITH THE FIRM, IT FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS CONCERNING GENERAL SALES PRACTICES. THE FIRM, ACTING THROUGH A PRINCIPAL IN PART AND OTHER PRINCIPALS, FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE BY THE REGISTERED REPRESENTATIVES WITH APPLICABLE LAWS, RULES AND REGULATIONS CONCERNING VARIABLE ANNUITIES. ALTHOUGH THE FIRM NOMINALLY HAD RELEVANT SUPERVISORY PROCEDURES IN PLACE, THEY WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE BECAUSE THEY LACKED CLEAR DESCRIPTIONS OF PROCESSES AND STANDARDS TO FOLLOW IN PERFORMING AND SUPERVISING RELATED TASKS. FURTHER, THE FIRM LACKED MECHANISMS, SUCH AS AUTOMATED EXCEPTION REPORTS, TO MONITOR COMPLIANCE AND DETECT MISCONDUCT IN RELATED AREAS. THE FIRM, ACTING IN PART THROUGH A PRINCIPAL, FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE THE EXISTING, AMENDED, AND SUPPLEMENTAL COMPLIANCE PROCEDURES AND WRITTEN SUPERVISORY PROCEDURES REGARDING THE REGISTERED REPRESENTATIVES' BUSINESS IN VARIABLE ANNUITIES AND THEIR GENERAL SALES PRACTICES. THE FIRM WAS RESPONSIBLE FOR



SUPERVISING THE REGISTERED REPRESENTATIVES IN A MANNER REASONABLY DESIGNED TO ACHIEVE THE REGISTERED REPRESENTATIVES' COMPLIANCE WITH THE LAWS, RULES AND REGULATIONS PERTAINING TO THEIR SECURITIES BUSINESS, INCLUDING THE SALES OF VARIABLE ANNUITIES. THE FIRM, ACTING THROUGH ITS PRINCIPALS, KNEW OR, BASED UPON FACTS THAT WERE KNOWN AND UPON REASONABLE INQUIRY SHOULD HAVE KNOWN THAT THE REGISTERED REPRESENTATIVES WERE ENGAGING IN VARIABLE ANNUITY TRANSACTIONS IN VIOLATIONS OF SEC, FINRA AND NASD RULES AND THEIR CONDUCT WAS CAUSING CUSTOMER HARM. THE FIRM, ACTING THROUGH ITS PRINCIPALS, FAILED TO SUPERVISE THE REGISTERED REPRESENTATIVES IN A MANNER REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS, RULES AND REGULATIONS CONCERNING VARIABLE ANNUITIES, AND THE REGISTERED REPRESENTATIVES' MISCONDUCT. THE FIRM'S PRINCIPALS WERE RESPONSIBLE FOR AND DID CONDUCT PERIODIC OFFICE INSPECTIONS OF THE BRANCH OFFICE; IN ADDITION, THE FIRM COMPLIANCE DEPARTMENT CONDUCTED AN INSPECTION ANNUALLY AND THE FIRM'S OFFICE INSPECTIONS FAILED TO DETECT THAT THE REGISTERED REPRESENTATIVES ROUTINELY ENGAGED IN MISCONDUCT, AND (CONT. IN COMMENT SECTION)

Initiated By:	FINRA
Date Initiated:	02/02/2011
Docket/Case Number:	2008012738002
Principal Product Type:	Annuity(ies) - Variable
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	09/10/2012
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	Yes
Sanctions Ordered:	Censure



Monetary/Fine \$375,000.00

Other Sanctions Ordered:

Sanction Details:

WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$375,000. FINE PAID IN FULL ON SEPTEMBER 19, 2012.

Regulator Statement

FAILED TO RETAIN AND REVIEW THE RELATED CORRESPONDENCE. THE FIRM, ACTING THROUGH A PRINCIPAL, HAD SUFFICIENT INFORMATION AT THE TIME THE REGISTERED REPRESENTATIVES APPLIED TO AND WERE HIRED BY THE FIRM TO INDICATE REASONABLY THAT THE REGISTERED REPRESENTATIVES HAD A HISTORY OF CUSTOMER COMPLAINTS, INCLUDING PENDING CUSTOMER COMPLAINTS, AND THAT THE REGISTERED REPRESENTATIVES MADE MATERIAL MISREPRESENTATIONS CONCERNING THE PENDING CUSTOMER COMPLAINTS TO THE FIRM, INCLUDING ON INITIAL AND AMENDED FORM U4S INVOLVING THE SALE OF VARIABLE ANNUITIES. THE FIRM, ACTING THROUGH A PRINCIPAL, FAILED TO MAKE REASONABLE INQUIRY TO RESOLVE THE INCONSISTENCIES IN THE REGISTERED REPRESENTATIVES' REPRESENTATIONS TO THE FIRM CONCERNING CUSTOMER COMPLAINTS THAT WERE PENDING WHEN THEY WERE HIRED, CUSTOMER COMPLAINTS RECEIVED BY THE FIRM WITHIN THE FIRST YEAR OF THE REGISTERED REPRESENTATIVES' ASSOCIATION, THE AMENDED FORM U5 FILED BY THE REGISTERED REPRESENTATIVES' FORMER FIRM, AND THE REGULATORY DETERMINATIONS OF CERTAIN STATES NOT TO ALLOW THE REGISTERED REPRESENTATIVES TO REGISTER. THE FIRM FAILED TO MAINTAIN ADEQUATE BOOKS AND RECORDS CAUSING WILLFUL VIOLATIONS OF SECTION 17 OF THE EXCHANGE ACT AND RULES 17A-3 AND 17A-4.

Reporting Source:

Firm

Current Status:

Final

Allegations:

THE FIRM FAILED TO ESTABLISH AND MAINTAIN A SUPERVISORY SYSTEM REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE LAWS RULES AND REGULATIONS CONCERNING VARIABLE ANNUITIES AND GENERAL SALES PRACTICE EVEN THOUGH THIS WAS NEVER NOTED AS AN ISSUE IN ANY ANNUAL EXAMINATION CONDUCTED BY THE NYSE, NASD OR FINRA AND THE FIRM DID HAVE WSP'S. THE FIRM FAILED TO MAINTAIN RECORDS IT DID NOT KNOW EXISTED ON A REPS PERSONAL EMAIL ACCOUNT OR WERE MAILED BY A REP IN VIOLATION OF THE FIRMS POLICIES. FINRA ALLEGES A FAILURE TO ADEQUATELY SUPERVISE TWO REPS. THESE ALLEGATIONS INCLUDE VIOLATIONS OF SECTION 17 OF THE SECURITIES EXCHANGE ACT OF 1934, SEC RULES 17A-3, 17A-4, FINRA



RULE 2010, NASD RULES 2110, 3010, 3010(A), 3010(B), 3010(C), 3010(D), 3010(E), 3110

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 02/02/2011

Docket/Case Number: 2008012738002

Principal Product Type: Annuity(ies) - Variable

Other Product Type(s): MUTUAL FUNDS, UIT'S AND CLOSED END FUNDS

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 09/10/2012

Sanctions Ordered: Censure
Monetary/Fine \$375,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINED \$360,000 PLUS JOINT AND SEVERAL LIABILITY FOR \$15,000.

Firm Statement THE FIRM SETTLED THE CASE WITHOUT ADMITTING OR DENYING THE ALLEGATIONS ON SEPTEMBER 10, 2012 FOR A FINE OF \$360,000 PLUS \$15,000 JOINT AND SEVERAL WITH TWO EMPLOYEES.

Disclosure 90 of 142

Reporting Source: Firm

Current Status: Final

Allegations: THE CONNECTICUT INSURANCE DEPT. ALLEGED THAT WEDBUSH FAILED TO NOTIFY THE INSURANCE DEPT. OF ADMINISTRATIVE ACTIONS AGAINST THE FIRM THAT HAD BEEN REPORTED ON CRD.

Initiated By: STATE OF CONNECTICUT INSURANCE DEPARTMENT

Date Initiated: 12/06/2010

Docket/Case Number: FC 10-179

Principal Product Type: No Product

**Other Product Type(s):**

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 12/29/2010

Sanctions Ordered: Monetary/Fine \$1,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM PAID A FINE OF \$1,500.00 ON DEC. 28, 2010.

Firm Statement WEDBUSH NEITHER ADMITTED OR DENIED THE ALLEGATIONS BUT AGREED TO PAY THE \$1,500 FINE ON DEC 28, 2010.

Disclosure 91 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULES 10B-10, 605 OF REGULATION NMS, NASD RULES 2110, 6230(A) AND (C)(8), 6955(A) - WEDBUSH SECURITIES INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF EXECUTION TIME AND FAILED TO REPORT TO TRACE THE CORRECT TRADE TIME FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULES 6230(A) AND (C)(8) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110. THE FIRM TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; THE FIRM INCORRECTLY REPORTED THE ORDER TYPE CODE; FAILED TO SUBMIT A ROUTE REPORT, REPORTED AN INCORRECT ORDER ENTRY TIME AND INCORRECTLY SUBMITTED A CANCELLATION FLAG. THE FIRM PROVIDED INCORRECT WRITTEN INFORMATION TO ITS CUSTOMERS; THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN TRANSACTIONS; WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, IT FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THE CORRECT REPORTED TRADE PRICE; AND FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN TRANSACTIONS AND THE CORRECT REPORTED



TRADE PRICE. THE FIRM MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES IT RECEIVED FOR EXECUTION FROM ANY PERSON AND FOR ONE MONTH, THE REPORT INCLUDED INCORRECT INFORMATION AS TO THE NUMBER OF COVERED ORDERS EXECUTED BY THE FIRM.

Initiated By: FINRA

Date Initiated: 10/20/2010

Docket/Case Number: 2008013225201

Principal Product Type: Other

Other Product Type(s): TRACE-ELIGIBLE SECURITIES,NATIONAL MARKET SYSTEM SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/20/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$28,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$28,000.

Reporting Source: Firm

Current Status: Final

Allegations: SEC RULES 10B-10, 605 OF REGULATION NMS, NASD RULES 2110, 6230(A) AND (C)(8), 6955(A) - WEDBUSH SECURITIES INC. FAILED TO REPORT TO THE TRADE REPORTING AND COMPLIANCE ENGINE (TRACE) TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES WITHIN 15 MINUTES OF EXECUTION TIME AND FAILED TO REPORT TO TRACE THE CORRECT



TRADE TIME FOR TRANSACTIONS IN TRACE-ELIGIBLE SECURITIES. THIS CONDUCT CONSTITUTES SEPARATE AND DISTINCT VIOLATIONS OF NASD RULES 6230(A) AND (C)(8) AND A PATTERN OR PRACTICE OF LATE REPORTING WITHOUT EXCEPTIONAL CIRCUMSTANCES IN VIOLATION OF NASD RULE 2110. THE FIRM TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA; THE FIRM INCORRECTLY REPORTED THE ORDER TYPE CODE; FAILED TO SUBMIT A ROUTE REPORT, REPORTED AN INCORRECT ORDER ENTRY TIME AND INCORRECTLY SUBMITTED A CANCELLATION FLAG. THE FIRM PROVIDED INCORRECT WRITTEN INFORMATION TO ITS CUSTOMERS; THE FIRM FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN TRANSACTIONS; WHEN IT ACTED AS PRINCIPAL FOR ITS OWN ACCOUNT, IT FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER THE CORRECT REPORTED TRADE PRICE; AND FAILED TO PROVIDE WRITTEN NOTIFICATION DISCLOSING TO ITS CUSTOMER ITS CORRECT CAPACITY IN TRANSACTIONS AND THE CORRECT REPORTED TRADE PRICE. THE FIRM MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES IT RECEIVED FOR EXECUTION FROM ANY PERSON AND FOR ONE MONTH, THE REPORT INCLUDED INCORRECT INFORMATION AS TO THE NUMBER OF COVERED ORDERS EXECUTED BY THE FIRM.

Initiated By:	FINRA
Date Initiated:	10/20/2010
Docket/Case Number:	2008013225201
Principal Product Type:	Other
Other Product Type(s):	TRACE-ELIGIBLE SECURITIES, NATIONAL MARKET SYSTEM SECURITIES
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/20/2010
Sanctions Ordered:	Censure Monetary/Fine \$28,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS;



THEREFORE, THE FIRM IS CENSURED AND FINED \$28,000.

Disclosure 92 of 142

Reporting Source:	Regulator
Current Status:	Final
Appealed To and Date Appeal Filed:	APPEALED TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT ON OCTOBER 11, 2016.
Allegations:	<p>FINRA BY-LAWS, ARTICLE V, SECTION 2(C) AND SECTION 3(B), FINRA RULE 2010, NASD BY-LAWS, ARTICLE V, SECTION 2(C) AND SECTION 3(B), NASD RULES 2110, 3010, 3070(C), NYSE RULES 351(A) AND 351(D): DURING THE RELEVANT PERIOD, THE FIRM WAS A MEMBER OF NYSE AND REQUIRED TO FILE FORM RE-3 WITHIN 30 DAYS OF A REPORTABLE EVENT PURSUANT TO NYSE RULE 351(A). THE FIRM FAILED TO FILED FORMS RE-3, LATE FILED FORMS RE-3 AND FILED INACCURATE FORMS RE-3 IN CONNECTION WITH 26 SETTLEMENTS AND ARBITRATION AWARDS. THE FIRM ALSO FAILED TO FILED FORMS U4 AND FORMS U5, LATE FILED FORMS U4 AND FORMS U5, AND FILED FORMS U4 AND FORMS U5 THAT CONTAINED INACCURATE FACTS IN CONNECTION WITH DISCLOSABLE EVENTS. THE FIRM FAILED TO REPORT A CUSTOMER COMPLAINT, UNTIMELY REPORTED CUSTOMER COMPLAINTS, AND MADE INACCURATE STATEMENTS IN CONNECTION WITH A CUSTOMER COMPLAINT. THE FIRM HAD WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF NASD RULE 3070, NYSE RULE 351(A) AND (D), AND THE NASD BY-LAWS. HOWEVER, THE WRITTEN PROCEDURES WERE NOT SUFFICIENTLY IMPLEMENTED IN ORDER FOR THE FIRM TO COMPLY WITH APPLICABLE REGULATORY REPORTING REQUIREMENTS. THE FIRM FAILED TO REPORT APPROXIMATELY 91 DISCLOSABLE EVENTS. IN ADDITION, THE FIRM FILED FORMS RE-3, FORMS U4, FORMS U5, AND 3070 REPORTS THAT CONTAINED INACCURATE STATEMENTS IN CONNECTION WITH DISCLOSABLE EVENTS DESPITE ITS OBLIGATION TO TIMELY AND ACCURATELY REPORT THE DISCLOSABLE EVENTS, AND DESPITE HAVING BEEN REPEATEDLY ADVISED BY ITS REGULATORS OF THE FIRM'S FAILURE TO COMPLY WITH ITS REPORTING REQUIREMENTS. THE FIRM FAILED TO ENSURE THAT ITS PROCEDURES FOR REPORTING CUSTOMER COMPLAINTS, SETTLEMENTS AND OTHER DISCLOSABLE EVENTS TO THE FIRM'S BUSINESS CONDUCT DEPARTMENT WERE BEING FOLLOWED. THE FIRM ALSO FAILED TO ENSURE THAT THE FIRM'S BUSINESS CONDUCT DEPARTMENT WAS PROPERLY MONITORING CRD FOR DISCLOSABLE EVENTS FOR CURRENT AND FORMER REGISTERED EMPLOYEES. FINALLY, THE FIRM FAILED TO FOLLOW-UP TO DETERMINE THAT ANY RESPONSIBILITY TO SUPERVISE DELEGATED TO COMPLIANCE OFFICERS, BRANCH MANAGERS AND OTHER PERSONNEL WAS BEING DILIGENTLY</p>



EXERCISED. DILATORY FILINGS CONTINUED EVEN AFTER THE SIGNING OF AN AWC IN 2007, THE RECEIPT OF A WELLS NOTICE IN 2008, AND THE RECEIPT OF A CAUTIONARY ACTION LETTER IN 2009 RELATED TO REGULATORY FILINGS. DESPITE SUCH NOTICES, THE FIRM FAILED TO FOLLOW UP AND ENSURE THAT THE PROCEDURES IT HAD IN PLACE TO COMPLY WITH APPLICABLE REPORTING REQUIREMENTS WERE BEING DILIGENTLY FOLLOWED. IN FACT, THE PROCEDURES WERE NOT BEING FOLLOWED, AS EVIDENCED BY THE CONTINUED VIOLATIONS TO DATE.

Initiated By:	FINRA
Date Initiated:	10/04/2010
Docket/Case Number:	2007009404401
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision
Resolution Date:	07/19/2018
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine \$300,000.00
Other Sanctions Ordered:	COSTS (JOINT AND SEVERAL): \$16,522.78
Sanction Details:	<p>EXTENDED HEARING PANEL DECISION RENDERED AUGUST 2, 2012 WHEREIN THE FIRM IS FINED A TOTAL OF \$300,000 AND SHALL PAY \$14,930.95 IN COSTS, JOINTLY AND SEVERALLY. THE SANCTIONS WERE BASED ON FINDINGS THAT FIRM HAD TO REPORTING FAILURES WITH RESPECT TO FORMS U4 AND U5, NYSE FORMS RE-3, AND NASD RULE 3070, AND FAILED TO SUPERVISE ITS REGISTRATION REPORTING. APPEALED TO THE NAC ON AUGUST 3, 2012.</p> <p>NAC DECISION RENDERED DECEMBER 11, 2014 WHEREIN THE NAC AFFIRMED THE FINDINGS AND THE SANCTIONS IMPOSED AGAINST THE FIRM. THE NAC ALSO ORDERED THAT THE FIRM PAY APPEAL COSTS IN THE AMOUNT OF \$1,591.78, JOINTLY AND SEVERALLY. THIS MATTER HAS</p>



BEEN APPEALED TO THE SEC AND THE SANCTIONS ARE NOT IN EFFECT PENDING REVIEW.

SEC DECISION RENDERED AUGUST 12, 2016 SUSTAINING THE NAC DECISION.

ON OCTOBER 11, 2016, THE FIRM APPEALED THE DECISION TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT. THE SANCTIONS ARE NOT IN EFFECT PENDING THE REVIEW. U.S. COURT OF APPEALS DECISION RENDERED APRIL 20, 2018 WHICH DENIED THE FIRM'S PETITION FOR REVIEW. THE DECISION BECAME FINAL ON JULY 19, 2018. FINES PAID IN FULL ON OCTOBER 5, 2018.

Reporting Source:

Firm

Current Status:

Final

Allegations:

ALLEGED VIOLATION OF FINRA BY-LAWS, ARTICLE V, SECTION 2(C) AND SECTION 3(B), FINRA RULE 2010, FINRA INCORPORATED NYSE RULES 351(A) AND 351(D), NASD BY-LAWS, ARTICLE V, SECTION 2(C) AND SECTION 3(B), NASD RULES 2110, 3010, 3070(C): DURING THE RELEVANT PERIOD, THE FIRM WAS A MEMBER OF NYSE AND REQUIRED TO FILE FORM RE-3 WITHIN 30 DAYS OF A REPORTABLE EVENT PURSUANT TO NYSE RULE 351(A). FINRA ALLEGES THE FIRM FAILED TO FILE FORMS RE-3, LATE FILED FORMS RE-3 AND FILED INACCURATE FORMS RE-3 IN CONNECTION WITH 26 SETTLEMENTS AND ARBITRATION AWARDS. FINRA ALLEGES THE FIRM ALSO FAILED TO FILED FORMS U-4 AND FORMS U-5, LATE FILED FORMS U-4 AND FORMS U-5, AND FILED FORMS U-4 AND FORMS U-5 THAT CONTAINED INACCURATE FACTS IN CONNECTION WITH DISCLOSABLE EVENTS. FINRA ALLEGES THE FIRM FAILED TO REPORT A CUSTOMER COMPLAINT, UNTIMELY REPORTED CUSTOMER COMPLAINTS, AND MADE INACCURATE STATEMENTS IN CONNECTION WITH A CUSTOMER COMPLAINT. THE FIRM HAD WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ENSURE COMPLIANCE WITH THE REQUIREMENTS OF NASD RULE 3070, NYSE RULE 351(A) AND (D), AND THE NASD BY-LAWS. HOWEVER, THE WRITTEN PROCEDURES WERE NOT SUFFICIENTLY IMPLEMENTED IN ORDER FOR THE FIRM TO COMPLY WITH APPLICABLE REGULATORY REPORTING REQUIREMENTS. SPECIFICALLY, THE FIRM ALLEGEDLY FAILED TO REPORT APPROXIMATELY 91 DISCLOSABLE EVENTS. IN ADDITION, THE FIRM ALLEGEDLY FILED FORMS RE-3, FORMS U-4, FORMS U-5, AND 3070 REPORTS THAT CONTAINED INACCURATE STATEMENTS IN CONNECTION WITH DISCLOSABLE EVENTS DESPITE ITS OBLIGATION TO TIMELY AND ACCURATELY REPORT THE DISCLOSABLE EVENTS, AND DESPITE HAVING BEEN REPEATEDLY ADVISED BY ITS REGULATORS OF THE FIRM'S FAILURE TO COMPLY WITH ITS REPORTING REQUIREMENTS. THE FIRM ALLEGEDLY FAILED TO ENSURE THAT ITS PROCEDURES FOR REPORTING CUSTOMER COMPLAINTS, SETTLEMENTS



AND OTHER DISCLOSABLE EVENTS TO THE FIRM'S BUSINESS CONDUCT DEPARTMENT WERE BEING FOLLOWED. THE FIRM ALSO ALLEGEDLY FAILED TO ENSURE THAT THE FIRM'S BUSINESS CONDUCT DEPARTMENT WAS PROPERLY MONITORING CRD FOR DISCLOSABLE EVENTS FOR CURRENT AND FORMER REGISTERED EMPLOYEES. FINALLY, THE FIRM ALLEGEDLY DILFAILED TO FOLLOW-UP TO DETERMINE THAT ANY RESPONSIBILITY TO SUPERVISE DELEGATED TO COMPLIANCE OFFICERS, BRANCH MANAGERS AND OTHER PERSONNEL WAS BEING DILIGENTLY EXERCISED. DILATORY FILINGS ALLEGEDLY CONTINUED EVEN AFTER THE SIGNING OF AN AWC IN 2007, THE RECEIPT OF A WELLS NOTICE IN 2008, AND THE RECEIPT OF A CAUTIONARY ACTION LETTER IN 2009 RELATED TO REGULATORY FILINGS. DESPITE SUCH NOTICES, IT IS ALLEGED THE FIRM FAILED TO FOLLOW UP AND ENSURE THAT THE PROCEDURES IT HAD IN PLACE TO COMPLY WITH APPLICABLE REPORTING REQUIREMENTS WERE BEING DILIGENTLY FOLLOWED. IT IS ALLEGED THE PROCEDURES WERE NOT BEING FOLLOWED, AS EVIDENCED BY THE CONTINUED VIOLATIONS.

Initiated By:	FINRA
Date Initiated:	10/04/2010
Docket/Case Number:	2007009404401
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	
Resolution:	Decision
Resolution Date:	07/19/2018
Sanctions Ordered:	Censure Monetary/Fine \$300,000.00
Other Sanctions Ordered:	COSTS (JOINT AND SEVERAL): \$16,522.78
Sanction Details:	EXTENDED HEARING PANEL DECISION RENDERED AUGUST 2, 2012 WHEREIN THE FIRM IS FINED A TOTAL OF \$300,000 AND SHALL PAY \$14,930.95 IN COSTS, JOINTLY AND SEVERALLY. THE SANCTIONS WERE BASED ON FINDINGS THAT FIRM HAD TO REPORTING FAILURES WITH RESPECT TO FORMS U4 AND U5, NYSE FORMS RE-3, AND NASD RULE 3070, AND FAILED TO SUPERVISE ITS REGISTRATION REPORTING. APPEALED TO THE NAC ON AUGUST 3, 2012. NAC DECISION RENDERED DECEMBER 11, 2014 WHEREIN THE NAC AFFIRMED THE FINDINGS AND THE



SANCTIONS IMPOSED AGAINST THE FIRM. THE NAC ALSO ORDERED THAT THE FIRM PAY APPEAL COSTS IN THE AMOUNT OF \$1,591.78, JOINTLY AND SEVERALLY. THIS MATTER HAS BEEN APPEALED TO THE SEC AND THE SANCTIONS ARE NOT IN EFFECT PENDING REVIEW. SEC DECISION RENDERED AUGUST 12, 2016 SUSTAINING THE NAC DECISION. ON OCTOBER 11, 2016, THE FIRM APPEALED THE DECISION TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT. THE SANCTIONS ARE NOT IN EFFECT PENDING THE REVIEW. U.S. COURT OF APPEALS DECISION RENDERED APRIL 20, 2018 WHICH DENIED THE FIRM'S PETITION FOR REVIEW. THE DECISION BECAME FINAL ON JULY 19, 2018.

Firm Statement

EXTENDED HEARING PANEL DECISION RENDERED AUGUST 2, 2012 WHEREIN THE FIRM IS FINED A TOTAL OF \$300,000 AND SHALL PAY \$14,930.95 IN COSTS, JOINTLY AND SEVERALLY. THE SANCTIONS WERE BASED ON FINDINGS THAT FIRM HAD TO REPORTING FAILURES WITH RESPECT TO FORMS U4 AND U5, NYSE FORMS RE-3, AND NASD RULE 3070, AND FAILED TO SUPERVISE ITS REGISTRATION REPORTING. APPEALED TO THE NAC ON AUGUST 3, 2012. NAC DECISION RENDERED DECEMBER 11, 2014 WHEREIN THE NAC AFFIRMED THE FINDINGS AND THE SANCTIONS IMPOSED AGAINST THE FIRM. THE NAC ALSO ORDERED THAT THE FIRM PAY APPEAL COSTS IN THE AMOUNT OF \$1,591.78, JOINTLY AND SEVERALLY. THIS MATTER HAS BEEN APPEALED TO THE SEC AND THE SANCTIONS ARE NOT IN EFFECT PENDING REVIEW. SEC DECISION RENDERED AUGUST 12, 2016 SUSTAINING THE NAC DECISION. ON OCTOBER 11, 2016, THE FIRM APPEALED THE DECISION TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT. THE SANCTIONS ARE NOT IN EFFECT PENDING THE REVIEW. U.S. COURT OF APPEALS DECISION RENDERED APRIL 20, 2018 WHICH DENIED THE FIRM'S PETITION FOR REVIEW. THE DECISION BECAME FINAL ON JULY 19, 2018.

Disclosure 93 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: FINRA RULES 2010, 8210, NASD RULES 2110, 3010: THE FIRM, ACTING THROUGH ITS CHIEF COMPLIANCE OFFICER, FAILED APPROXIMATELY 37 TIMES, IN CONNECTION WITH APPROXIMATELY 14 FINRA EXAMINATIONS, TO PROVIDE WRITTEN INFORMATION AND RECORDS TIMELY, COMPLETELY OR AT ALL TO PROVIDE REQUESTS FOR INFORMATION MADE BY FINRA. THE FIRM, ACTING THROUGH ITS CHIEF COMPLIANCE OFFICER, FAILED TO ESTABLISH, IMPLEMENT, AND MAINTAIN A SUPERVISORY SYSTEM, AND TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES, REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULE 8210 OR FINRA RULE 8210, AS APPLICABLE.



Initiated By:	FINRA
Date Initiated:	09/20/2010
Docket/Case Number:	2009020701901
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	N/A
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	04/09/2013
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$75,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$75,000. FINE PAID ON MAY 7, 2013.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	FINRA RULES 2010, 8210, NASD RULES 2110, 3010: THE FIRM, ACTING THROUGH ITS FORMER CHIEF COMPLIANCE OFFICER, FAILED APPROXIMATELY 37 TIMES, IN CONNECTION WITH APPROXIMATELY 14 FINRA EXAMINATIONS, TO PROVIDE WRITTEN INFORMATION AND RECORDS TIMELY, COMPLETELY OR AT ALL TO PROVIDE REQUESTS FOR INFORMATION MADE BY FINRA. THE FIRM, ACTING THROUGH ITS FORMER CHIEF COMPLIANCE OFFICER, FAILED TO ESTABLISH, IMPLEMENT, AND MAINTAIN A SUPERVISORY SYSTEM, AND TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN SUPERVISORY PROCEDURES, REASONABLY



DESIGNED TO ACHIEVE COMPLIANCE WITH NASD RULE 8210 OR FINRA RULE 8210, AS APPLICABLE.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 09/20/2010

Docket/Case Number: 2009020701901

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 04/09/2013

Sanctions Ordered: Censure
Monetary/Fine \$75,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE IT IS CENSURED AND FINED \$75,000.

Disclosure 94 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: MSRB RULE G-14: THE FIRM FAILED TO REPORT THE CORRECT TIME OF TRADE TO THE REAL-TIME TRANSACTION SYSTEM (RTRS) IN REPORTS OF TRANSACTIONS IN MUNICIPAL SECURITIES. THE FIRM FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE RTRS IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL. SPECIFICALLY, THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN THE 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL.

Initiated By: FINRA

Date Initiated: 08/19/2010



Docket/Case Number: 2009018642201

Principal Product Type: Other

Other Product Type(s): MUNICIPAL SECURITIES

Principal Sanction(s)/Relief Sought: Other

Other Sanction(s)/Relief Sought: N/A

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 08/19/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, THEREFORE THE FIRM IS CENSURED AND FINED \$15,000.

Reporting Source: Firm

Current Status: Final

Allegations: FROM 1/1/2009-3/31/2009 THE FIRM FAILED TO REPORT THE CORRECT TIME ON 142 REPORTS TO "RTRS" THE FIRM ALSO FAILED TO REPORT 141 TRADES WITHIN THE REQUIRED 15 MINUTES.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 07/14/2010

Docket/Case Number: 2009018642201

Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure



Other Sanction(s)/Relief Sought:	FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	08/19/2010
Sanctions Ordered:	Censure Monetary/Fine \$15,000.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM WAS CENSURED AND FINED \$15,000 FOR 142 TRADES REPORTED WITH AN INCORRECT TIME AND 141 TRADES REPORTED AFTER THE REQUIRED 15 MINUTES
Firm Statement	THE FIRM WAS CENSURED AND FINED \$15,000 FOR 142 TRADES REPORTED WITH AN INCORRECT TIME AND 141 TRADES REPORTED AFTER THE REQUIRED 15 MINUTES

Disclosure 95 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	NASDAQ RULES 2110, 3010 - WEDBUSH SECURITIES' SUPERVISORY SYSTEM AND WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS AND REGULATIONS (INCLUDING NASD NOTICE TO MEMBERS 04-66) AND NASDAQ RULES CONCERNING THE PREVENTION OF ERRONEOUS ORDERS AND TRANSACTIONS AND FRIVOLOUS CLEARLY ERRONEOUS TRANSACTION COMPLAINTS.
Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	06/29/2010
Docket/Case Number:	2008015287001
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)



Resolution Date: 06/29/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$10,000 AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES REGARDING COMPLIANCE WITH NASD NOTICE TO MEMBERS 04-66 WITHIN 30 BUSINESS DAYS OF ACCEPTANCE OF THIS AWC BY THE NASDAQ REVIEW COUNCIL.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRMS WRITTEN SUPERVISORY PROCEDURES WERE NOT REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH NASDAQ RULES CONCERNING CLEARLY ERRONEOUS TRANSACTION COMPLAINTS.

Initiated By: THE NASDAQ STOCK MARKET

Date Initiated: 06/29/2010

Docket/Case Number: 2008015287001

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE AND UNDEERTAKING

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 06/29/2010

Sanctions Ordered: Censure



	Monetary/Fine \$10,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	THE FIRM WAS CENSURED, FINED \$10,000 AND REQUIRED TO REVISE THE WRITTEN SUPERVISORY PROCEDURES REGARDING NASD NOTICE TO MEMBERS 04-66
Firm Statement	WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS

Disclosure 96 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	NASD RULES 2110, 2111(A), 2320 - WEDBUSH SECURITIES, INC. FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY. IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.
Initiated By:	FINRA
Date Initiated:	05/19/2010
Docket/Case Number:	2009017658001
Principal Product Type:	Other
Other Product Type(s):	UNSPECIFIED SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	05/19/2010
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No



Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000. THE FIRM MADE RESTITUTION TOTALING \$581.38.

Reporting Source: Firm

Current Status: Final

Allegations: NASD RULES 2110, 2111(A), 2320 - WEDBUSH SECURITIES, INC. FAILED TO EXECUTE ORDERS FULLY AND PROMPTLY. IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

Initiated By: FINRA

Date Initiated: 05/19/2010

Docket/Case Number: 2009017658001

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 05/19/2010

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: THE FIRM WAS CENSURED AND FINES \$10,000.00. THE FIRM MADE RESTITUTION PAYMENTS TOTALLING %581.38

Firm Statement WITHOUT ADMITTING OR DENYING THE FINDINGS THE FIRM CONSENTED



TO THE DESCRIBED SANCTIONS AND FINDINGS.

Disclosure 97 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC RULE 604 OF REGULATION NMS, NASD RULE 6955(A) - WEDBUSH MORGAN SECURITIES INC. FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY, OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY. THE FIRM FAILED TO TRANSMIT REPORTABLE ORDER EVENTS (ROES) TO THE ORDER AUDIT TRAIL SYSTEM (OATS); IT FAILED TO TRANSMIT TO OATS DESK REPORTS, CANCEL/REPLACE REPORTS AND ONE EXECUTION REPORT. THE FIRM TRANSMITTED NEW ORDER REPORTS THAT CONTAINED INACCURATE TIMESTAMPS, ONE NEW ORDER REPORT CONTAINED THE INCORRECT DATE, AND ONE CANCEL/REPLACE REPORT CONTAINED AN INACCURATE TIMESTAMP. THE FIRM TRANSMITTED REPORTS TO OATS FOR NON-REPORTABLE ORDER EVENTS AND FAILED TO TIMELY REPORT ONE ROE TO OATS.
Initiated By:	NASDAQ STOCK MARKET
Date Initiated:	04/30/2010
Docket/Case Number:	2008012314901
Principal Product Type:	Other
Other Product Type(s):	NASDAQ SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/30/2010



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$13,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$13,500.

Reporting Source: Firm

Current Status: Final

Allegations: FROM JULY 1 TO SEPTEMBER 30 2007 THE FIRM FAILED TO IMMEDIATELY DISPLAY 24 ORDER IN VIOLATION OF SEC RULE 604 OF REG NMS. FROM JULY 1 TO SEPTEMBER 30, 2007 THE FIRM FAILED TO TRANSMIT 65 ROE'S TO OATS IN VIOLATION OF NASD RULE 6955(A).

Initiated By: THE NASDAQ STOCK MARKET

Date Initiated: 04/30/2010

Docket/Case Number: 20080123149-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/30/2010

Sanctions Ordered: Censure
Monetary/Fine \$13,500.00

Other Sanctions Ordered:

Sanction Details: CENSURED AND FINED \$13,500



Firm Statement THE FIRM ACCEPTED AND CONSENTED, WITHOUT ADMITTING OR DENYING THE FINDINGS NOTED ABOVE.

Disclosure 98 of 142

Reporting Source: Regulator

Current Status: Final

Appealed To and Date Appeal Filed: **02/12/2010**NOTICE GIVEN TO CONTEST MINOR RULE PLAN FINE IMPOSED ON JANUARY 27, 2010.
08/31/2010APPEAL OF \$3,500 MINOR RULE PLAN DISMISSED;

Allegations: **01/27/2010**MINOR RULE PLAN FINE ISSUED. RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D) FOR THE FAILURE OF WEDBUSH MORGAN SECURITIES INC. TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.FINE IMPOSED: \$3,500.00

Initiated By: NYSE ARCA, INC.

Date Initiated: 01/27/2010

Docket/Case Number: NYSE ARCA MINOR RULE

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 01/27/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$3,500.00

Other Sanctions Ordered:

Sanction Details: **01/27/2010**RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE



10.2(D) FOR THE FAILURE OF WEDBUSH MORGAN SECURITIES INC. TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.

08/31/2010APPEAL OF \$3,500 MINOR RULE PLAN DISMISSED; \$3,500 FINE PAID.BY ORDER DATED AUGUST 31, 2010, FOLLOWING NOTICE DATED AUGUST 16, 2010 BY WEDBUSH SECURITIES INC. ("WEDBUSH") WITHDRAWING ITS APPEAL, FINRA HEARING OFFICER MAUREEN A. DELANEY DISMISSED THE APPEAL BY WEDBUSH OF A \$3,500 MINOR RULE PLAN FINE THAT HAD BEEN ISSUED BY NYSE REGULATION ON JANUARY 27, 2010 TO WEDBUSH FOR ITS VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D) FOR ITS FAILURE TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.
FINE PAID: \$3,500 CHECK IN PAYMENT OF THE FINE RECEIVED AT NYSE REGULATION ON AUGUST 25, 2010.

FINE IMPOSED: \$3,500.00

Regulator Statement

02/12/2010NOTICE GIVEN TO CONTEST MINOR RULE PLAN FINE IMPOSED ON JANUARY 27, 2010.

08/31/2010APPEAL OF \$3,500 MINOR RULE PLAN DISMISSED; \$3,500 FINE PAID.BY ORDER DATED AUGUST 31, 2010, FOLLOWING NOTICE DATED AUGUST 16, 2010 BY WEDBUSH SECURITIES INC. ("WEDBUSH") WITHDRAWING ITS APPEAL, FINRA HEARING OFFICER MAUREEN A. DELANEY DISMISSED THE APPEAL BY WEDBUSH OF A \$3,500 MINOR RULE PLAN FINE THAT HAD BEEN ISSUED BY NYSE REGULATION ON JANUARY 27, 2010 TO WEDBUSH FOR ITS VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D) FOR ITS FAILURE TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY INVESTIGATIONS.
FINE PAID: \$3,500 CHECK IN PAYMENT OF THE FINE RECEIVED AT NYSE REGULATION ON AUGUST 25, 2010.

Reporting Source:

Firm

Current Status:

Final

Allegations:

01/27/2010MINOR RULE PLAN FINE ISSUED. RULE VIOLATION: VIOLATION OF NYSE ARCA EQUITIES RULE 10.2(D) FOR THE FAILURE OF WEDBUSH MORGAN SECURITIES INC. TO PROVIDE TIMELY RESPONSES TO NYSE REGULATION'S LETTERS REQUESTING DOCUMENTS AND INFORMATION WHICH IMPEDED AND DELAYED FOUR REGULATORY



INVESTIGATIONS.FINE IMPOSED: \$3,500.00

Initiated By: NYSE ARCA, INC.

Date Initiated: 01/27/2010

Docket/Case Number: NYSE ARCA MINOR RULE

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 01/27/2010

Sanctions Ordered: Monetary/Fine \$3,500.00

Other Sanctions Ordered:

Sanction Details: THE FIRM AGREED TO PAY A FINE OF \$3,500.00 AFTER ORIGINALLY CONTESTING THE IMPOSITION OF THE FINE BUT DETERMINING IT DID NOT MAKE FINANCIAL SENSE TO CONTINUE WITH THE PROCESS.

Firm Statement THE FIRM AGREED TO PAY A FINE OF \$3,500.00 ON AUGUST 16, 2010 AFTER ORIGINALLY CONTESTING THE IMPOSITION OF THE FINE BUT DETERMINING IT DID NOT MAKE FINANCIAL SENSE TO CONTINUE WITH THE PROCESS.

Disclosure 99 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULES 4632(B), 6130(D)(4), 6130(D)(7) - WEDBUSH MORGAN SECURITIES REPORTED LAST SALE REPORTS OF TRANSACTIONS IN DESIGNATED SECURITIES TO THE FINRA/NASDAQ TRADE REPORTING FACILITY (FNTRF) IT SHOULD NOT HAVE REPORTED. THE FIRM FAILED TO REPORT TO THE FNTRF THE CORRECT TIME OF EXECUTION AND THE CORRECT SYMBOL INDICATING THE CAPACITY IN WHICH IT EXECUTED THE TRANSACTIONS.

Initiated By: FINRA

Date Initiated: 04/06/2010



Docket/Case Number: 2008014175801

Principal Product Type: Other

Other Product Type(s): DESIGNATED SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 04/06/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$10,000.

Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH REPORTED LAST SALE TRANSACTIONSTO THE FNTRF IT SHOULD NOT HAVE REPORTED. THE FIRM FAILED TO REPORT TO THE FNTRF THE CORRECT TIME AND SYMBOL INDICATING THE CAPACITY IN WHICH IT EXECUTED THE TRASACTIONS.

Initiated By: FINRA

Date Initiated: 04/06/2010

Docket/Case Number: 2008014175801

Principal Product Type: Other

Other Product Type(s): DESIGNATED SECURITIES



Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	CENSURE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	04/06/2010
Sanctions Ordered:	Censure Monetary/Fine \$10,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS. THE FIRM WAS FINED \$10,000 AND CENSURED.

Disclosure 100 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	MSRB RULES G-17, G-30(A) - WEDBUSH MORGAN SECURITIES INC. SOLD MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO CUSTOMERS AT AN AGGREGATE PRICE (INCLUDING ANY MARKDOWN OR MARKUP) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE TOTAL DOLLAR AMOUNT OF THE TRANSACTION.
Initiated By:	FINRA
Date Initiated:	03/15/2010
Docket/Case Number:	2008014737701
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	


Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/15/2010

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$12,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500. THE FIRM MADE RESTITUTION TOTALING \$5,986.26 TO CUSTOMERS.

Reporting Source: Firm

Current Status: Final

Allegations: MSRB RULES G-17, G-30(A) - WEDBUSH MORGAN SECURITIES INC. SOLD MUNICIPAL SECURITIES FOR ITS OWN ACCOUNT TO CUSTOMERS AT AN AGGREGATE PRICE (INCLUDING ANY MARKDOWN OR MARKUP) THAT WAS NOT FAIR AND REASONABLE, TAKING INTO CONSIDERATION ALL RELEVANT FACTORS, INCLUDING THE BEST JUDGMENT OF THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER AS TO THE FAIR MARKET VALUE OF THE SECURITIES AT THE TIME OF THE TRANSACTION AND OF ANY SECURITIES EXCHANGED OR TRADED IN CONNECTION WITH THE TRANSACTION, THE EXPENSE INVOLVED IN EFFECTING THE TRANSACTION, THE FACT THAT THE BROKER, DEALER OR MUNICIPAL SECURITIES DEALER IS ENTITLED TO A PROFIT, AND THE TOTAL DOLLAR AMOUNT OF THE TRANSACTION.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 03/15/2010

Docket/Case Number: 2008014737701

Principal Product Type: Debt - Municipal

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:**

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:**Resolution:**

Acceptance, Waiver & Consent(AWC)

Resolution Date:

03/15/2010

Sanctions Ordered:Censure
Monetary/Fine \$12,500.00**Other Sanctions Ordered:****Sanction Details:**

WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$12,500. THE FIRM MADE RESTITUTION TOTALING \$5,986.26 TO CUSTOMERS.

Disclosure 101 of 142**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

WEDBUSH FAILED TO PROVIDE THE BUREAU WITH DOCUMENTS NEEDED TO REVIEW THE PENDING AGENT APPLICATION OF AN INDIVIDUAL WHO WAS PREVIOUSLY A REGISTERED REPRESENTATIVE OF WEDBUSH. WEDBUSH FAILED TO COOPERATE WITH THE BUREAU AFTER NUMEROUS REQUESTS AND A SUMMARY ORDER WAS ISSUED TO PROVIDE SUCH DOCUMENTS.

Initiated By:

NEW JERSEY BUREAU OF SECURITIES

Date Initiated:

02/24/2009

Docket/Case Number:

N/A

URL for Regulatory Action:**Principal Product Type:**

No Product

Other Product Type(s):**Principal Sanction(s)/Relief Sought:**

Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

\$20,000 CIVIL AND ADMINISTRATIVE PENALTY AND FILING OF REQUESTED DOCUMENTS.



Resolution:	Consent
Resolution Date:	03/31/2010
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Monetary/Fine \$20,000.00
Other Sanctions Ordered:	FILING OF REQUESTED DOCUMENTS.
Sanction Details:	BY REPEATEDLY FAILING TO PROVIDE THE REQUIRED DOCUMENTATION, WEDBUSH WILLFULLY VIOLATED OR WILLFULLY FAILED TO COMPLY WITH ANY PROVISION OF THE LAW OR THE RULES; BY FAILING TO PROVIDE THE REQUIRED DOCUMENTATION AS ORDERED, WEDBUSH VIOLATED A BUREAU ORDER; AND BY FAILING TO PAY THE CIVIL MONETARY PENALTY AS ORDERED, WEDBUSH VIOLATED A BUREAU ORDER ALL OF WHICH ARE GROUNDS PURSUANT TO N.J.S.A. 49:3-58(A)(2)(II) TO REVOKE THE BROKER-DEALER REGISTRATION OF WEDBUSH.
Regulator Statement	WEDBUSH PRODUCED THE DOCUMENTS REQUESTED AFTER SECOND SUMMARY ORDER WAS ISSUED.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	WEDBUSH WAS ALLEDGED TO FAIL TO PROVIDE THE BUREAU WITH DOCUMENTS IN ORDER TO REVIEW THE AGENT APPLICATION OF AN INDIVIDUAL WHO WAS PREVIOUSLY A REGISTERED REPRESENTATIVE OF THE FIRM. WEDBUSH FAILED TO RESPOND TO SUBSEQUENT REQUESTS AND A SUMMARY ORDER WAS SENT.
Initiated By:	NEW JERSEY BUREAU OF SECURITIES
Date Initiated:	02/24/2009
Docket/Case Number:	N/A
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)



Other Sanction(s)/Relief Sought:	FILING OF REQUESTED DOCUMENTS
Resolution:	Consent
Resolution Date:	03/31/2010
Sanctions Ordered:	Monetary/Fine \$20,000.00
Other Sanctions Ordered:	PROVIDE MISSING DOCUMENTS
Sanction Details:	WEDBUSH WAS FINED \$20,000 AND PROVIDED THE MISSING DOCUMENTS.
Firm Statement	WEDBUSH SIGNED THE CONSENT ORDER 3/25/2010 AND THE BUREAU SIGNED IT ON 3/31/2010.

Disclosure 102 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	MSRB RULE G-14 - WEDBUSH MORGAN SECURITIES INC. FAILED TO REPORT INFORMATION REGARDING PURCHASE AND SALE TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE REAL-TIME TRANSACTION REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL; THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL. THE FIRM DOUBLE-REPORTED TRANSACTIONS IN MUNICIPAL SECURITIES TO THE RTRS AND REPORTED AN INCORRECT TIME OF EXECUTION TO THE RTRS IN REPORTS OF TRANSACTIONS IN MUNICIPAL SECURITIES.
Initiated By:	FINRA
Date Initiated:	03/30/2009
Docket/Case Number:	2008013711501
Principal Product Type:	Debt - Municipal
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/30/2009



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$7,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,000.

Reporting Source: Firm

Current Status: Final

Allegations: FROM JANUARY 1 THROUGH MARCH 31, 2008 THE FIRM FAILED TO REPORT 171 TRADES WITHIN THE REQUIRED 15 MINUTES ON RTRS. THE FIRM ALSO REPORTED 78 TRADES TWICE IN ERROR AND THE WRONG TIME ON 11 TRADES IN SEPARATE VIOLATIONS OF MSRB RULE G-14.

Initiated By: FINRA

Date Initiated: 02/18/2009

Docket/Case Number: 2008013711501

Principal Product Type: Debt - Municipal

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/30/2009

Sanctions Ordered: Censure
Monetary/Fine \$7,000.00

Other Sanctions Ordered:

Sanction Details: CENSURE AND FINE IN THE AMOUNT OF \$7,000



Disclosure 103 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC RULE 17A-3(A)(6), NASD RULES 2110, 3110, 6230 - WEDBUSH MORGAN INACCURATELY REPORTED THE TIME OF EXECUTION FOR TRANSACTIONS IN TRADE REPORTING AND COMPLIANCE ENGINE (TRACE)-ELIGIBLE SECURITIES. IN TRANSACTIONS INVOLVING CORPORATE BONDS, THE FIRM RECORDED A SINGLE TIME ENTRY ON ITS ORDER MEMORANDA AND WAS UNABLE TO DETERMINE WHETHER THE TIME ENTERED REPRESENTED THE TIME OF THE ORDER, THE ENTRY TIME OR THE EXECUTION TIME.
Initiated By:	FINRA
Date Initiated:	12/03/2008
Docket/Case Number:	2007007400101
Principal Product Type:	Debt - Corporate
Other Product Type(s):	TRACE-ELIGIBLE SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/03/2008
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$7,500.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.



Reporting Source: Firm

Current Status: Final

Allegations: VIOLATION OF SEC RULE 17A-3(A)(6), NASD RULES 2110,3110,6230
INACCURATELY REPORTING 60 TRANSACTIONS TO TRACE INACCURATE
TIME STAMPS ON 39 TRADES

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 12/03/2008

Docket/Case Number: 2007007400101

Principal Product Type: Debt - Corporate

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/03/2008

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED
TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS, A
CENSURE AND FINE IN THE AMOUNT OF \$7,500.

Disclosure 104 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULE 6955(A) - WEDBUSH MORGAN SECURITIES FAILED TO TIMELY
REPORT TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTABLE
ORDER EVENTS (ROES) FOR SECONDARY FIRM MARKET PARTICIPANT
IDENTIFIERS.

Initiated By: FINRA

Date Initiated: 11/24/2008



Docket/Case Number: 2006007031101

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/24/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$25,000.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM FAILED TO TIMELY REPORT ROE'S FOR FIVE MPID'S ON 19 BUSINESS DAYS FROM SEPTEMBER 1, 2006 THROUGH AUGUST 31, 2007. THE LATE ROE'S REPRESENTED ABOUT TWO PERCENT OF ALL ROE'S AND A VIOLATION OF NASD RULE 6955(A).

Initiated By: FINRA

Date Initiated: 10/06/2008

Docket/Case Number: 2006007031101

Principal Product Type: Equity - OTC

Other Product Type(s):



Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/24/2008
Sanctions Ordered:	Censure Monetary/Fine \$25,000.00
Other Sanctions Ordered:	
Sanction Details:	CENSURE AND FINE IN THE AMOUNT OF \$25,000

Disclosure 105 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC RULE 604 OF REGULATION NMS, NASD RULES 2110, 5430 (CURRENTLY 4632), MSRB RULE G-14 - WEDBUSH MORGAN SECURITIES, INC. FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY; OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER FOR EACH SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY. THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH THE NASD/NASDAQ TRADE REPORTING FACILITY (NNTRF), FORMERLY THE NASDAQ MARKET CENTER, LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ NATIONAL MARKET/SMALLCAP (NNM/SC) SECURITIES. THE FIRM ALSO INCORRECTLY DESIGNATED AS ".SLD" THROUGH THE NNTRF LAST SALE REPORTS OF TRANSACTIONS IN NNM/SC EQUITY SECURITIES REPORTED TO THE NNTRF WITHIN 90 SECONDS OF EXECUTION. THE FIRM FAILED TO REPORT INFORMATION REGARDING TRANSACTIONS EFFECTED IN MUNICIPAL SECURITIES TO THE REAL-TIME REPORTING SYSTEM (RTRS) IN THE MANNER PRESCRIBED BY RULE G-14 RTRS PROCEDURES AND THE RTRS USERS MANUAL; THE FIRM FAILED TO REPORT INFORMATION ABOUT SUCH TRANSACTIONS WITHIN 15 MINUTES OF TIME OF TRADE TO AN RTRS PORTAL.
Initiated By:	FINRA



Date Initiated:	09/24/2008
Docket/Case Number:	2006004292301
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Type(s):	NASDAQ SECURITIES, MUNICIPAL SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/24/2008
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$24,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$24,000.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	FINRA ACCUSED THE FIRM OF VIOLATING SEC RULE 604 IN FAILING TO IMMEDIATELY DISPLAY 52 CUSTOMER LIMIT ORDERS, RULE 5430 AND 2110 FOR HAVING FAILED TO REPORT 109 ORDERS WITHIN 90 SECONDS AND MSRB RULE G14 FOR HAVING NOT REPORTED 90 MUNICIPAL SECURITIES WITHIN 15 MINUTES
Initiated By:	FINANCIAL INDUSTRY REGULATORY AUTHORITY
Date Initiated:	03/31/2007
Docket/Case Number:	20060042923-01
Principal Product Type:	Equity - OTC



Other Product Type(s):	MUNICIPAL SECURITIES
Principal Sanction(s)/Relief Sought:	Censure
Other Sanction(s)/Relief Sought:	FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/24/2008
Sanctions Ordered:	Censure Monetary/Fine \$24,000.00
Other Sanctions Ordered:	
Sanction Details:	FINED \$5,000 FOR RULE 604 VIOLATION, \$14,000 FOR THE 5430 AND 2110 VIOLATIONS AND \$5,000 FOR THE G-14 VIOLATIONS
Firm Statement	THE FIRM AND FINRA SETTLED THE CASES AND THE FIRM NEITHER ADMITTED NOR DENIED THE FINDINGS.

Disclosure 106 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC RULES 17A-3, 605 OF REGULATION NMS, NASD RULES 2110, 3010, 3110, 6955 - WEDBUSH MORGAN SECURITIES, INC. MADE AVAILABLE A REPORT ON THE COVERED ORDERS IN NATIONAL MARKET SYSTEM SECURITIES THAT IT RECEIVED FOR EXECUTION FROM ANY PERSON THAT INCLUDED ONE INSTANCE OF THE FIRM'S FAILING TO PROPERLY CLASSIFY AN ORDER AND PUBLISHED INCORRECT ORDER EXECUTION INFORMATION ON OTHER ORDERS. THE FIRM REPORTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) EXECUTION REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM FAILED TO SHOW THE CORRECT TIME OF ENTRY ON BROKERAGE ORDER MEMORANDA AND FAILED TO SHOW THE CORRECT PRICE OF EXECUTION ON ONE BROKERAGE ORDER MEMORANDUM. THE FIRM FAILED TO PREPARE AND MAINTAIN A PROPRIETARY TRADING LEDGER REFLECTING FIRM-WIDE POSITIONS ON A REAL-TIME BASIS. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO SEC RULE 606, "REGULAR AND RIGOROUS" REVIEWS OF ORDERS ROUTED TO AND EXECUTED BY OTHER PARTIES AND TRADING HALTS. THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR



IDENTIFICATION OF PERSONS RESPONSIBLE FOR SUPERVISION WITH RESPECT TO APPLICABLE RULES; A STATEMENT OF SUPERVISORY STEPS TO BE TAKEN BY THE IDENTIFIED PERSONS; A STATEMENT AS TO HOW OFTEN SUCH PERSONS SHOULD TAKE SUCH STEPS; AND A STATEMENT AS TO HOW THE COMPLETION OF THE STEPS INCLUDED SHOULD BE DOCUMENTED.

Initiated By: FINRA

Date Initiated: 09/24/2008

Docket/Case Number: 2006005288101

Principal Product Type: Other

Other Product Type(s): NATIONAL MARKET SYSTEM SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/24/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$22,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$22,500.

Reporting Source: Firm

Current Status: Final

Allegations: FINRA ACCUSED THE FIRM OF VIOLATION OF SEC RULE 605 REPORTING 6 TRADES INCORRECTLY, NASD RULE 6955 REPORTING 11 TRADES INCORRECTLY TO OATS, SEC RULE 17A-3 AND NASD RULE 3110 INCORRECT TIME ON 4 TICKETS AND NASD RULES 2110 AND 3010 FOR NOT



HAVING SUFFICIENT WSP'S REGARDING SEC RULE 605

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY**Date Initiated:** 06/27/2006**Docket/Case Number:** 20060052881-01**Principal Product Type:** Equity - OTC**Other Product Type(s):****Principal Sanction(s)/Relief Sought:** Censure**Other Sanction(s)/Relief Sought:** FINE**Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 09/24/2008**Sanctions Ordered:** Censure
Monetary/Fine \$22,500.00**Other Sanctions Ordered:****Sanction Details:** \$5,000 FOR 605 VIOLATION; \$5,000 FOR 6955 VIOLATION; \$7,500 FOR THE 17A-S AND 3110 VIOLATION AND \$5,000 FOR THE 2110 AND 3010 VIOLATION.**Firm Statement** THE FIRM AND FINRA SETTLED THE MATTER AND THE FIRM NEITHER ADMITTED NOR DENIED THE FINDINGS**Disclosure 107 of 142****Reporting Source:** Regulator**Current Status:** Final**Allegations:** NASD RULE 6955 - WEDBUSH MORGAN SECURITIES INC. TRANSMITTED TO THE ORDER AUDIT TRAIL SYSTEM (OATS) REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA. THE FIRM INCORRECTLY SUBMITTED A NEW ORDER AND EXECUTION REPORT INSTEAD OF AN ORDER EXECUTION REPORT; SUBMITTED INCORRECT DESTINATION CODES, SUBMITTED ORDER EXECUTION REPORTS INSTEAD OF ORDER ROUTE REPORTS AND SUBMITTED INCORRECT CAPACITY CODES.**Initiated By:** FINRA**Date Initiated:** 09/24/2008**Docket/Case Number:** 2007010439501



Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/24/2008

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$7,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.

Reporting Source: Firm

Current Status: Final

Allegations: THE FIRM WAS ACCUSED OF VIOLATING NASD RULE 6955 IN HAVING REPORTED TO OATS 58 REPORTS THAT CONTAINED INACCURATE, INCOMPLETE OR IMPROPERLY FORMATTED DATA.

Initiated By: FINANCIAL INDUSTRY REGULATORY AUTHORITY

Date Initiated: 10/28/2007

Docket/Case Number: 20070104395-01

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure



Other Sanction(s)/Relief Sought:	FINE
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/24/2008
Sanctions Ordered:	Censure Monetary/Fine \$7,500.00
Other Sanctions Ordered:	
Sanction Details:	THE FIRM AGREED TO PAY A FINE OF \$7,500 FOR VIOLATIONS OF NASD RULE 6955 REPORTING 58 TRADES TO OATS INCORRECTLY.
Firm Statement	THE FIRM AND FINRA SETTLED THE MATTER AND THE FIRM NEITHER ADMITTED NOR DENIED THE FINDINGS

Disclosure 108 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>WEDBUSH MORGAN SECURITIES HAS BEEN CHARGED WITH VIOLATING ARTICLE V, SECTION 4(E) OF THE EXCHANGE CONSTITUTION, ALONG WITH EXCHANGE RULES 31 AND 320 BY MAKING MATERIAL MISSTATEMENTS TO THE EXCHANGE, FAILING TO RESPOND TO EXCHANGE REQUESTS IN A TIMELY FASHION, AND FAILING TO SUPERVISE ITS CROP IN DEALINGS WITH THE EXCHANGE.</p> <p>**04/03/2009**STIPULATION OF FACTS AND CONSENT TO PENALTY FILLED BY NYSE REGULATION'S DIVISION OF ENFORCEMENT AND PENDING CONSENTED TO FINDINGS:FOR THE SOLE PURPOSE OF SETTling THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, WEDBUSH MORGAN SECURITIES, INC. STIPULATED THAT DURING THE PERIOD OF JUNE 2002 THROUGH FEBRUARY 2003, IT 1.VIOLATED ARTICLE V, SECTION 4(E)OF THE AMERICAN STOCK EXCHANGE CONSTITUTION, IN THAT THE FIRM THROUGH ONE OF ITS FORMER EMPLOYEES MADE MISSTATEMENTS TO THE AMERICAN STOCK EXCHANGE BY REPRESENTING THAT IT HAD TAKEN CORRECTIVE ACTION IN RESPONSE TO EXAMINATION FINDINGS WHEN IN FACT WEDBUSH HAD NOT TAKEN SUCH CORRECTIVE ACTION.2. VIOLATED AMERICAN STOCK EXCHANGE RULE 31, IN THAT WEDBUSH THROUGH ONE OF ITS FORMER EMPLOYEES FAILED TO COOPERATE AND TIMELY COMPLY WITH SPECIFIC DEADLINES SET BY THE AMERICAN STOCK EXCHANGE TO PROVIDE INFORMATION RESPONSIVE TO EXCHANGE REQUESTS MADE IN</p>



CONNECTION WITH AN ONGOING EXCHANGE INVESTIGATION.3.
 VIOLATED AMERICAN STOCK EXCHANGE RULE 320(C) IN THAT IT FAILED
 TO FAILED TO IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE
 SYSTEM OF FOLLOW-UP AND REVIEW, TO VERIFY THAT ALL NECESSARY
 STEPS WERE TAKEN BY ITS COMPLIANCE REGISTERED OPTIONS
 PRINCIPAL, WHO WAS ALSO THE FIRM'S COMPLIANCE DIRECTOR, TO
 COMPLY ACCURATELY AND WITHIN THE TIME FRAMES
 REQUIRED TO AMERICAN STOCK EXCHANGE REQUESTS FOR
 INFORMATION AND/OR DOCUMENTATION MADE IN CONNECTION WITH AN
 ONGOING AMERICAN STOCK EXCHANGE INVESTIGATION.STIPULATED
 SANCTION:CENSURE AND A FINE IN THE AMOUNT OF \$15,000.

Initiated By: AMERICAN STOCK EXCHANGE

Date Initiated: 07/14/2008

Docket/Case Number: 03-29/ HBD# 09-AMEX-05

Principal Product Type: No Product

Other Product Type(s): OPTIONS

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought: CENSURE

Resolution: Decision

Resolution Date: 05/05/2009

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: **4/8/09 (AMENDED DECISION 4/14/09)**
 DECISION NO. 09-AMEX-05 ISSUED BY NYSE AMEX HEARING BOARD
 DECISION:VIOLATED ARTICLE V, SECTION 4(E) OF AMEX
 CONSTITUTION IN THAT ITS THEN COMPLIANCE REGISTERED OPTIONS
 PRINCIPAL ("CROP") MADE MISSTATEMENTS TO AMEX BY REPRESENTING
 THAT IT HAD TAKEN CORRECTIVE ACTION IN RESPONSE TO EXAMINATION
 FINDINGS WHEN IT HAD NOT; VIOLATED AMEX RULE 31 IN THAT ITS THEN
 CROP FAILED TO COOPERATE AND TIMELY COMPLY WITH SPECIFIC
 DEADLINES SET BY AMEX TO PROVIDE INFORMATION RESPONSIVE TO
 AMEX REQUESTS MADE IN CONNECTION WITH ONGOING AMEX
 INVESTIGATION; VIOLATED AMEX RULE 320(C) BY FAILING TO IMPLEMENT
 ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP
 AND REVIEW, TO VERIFY THAT ALL NECESSARY STEPS WERE TAKEN BY



ITS THEN CROP, WHO WAS ALSO THE FIRM'S COMPLIANCE DIRECTOR, TO COMPLY ACCURATELY AND WITHIN THE TIME FRAMES REQUIRED TO AMEX REQUESTS FOR INFORMATION AND/OR DOCUMENTATION MADE IN CONNECTION WITH AN ONGOING AMEX INVESTIGATION - CONSENT TO CENSURE AND \$15,000 FINE.

Regulator Statement

****05/05/2009**** THE DECISION BECAME FINAL AS OF THE CLOSE OF BUSINESS ON MAY 4, 2009.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WEDBUSH MORGAN SECURITIES HAS BEEN CHARGED WITH VIOLATING ARTICLE V, SECTION 4(E) OF THE EXCHANGE CONSTITUTION, ALONG WITH EXCHANGE RULES 31 AND 320 BY MAKING MATERIAL MISSTATEMENTS TO THE EXCHANGE, FAILING TO RESPOND TO EXCHANGE REQUESTS IN A TIMELY FASHION, AND FAILING TO SUPERVISE ITS CROP IN DEALINGS WITH THE EXCHANGE. ****04/03/2009****STIPULATION OF FACTS AND CONSENT TO PENALTY FILLED BY NYSE REGULATION'S DIVISION OF ENFORCEMENT AND PENDING CONSENTED TO FINDINGS:FOR THE SOLE PURPOSE OF SETTling THIS DISCIPLINARY PROCEEDING, WITHOUT ADJUDICATION OF ANY ISSUES OF LAW OR FACT, AND WITHOUT ADMITTING OR DENYING ANY ALLEGATIONS OR FINDINGS, WEDBUSH MORGAN SECURITIES, INC. STIPULATED THAT DURING THE PERIOD OF JUNE 2002 THROUGH FEBRUARY 2003, IT 1.VIOLATED ARTICLE V, SECTION 4(E)OF THE AMERICAN STOCK EXCHANGE CONSTITUTION, IN THAT THE FIRM THROUGH ONE OF ITS FORMER EMPLOYEES MADE MISSTATEMENTS TO THE AMERICAN STOCK EXCHANGE BY REPRESENTING THAT IT HAD TAKEN CORRECTIVE ACTION IN RESPONSE TO EXAMINATION FINDINGS WHEN IN FACT WEDBUSH HAD NOT TAKEN SUCH CORRECTIVE ACTION.2. VIOLATED AMERICAN STOCK EXCHANGE RULE 31, IN THAT WEDBUSH THROUGH ONE OF ITS FORMER EMPLOYEES FAILED TO COOPERATE AND TIMELY COMPLY WITH SPECIFIC DEADLINES SET BY THE AMERICAN STOCK EXCHANGE TO PROVIDE INFORMATION RESPONSIVE TO EXCHANGE REQUESTS MADE IN CONNECTION WITH AN ONGOING EXCHANGE INVESTIGATION.3. VIOLATED AMERICAN STOCK EXCHANGE RULE 320(C) IN THAT IT FAILED TO FAILED TO IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW, TO VERIFY THAT ALL NECESSARY STEPS WERE TAKEN BY ITS COMPLIANCE REGISTERED OPTIONS PRINCIPAL, WHO WAS ALSO THE FIRM'S COMPLIANCE DIRECTOR, TO COMPLY ACCURATELY AND WITHIN THE TIME FRAMES REQUIRED TO AMERICAN STOCK EXCHANGE REQUESTS FOR INFORMATION AND/OR DOCUMENTATION MADE IN CONNECTION WITH AN ONGOING AMERICAN STOCK EXCHANGE



INVESTIGATION.STIPULATED SANCTION:CENSURE AND A FINE IN THE AMOUNT OF \$15,000.

Initiated By: AMERICAN STOCK EXCHANGE

Date Initiated: 07/14/2008

Docket/Case Number: 03-29/HBD# 09-AMEX-05

Principal Product Type: Options

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Stipulation and Consent

Resolution Date: 05/05/2009

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: **4/8/09 (AMENDED DECISION 4/14/09)** DECISION NO. 09-AMEX-05 ISSUED BY NYSE AMEX HEARING BOARD DECISION:VIOLATED ARTICLE V, SECTION 4(E) OF AMEX CONSTITUTION IN THAT ITS THEN COMPLIANCE REGISTERED OPTIONS PRINCIPAL ("CROP") MADE MISSTATEMENTS TO AMEX BY REPRESENTING THAT IT HAD TAKEN CORRECTIVE ACTION IN RESPONSE TO EXAMINATION FINDINGS WHEN IT HAD NOT; VIOLATED AMEX RULE 31 IN THAT ITS THEN CROP FAILED TO COOPERATE AND TIMELY COMPLY WITH SPECIFIC DEADLINES SET BY AMEX TO PROVIDE INFORMATION RESPONSIVE TO AMEX REQUESTS MADE IN CONNECTION WITH ONGOING AMEX INVESTIGATION; VIOLATED AMEX RULE 320(C) BY FAILING TO IMPLEMENT ADEQUATE CONTROLS, INCLUDING A SEPARATE SYSTEM OF FOLLOW UP AND REVIEW, TO VERIFY THAT ALL NECESSARY STEPS WERE TAKEN BY ITS THEN CROP, WHO WAS ALSO THE FIRM'S COMPLIANCE DIRECTOR, TO COMPLY ACCURATELY AND WITHIN THE TIME FRAMES REQUIRED TO AMEX REQUESTS FOR INFORMATION AND/OR DOCUMENTATION MADE IN CONNECTION WITH AN ONGOING AMEX INVESTIGATION - CONSENT TO CENSURE AND \$15,000 FINE.

Disclosure 109 of 142

Reporting Source: Regulator

Current Status: Final



Allegations: NASD BY-LAWS ARTICLE V, SECTION 3, NASD RULES 2110, 3010(B) - WEDBUSH MORGAN SECURITIES, INC. FILED FORMS U5 CONCERNING REGISTERED PERSONS UNTIMELY BECAUSE THEY WERE NOT FILED WITHIN 30 DAYS OF THE DATE OF TERMINATION. THE FIRM'S SUPERVISORY PROCEDURES REQUIRED DEPARTMENT MANAGERS TO SUBMIT A COMPLETED FORM U5 FOR ANY TERMINATED EMPLOYEE TO THE FIRM'S BUSINESS CONDUCT DEPARTMENT WITHIN FIVE DAYS OF THE TERMINATION DATE WHICH WAS THEN RESPONSIBLE FOR FILING THE FORM U5 WITH THE APPROPRIATE REGULATORY AUTHORITY BUT THE FIRM FAILED TO ENFORCE THESE PROCEDURES WITH RESPECT TO SOME OF THE EMPLOYEES IT TERMINATED.

Initiated By: NASD

Date Initiated: 03/29/2007

Docket/Case Number: E022005016901

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/29/2007

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$18,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$18,000.

Reporting Source: Firm



Current Status:	Final
Allegations:	DURING THE TIME PERIOD FROM JANUARY 1, 2003 TO AUGUST 3, 2005, THE FIRM FILED 27 FORM U-5'S UNTIMELY, 5 OF THE 27 FORM U-5'S WERE FILED 1 OR 2 DAYS LATE. THE FIRM'S SUPERVISORY PROCEDURES WERE FOLLOWED INEFFECTIVELY IN THAT A FEW DEPARTMENT MANAGERS DID NOT ADVISE THE FIRM'S BUSINESS CONDUCT DEPARTMENT WHICH WAS RESPONSIBLE FOR FILING THE FORM U-5.
Initiated By:	NASD
Date Initiated:	03/29/2007
Docket/Case Number:	E0220050169-01
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/29/2007
Sanctions Ordered:	Censure Monetary/Fine \$18,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$18,000.

Disclosure 110 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	NASD RULE 5520(E) - WEDBUSH MORGAN SECURITIES, INC. WAS REGISTERED WITH NASD AS AN INTERMARKET TRADING SYSTEM/COMPUTER ASSISTED EXECUTION SYSTEM MARKET MAKER AND FAILED TO MAINTAIN CONTINUOUS TWO-SIDED QUOTATIONS IN THE ABSENCE OF THE GRANT OF AN EXCUSED WITHDRAWAL OR A FUNCTIONAL EXCUSED WITHDRAWAL BY NASD.
Initiated By:	NASD



Date Initiated: 01/09/2007

Docket/Case Number: 2005003069501

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/09/2007

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DNEYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTION AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS FINED \$5,000.

Reporting Source: Firm

Current Status: Final

Allegations: NASD ALLEGED THAT THE FIRM DID NOT CONTINUOUSLY MAINTAIN TWO-SIDED QUOTATIONS IN THE ABSENCE OF THE GRANT OF AN EXCUSED WITHDRAWAL OR A FUNCTIONAL EXCUSED WITHDRAWAL BY THE SRO DURING THE PERIODS OF JULY 1 THROUGH SEPTEMBER 30, 2005 AND FROM APRIL 1 THROUGH JUNE 30, 2006. DURING THE ABOVE-MENTIONED PERIODS, THE FIRM WAS REGISTERED WITH NASD AS AN INTERMARKET TRADING SYSTEM/COMPUTER ASSISTED EXECUTION SYSTEM ("ITS/CAES") MARKET MAKER.

Initiated By: NASD

Date Initiated: 12/07/2006

Docket/Case Number: 2005003069501



Principal Product Type:	Other
Other Product Type(s):	UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/09/2007
Sanctions Ordered:	Monetary/Fine \$5,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$5,000.
Firm Statement	PLEASE NOTE THAT NASDAQ AUTOMATICALLY REMOVES MARKET MAKER QUOTES WHENEVER THERE ARE ANY CORPORATE ACTIONS (I.E. PAYMENT OF DIVIDENDS), AND WHEN THIS HAPPENS MARKET MAKERS ARE CONSIDERED TO BE IN AN EXCUSED STATE IF NO NEW QUOTES ARE POSTED. DURING THE PERIOD OF JULY 1 THROUGH SEPTEMBER 30, 2005, THE NASDAQ SYSTEM REMOVED THE FIRM'S QUOTES BECAUSE OF DIVIDENDS BEING PAID BY THE ETF'S THE FIRM MADE MARKETS IN. SINCE THE FIRM NEVER UPDATED ITS QUOTES IN THE ETF'S IN QUESTION, THE FIRM WAS EXCUSED AND WITHDRAWN AS A MARKET MAKER IN THESE SECURITIES THUS ELIMINATING THE NEED TO POST TWO-SIDED QUOTES.

Disclosure 111 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	SEC RULE 200(G), NASD RULES 2110, 3010, 3110, 4632, 6130(D), 6955(A) - WEDBUSH MORGAN SECURITIES FAILED TO SUBMIT REQUIRED INFORMATION TO OATS; FAILED TO MARK WHETHER CUSTOMER ORDERS WERE LONG OR SHORT SALES TRANSACTIONS; FAILED TO MAINTAIN A DAILY TRADING LEDGER SHOWING THE FIRM'S POSITIONS AND PROPRIETARY TRANSACTIONS EXECUTED IN CONNECTION WITH CUSTOMER TRADES REPORTED TO ACT AS RISKLESS PRINCIPAL; THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH APPLICABLE SECURITIES LAWS, REGULATIONS AND NASD RULES RELATING TO PERSONNEL REGISTRATION AND QUALIFICATIONS, ORDER HANDLING AND EXECUTION, ANTI-INTIMIDATION AND COORDINATION, TRADE REPORTING,



CUSTOMER SALES TRANSACTIONS, SHORT SALES TRANSACTIONS, OATS, BEST EXECUTION, BOOKS AND RECORDS; INCORRECTLY REPORTED ITS CAPACITY FOR TRANSACTIONS IN NASDAQ NATIONAL MARKET SECURITIES THROUGH THE NASDAQ MARKET CENTER; REPORTED A TRANSACTION AS RISKLESS PRINCIPAL WHEN THE TRANSACTION WAS NOT EXECUTED AT THE SAME PRICE; FAILED TO REPORT TO THE NASDAQ MARKET CENTER THE CORRECT SYMBOL INDICATING WHETHER THE FIRM EXECUTED TRANSACTIONS IN ELIGIBLE SECURITIES IN A PRINCIPAL OR AGENCY CAPACITY; INCORRECTLY REPORTED A LONG SALE AS A SHORT EXEMPT SALE TO THE NASDAQ MARKET CENTER; REPORTED TRADE CANCELLATIONS TO THE NATIONAL MARKET CENTER THAT SHOULD NOT HAVE BEEN REPORTED; AND EXECUTED SALE ORDERS AND FAILED TO PROPERLY MARK THE ORDER TICKETS AS LONG OR SHORT FOR THE ORDERS.

Initiated By: NASD

Date Initiated: 01/09/2007

Docket/Case Number: 2005000251801

Principal Product Type: Other

Other Product Type(s): NASDAQ NATIONAL MARKET SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 01/09/2007

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$35,000.



Reporting Source:	Firm
Current Status:	Final
Allegations:	IN THE RESULT OF THE 2004 AND 2005 TRADING AND MARKET MARKING SURVEILLANCE EXAMINATIONS, NASD ALLEGED THAT THE FIRM IS IN VIOLATION OF MARKETPLACE RULES 4632 AND 6130, NASD RULE 3110, SEC RULE 200(G), INEFFECTIVE SUPERVISORY PROCEDURES, AND OATS VIOLATIONS.
Initiated By:	NASD
Date Initiated:	01/09/2007
Docket/Case Number:	2005000251801
Principal Product Type:	Equity - OTC
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	01/09/2007
Sanctions Ordered:	Censure Monetary/Fine \$35,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$35,000.00.
Firm Statement	PLEASE NOTE THAT THE FIRM HAS CONDUCTED AN INTERNAL INVESTIGATION IN REGARDS TO THE MATTER. THE FIRM IS EVALUATING THE ADOPTION OF NEW INFORMATION SYSTEMS FOR PROPRIETARY TRADING OPERATIONS. IN ADDITION, THE FIRM HAS AMENDED ITS WRITTEN SUPERVISORY PROCEDURES, SPECIFICALLY IN THE AREAS OF MULTIPLE MPIDS, BEST EXECUTION, TRADE REPORTING, AND OTHER REGULATORY OBLIGATIONS.

Disclosure 112 of 142**Reporting Source:** Regulator



Current Status:	Final
Allegations:	SECTION 17(A) OF THE EXCHANGE ACT, RULES 17A-3(A)(6) AND 17A-4(B)(1) THEREUNDER, NASD RULES 2110, 3010(A) AND (B), 3110 - RESPONDENT MEMBER FACILITATED OR PERMITTED LATE TRADING IN THAT IT ENTERED AND EFFECTED TRANSACTIONS IN MUTUAL FUNDS AFTER THE CLOSE OF TRADING AND WITHOUT REGARD TO THE TIME THE ORDERS WERE RECEIVED, THE ORDERS WERE EXECUTED AND PRICED AT THE NET ASSET VALUE (NAV) CALCULATED BY THE RELEVANT FUND AS OF THE CLOSE OF TRADING ON THE SAME DAY THEY WERE RECEIVED BY THE FIRM. THE FINDINGS STATED THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN OR ENFORCE SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES REASONABLY DESIGNED TO PREVENT AND DETECT LATE TRADING. THE FINDINGS ALSO STATED THAT THE FIRM FAILED TO CREATE RECORDS REFLECTING THE TIME OR RECEIPT OF ORDERS TO PURCHASE OR SELL MUTUAL FUNDS DURING A PERIOD OF TIME.
Initiated By:	NASD
Date Initiated:	12/14/2006
Docket/Case Number:	E022004022901
Principal Product Type:	Mutual Fund(s)
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	12/14/2006
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$150,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, WMS CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS,



THEREFORE, THE FIRM IS CENSURED, FINED \$150,000 AND REQUIRED TO REVIEW AND UPDATE SUPERVISORY PROCEDURES AND PRACTICES FOR COMPLIANCE REGARDING LATE TRADING AND RECORD KEEPING.

Reporting Source: Firm

Current Status: Final

Allegations: THE NASD ALLEGED THAT THE FIRM EFFECTED LATE TRADING IN MUTUAL FUNDS AFTER MARKET CLOSE. DESPITE THE TIME WHEN THE ORDERS WERE RECEIVED, THE ORDERS WERE EXECUTED AND PRICED AT THE NET ASSET VALUE AS OF THE CLOSE OF TRADING ON THE SAME DAY THEY WERE RECEIVED BY THE FIRM. ALSO, THE NASD ALLEGED THAT THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES WERE INEFFECTIVE TO PREVENT LATE MUTUAL FUND TRADING, AND THAT THE FIRM DID NOT KEEP SUFFICIENT RECORDS THAT REFLECTED THE TIME OF RECEIPT OF ORDERS TO PURCHASE OR SELL MUTUAL FUNDS.

Initiated By: NASD

Date Initiated: 12/14/2006

Docket/Case Number: E0220040229-01

Principal Product Type: Mutual Fund(s)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/14/2006

Sanctions Ordered: Censure
Monetary/Fine \$150,000.00

Other Sanctions Ordered: ON FEBRUARY 15, 2007, A LETTER WAS SENT TO THE NASD WHICH CERTIFIED TO THE NASD THAT THE FIRM HAS REVIEWED ITS PROCEDURES REGARDING LATE MUTUAL FUND TRADING AND RECORDKEEPING AND HAS SYSTEMS AND PROCEDURES IN PLACE THAT ARE REASONABLE DESIGNED TO ENSURE COMPLIANCE WITH LAWS, REGULATIONS, AND RULES CONCERNING THOSE MATTERS, INCLUDING BUT NOT LIMITED TO SEC RULE 22C-1(A), PROMULGATED UNDER THE INVESTMENT COMPANY ACT OF 1940.



Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$150,000. AND IS REQUIRED TO REVIEW AND UPDATE SUPERVISORY PROCEDURES REGARDING LATE TRADING AND RECORD KEEPING.
Firm Statement	THE FIRM HAS STRENGTHENED ITS SUPERVISORY PROCEDURES AND RECORD-KEEPING REQUIREMENTS FOR MUTUAL FUND.

Disclosure 113 of 142

Reporting Source:	Firm
Current Status:	Final
Allegations:	DURING THE TIME PERIOD FROM JANUARY 1, 2003 THRU AUGUST 3, 2005, THE FIRM ALLEGEDLY FILED 27 FORM U-5S LATE. A FEW DEPARTMENT MANAGERS MAY HAVE NOT PROMPTLY ADVISED THE FIRM'S BUSINESS CONDUCT DEPARTMENT WHICH WAS RESPONSIBLE FOR FILING THE U-5.
Initiated By:	NASD
Date Initiated:	03/29/2007
Docket/Case Number:	E0220050169-01
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/29/2007
Sanctions Ordered:	Censure Monetary/Fine \$18,000.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE FINDINGS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$18,000.

Disclosure 114 of 142

Reporting Source:	Regulator
Current Status:	Final



Allegations: NASD RULES 2110, 3010, 3360, 6130(B), 6180, 6620(A), 6620(A)(5) - RESPONDENT MEMBER FAILED TO ACCEPT OR DECLINE IN THE NASDAQ MARKET CENTER (NMC), WITHIN 20 MINUTES AFTER EXECUTION, TRANSACTIONS IN ELIGIBLE SECURITIES THAT RESPONDENT, AS THE ORDER ENTRY FIRM, WAS REQUIRED TO ACCEPT OR DECLINE. THE COMPLAINT ALLEGES THAT THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH THE NMC LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES AND FAILED TO DESIGNATE THROUGH THE NMC SUCH LAST SALE REPORTS AS LATE. THE COMPLAINT ALSO ALLEGES THAT THE FIRM SUBMITTED TO NASD ITS SHORT INTEREST POSITION REPORT FOR A SPECIFIC PERIOD OF TIME THAT INCLUDED A SHORT INTEREST POSITION OF 1,200,300 SHARES OF A STOCK WHEN THE FIRM'S ACTUAL SHORT INTEREST DURING THAT TIME, WAS ZERO SHARES. THE COMPLAINT FURTHER ALLEGES THAT THE FIRM FAILED TO ESTABLISH, MAINTAIN AND ENFORCE WRITTEN PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE SHORT INTEREST REPORTING REQUIREMENTS.

Initiated By: NASD

Date Initiated: 07/25/2006

Docket/Case Number: 2004100023501

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision & Order of Offer of Settlement

Resolution Date: 12/20/2006

Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$32,500.00

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM



CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$32,500.

Reporting Source:	Firm
Current Status:	Final
Allegations:	FROM JANUARY 1, 2005 THROUGH APRIL 30, 2005, THE FIRM DID NOT ACCEPT OR DECLINE IN THE NASDAQ MARKET CENTER ("NMC"), WITHIN TWENTY MINUTES AFTER EXECUTION TRANSACTIONS IN ELIGIBLE SECURITIES, A VIOLATION OF NASD MARKETPLACE RULE 6130(B). FURTHERMORE, THE FIRM DID NOT TRANSMIT LAST SALE REPORTS OF OTC EQUITY SECURITIES WITHIN 90 SECONDS AFTER EXECUTION NOR DESIGNATE SUCH REPORTS AS LATE DURING THE SAME PERIOD. IN ADDITION, THE SHORT INTEREST REPORT ON ONE STOCK WAS REPORTED INCORRECTLY IN APRIL 2004. THE FIRM'S SUPERVISORY SYSTEMS AND WRITTEN PROCEDURES WERE INEFFECTIVE TO ACHIEVE COMPLETE COMPLIANCE WITH THE SHORT INTEREST REPORTING REQUIREMENTS.
Initiated By:	NASD
Date Initiated:	07/25/2006
Docket/Case Number:	2004100023501
Principal Product Type:	Equity - OTC
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision & Order of Offer of Settlement
Resolution Date:	12/20/2006
Sanctions Ordered:	Censure Monetary/Fine \$32,500.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$32,500.
Firm Statement	WITH RESPECT TO VIOLATION OF NASD RULE 6130(B), PLEASE NOTE THAT THE FIRM IS NOT RESPONSIBLE FOR TECHNICAL ISSUE CAUSED BY AN OUTSIDE VENDOR ON ITS SYSTEM. UPON DISCOVERY OF THE ISSUE, THE



FIRM TOOK IMMEDIATE ACTION WITH THE OUTSIDE VENDOR AND HAS SINCE THEN CORRECTED THE ISSUE.

Disclosure 115 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	NASD RULES 2110, 2320, 5430(A), 5430(A)(4) - WEDBUSH MORGAN SECURITIES, INC. FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NASDAQ NATIONAL MARKET (NNM) AND NASDAQ SMALL CAP (SC) SECURITIES; THE FIRM FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES AND FAILED TO DESIGNATE THROUGH ACT SUCH LAST SALE REPORTS AS LATE; INCORRECTLY DESIGNATED AS ".T" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM AND SC SECURITIES EXECUTED DURING NORMAL BUSINESS HOURS; INCORRECTLY DESIGNATED AS ".SLD" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM AND SC SECURITIES REPORTED TO ACT WITHIN 90 SECONDS OF EXECUTION; AND, IN TRANSACTIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE TO ITS CUSTOMER WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.
Initiated By:	NASD
Date Initiated:	03/16/2006
Docket/Case Number:	2004200008602
Principal Product Type:	Other
Other Product Type(s):	NASDAQ NATIONAL MARKET AND NASDAQ SMALL CAP SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/16/2006



Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct? No

Sanctions Ordered: Censure
Monetary/Fine \$27,500.00
Disgorgement/Restitution

Other Sanctions Ordered:

Sanction Details: WITHOUT ADMITTING OR DNEYING THE ALLEGATIONS, WEDBUSH BORGAN CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED, FINED \$27,500, AND ORDERED TO PAY \$742.22, PLUS INTEREST, IN RESTITUTION TO INVESTORS NO LATER THAN 120 DAYS AFTER ACCEPTANCE OF THIS AWC BY THE NAC. ANY UNDISTRIBUTED RESTITUTION AND INTEREST SHALL BE FORWARDED TO THE APPROPRIATE ESCHEAT, UNCLAIMED PROPERTY OR ABANDONED PROPERTY FUND FOR THE STATE IN WHICH THE CUSTOMER LAST RESIDED.

Reporting Source: Firm

Current Status: Final

Allegations: NASD RULES 2110, 2320, 5430(A), 5430(A)- THE FIRM FAILED TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS WITHIN 90 SECONDS AFTER EXECUTION; AND IN 23 OCCASIONS FOR OR WITH A CUSTOMER, THE FIRM FAILED TO USE REASONABLE DILIGENCE TO ASCERTAIN THE BEST INTER-DEALER MARKET AND FAILED TO BUY OR SELL IN SUCH MARKET SO THAT THE RESULTANT PRICE WAS AS FAVORABLE AS POSSIBLE UNDER PREVAILING MARKET CONDITIONS.

Initiated By: NASD

Date Initiated: 03/16/2006

Docket/Case Number: 20042000086-02

Principal Product Type: Other

Other Product Type(s): NASDAQ NATIONAL MARKET AND NASDAQ SMALL CAP SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:



Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	03/16/2006
Sanctions Ordered:	Censure Monetary/Fine \$27,500.00 Disgorgement/Restitution
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE FIRM CONSENTED AND AGREED TO PAY AN AWC AMOUNT OF \$27,500 (\$20,000 FOR TRADE REPORTING AND \$7,500 FOR NOT OBTAINING THE MOST FAVORABLE PRICE POSSIBLE UNDER PREVAILING MARKET CONDITIONS)AND RESTITUTION TO CLIENTS OF \$742.22 PLUS INTEREST.
Firm Statement	OF THE 23 TRANSACTIONS THAT DID NOT RECEIVE THE MOST FAVORABLE PRICE POSSIBLE UNDER PREVAILING MARKET CONDITIONS, THE AVERAGE RESTITUTION WAS LESS THAN \$35.00.

Disclosure 116 of 142

Reporting Source:	Regulator
Current Status:	Final
Appealed To and Date Appeal Filed:	**10/24/07** RESPONDENT FILED APPEAL TO NYSE BOARD OF DIRECTORS COMMITTEE FOR REVIEW, SEEKING ELIMINATION OF OR, IN THE ALTERNATIVE, A SIGNIFICANT REDUCTION IN THE PENALTY IMPOSED BY THE NYSE HEARING BOARD IN DECISION 06-196 (APRIL 9, 2006). ENFORCEMENT FILED APPEAL TO NYSE BOARD OF DIRECTORS COMMITTEE FOR REVIEW, SEEKING REVERSAL OF THE FINDINGS OF NOT GUILTY ON CHARGES IV AND V OF THE CHARGE MEMORANDUM ISSUED BY ENFORCEMENT AGAINST RESPONDENT, AS SET FORTH IN NYSE HEARING BOARD DECISION 06-196 (APRIL 9, 2006).
Allegations:	**1/31/06** CHARGES ISSUED BY THE NYSE DIVISION OF ENFORCEMENT AND PENDING CHARGES: CHARGE I RESPONDENT, BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION, VIOLATED NYSE RULE 410A BY FAILING TO SUBMIT ACCURATE TRADING INFORMATION THROUGH THE SUBMISSION OF ELECTRONIC BLUE SHEETS IN RESPONSE TO ONE OR MORE REQUESTS FOR SUCH INFORMATION BY THE NYSE, AND IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE II RESPONDENT, BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION, VIOLATED NYSE RULE 401 BY FAILING TO ADHERE TO THE PRINCIPLES OF GOOD BUSINESS PRACTICE IN THE CONDUCT OF ITS BUSINESS AFFAIRS IN THAT IT SUBMITTED



INACCURATE TRADING INFORMATION ON ELECTRONIC BLUE SHEETS IN RESPONSE TO ONE OR MORE REQUESTS FOR SUCH INFORMATION BY THE NYSE, AND IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE III
RESPONDENT, BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION, VIOLATED NYSE RULE 342 BY FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE SYSTEMS AND PROCEDURES FOR THE SUPERVISION AND CONTROL OF AREAS RESPONSIBLE FOR COMPLYING WITH ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS AND FAILING TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW TO REASONABLY ENSURE COMPLIANCE WITH NYSE RULES RELATING TO THE PREPARATION AND SUBMISSION OF ELECTRONIC BLUE SHEETS, AND IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). CHARGE IV
RESPONDENT, BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION, VIOLATED NYSE RULE 476(A)(4) BY MAKING ONE OR MORE MATERIAL MISSTATEMENTS TO THE NYSE IN RESPONSE TO ONE OR MORE REQUESTS FOR INFORMATION BY THE NYSE, AND IS, THEREFORE, SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A). **CONTNUED AT 13C**

Initiated By: NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

Date Initiated: 01/31/2006

Docket/Case Number: HBD# 06-196

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 03/17/2008

Sanctions Ordered: Censure
Monetary/Fine \$200,000.00

Other Sanctions Ordered:

Sanction Details: **4/9/07** NYSE HEARING BOARD DECISION ISSUED (DECISION 06-196) (RECEIVED BY ENFORCEMENT ON APRIL 9, 2006). FINDINGS: GUILTY OF CHARGES I, II AND II. NOT GUILTY OF CHARGES IV & V. VIOLATED NYSE RULE 410A BY FAILING TO SUBMIT ACCURATE TRADING



INFORMATION THROUGH THE SUBMISSION OF ELECTRONIC BLUE SHEETS IN RESPONSE TO REQUESTS FOR SUCH INFORMATION BY THE NYSE. VIOLATED NYSE RULE 401 BY FAILING TO ADHERE TO THE PRINCIPLES OF GOOD BUSINESS PRACTICE IN THE CONDUCT OF ITS BUSINESS AFFAIRS IN THAT IT SUBMITTED INACCURATE TRADING INFORMATION ON ELECTRONIC BLUE SHEETS IN RESPONSE TO REQUESTS FOR SUCH INFORMATION BY THE NYSE. VIOLATED NYSE RULE 342 BY FAILING TO ESTABLISH AND MAINTAIN APPROPRIATE SYSTEMS AND PROCEDURES FOR THE SUPERVISION AND CONTROL OF AREAS RESPONSIBLE FOR COMPLYING WITH ELECTRONIC BLUE SHEET REPORTING REQUIREMENTS AND FAILING TO ESTABLISH A SEPARATE SYSTEM OF FOLLOW-UP AND REVIEW TO REASONABLY ENSURE COMPLIANCE WITH NYSE RULES RELATING TO PREPARATION AND SUBMISSION OF ELECTRONIC BLUE SHEETS. SANCTION: A CENSURE, A FINE OF \$300,000, AND AN UNDERTAKING.

Regulator Statement

****3/12/08**** BOARD OF DIRECTORS, NYSE REGULATION, INC., DECISION ON REQUESTS FOR REVIEW OF NYSE HEARING BOARD DECISION 06-196 ISSUED IN THE MATTER OF WEDBUSH MORGAN SECURITIES, INC. (RECEIVED BY ENFORCEMENT ON MARCH 17, 2008). THE BOARD OF DIRECTORS RULED AS FOLLOWS: 1. NYSE HEARING BOARD DECISION 06-196 IS AFFIRMED WITH RESPECT TO THE HEARING PANEL'S FINDING THAT WEDBUSH WAS NOT GUILTY OF CHARGE V (FAILING TO COOPERATE WITH AN NYSE INVESTIGATION). 2. THE CENSURE OF WEDBUSH IS AFFIRMED. 3. THE FINE OF \$300,000 IS REDUCED TO \$200,000. 4. THE SCOPE OF THE UNDERTAKING, SET FORTH AT SECTION "A" AT PAGE 14 OF NYSE HEARING BOARD DECISION 06-196, IS MODIFIED TO REQUIRE WEDBUSH TO RETAIN AN OUTSIDE CONSULTANT TO PERFORM A REVIEW AND PREPARE A REPORT THAT - TAKING INTO CONSIDERATION WEDBUSH'S SIZE, NUMBER OF CUSTOMERS, BUSINESS AND PRODUCT MIX, AND FINANCIAL RESOURCES - CONTAINS RECOMMENDATIONS CONCERNING THE ADEQUACY OF WEDBUSH'S REGULATORY AND COMPLIANCE RESOURCES, INCLUDING, WITHOUT LIMITATION, WEDBUSH'S CONTROLS OVER, PROCEDURES FOR AND SUPERVISION OF ITS RESPONSES TO REQUESTS FOR BLUE SHEET INFORMATION. (THE OTHER CONDITIONS OF THE UNDERTAKING, AS SET FORTH IN SECTIONS "B" THROUGH "F" AT PAGES 14-15 OF NYSE HEARING BOARD DECISION 06-196, REMAIN UNDISTURBED.) PURSUANT TO THE LETTER FROM CHIEF HEARING OFFICER PEGGY KUO TO WEDBUSH MORGAN SECURITIES, INC. DATED MARCH 18, 2008, WHICH CONSTITUTES A RULE 19D-1 FILING, THIS DECISION IS FINAL. ****3/18/08**** A REQUEST FOR REVIEW WAS REQUESTED. EFFECTIVE 3/17/08 THE DECISION IS FINAL

Reporting Source:

Firm



Current Status:	Final
Allegations:	THE NYSE ALLEGED THAT THE FIRM IS SUBJECT TO DISCIPLINE PURSUANT TO NYSE RULE 476(A) FOR THE FOLLOWING REASONS: 1) SUBMITTED INACCURATE TRADING INFORMATION THROUGH THE SUBMISSION OF ELECTRONIC BLUE SHEETS, WHICH LED TO VIOLATION OF NYSE RULE 401, 2) DID NOT ESTABLISH AND MAINTAIN APPROPRIATE SYSTEMS AND PROCEDURES FOR THE SUPERVISION AND CONTROL OF AREAS RESPONSIBLE FOR COMPLYING WITH ELECTRONIC BLUE SHEETS REPORTING REQUIREMENTS AND FAILED TO ESTABLISH A SEPARATE SYSTEM TO FOLLOW-UP AND REVIEW TO ENSURE COMPLIANCE WITH NYSE RULES RELATING TO THE PREPARATION AND SUBMISSION OF ELECTRONIC BLUE SHEETS, 3) MADE ONE OR MORE MATERIAL MISSTATEMENTS TO THE NYSE IN RESPONSE TO ONE OR MORE REQUESTS FOR INFORMATION BY THE NYSE, 4) DID NOT COOPERATE WITH AN NYSE INVESTIGATION SATISFACTORILY.
Initiated By:	NYSE
Date Initiated:	01/31/2006
Docket/Case Number:	06-196
Principal Product Type:	Other
Other Product Type(s):	ELECTRONIC BLUE SHEETS
Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	CENSURE AND UNDERTAKING
Resolution:	Decision
Resolution Date:	05/08/2008
Sanctions Ordered:	Censure Monetary/Fine \$200,000.00
Other Sanctions Ordered:	UNDERTAKING
Sanction Details:	\$200,000 FINE PAID MAY 8, 2008 AFTER BEING REDUCED IN THE APPEAL FROM THE ORIGINAL \$300,000
Firm Statement	A HEARING ON THIS MATTER WAS COMPLETED IN NOV-2006. A VERDICT WAS ISSUED APRIL 2007. AN APPEAL WAS FILED AND A DECISION ON THE APPEAL RECEIVED MARCH 2008 REDUCING THE FINE AND SCOPE OF THE UNDERTAKING. THE FINE WAS PAID MAY 8, 2008 AND UNDERTAKING IS IN PROGRESS.



Disclosure 117 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>**12/12/05**CHARGES ISSUED BY NYSE DIVISION OF ENFORCEMENT AND PENDING.CHARGES: WEDBUSH MORGAN SECURITIES, INC., BY REASON OF THE FACTS SET FORTH IN THE STATEMENT OF FACTS AND EXPLANATION IN THE CHARGE MEMORANDUM DATED DECEMBER 12, 2005, VIOLATED EXCHANGE RULES 342(A) AND (B) BY FAILING TO PROVIDE FOR APPROPRIATE PROCEDURES OF SUPERVISION AND CONTROL AND TO ESTABLISH A SYSTEM OF FOLLOW-UP AND REVIEW WITH RESPECT TO THE ACTIVITIES OF ITS PARIS BRANCH OFFICE; VIOLATED EXCHANGE RULE 342(C) BY FAILING TO OBTAIN THE PRIOR CONSENT OF THE EXCHANGE FOR EACH OFFICE ESTABLISHED OTHER THAN A MAIN OFFICE; VIOLATED EXCHANGE RULE 405 BY FAILING TO USE DUE DILIGENCE TO LEARN THE ESSENTIAL FACTS RELATIVE TO EVERY CUSTOMER, SUPERVISE DILIGENTLY ALL ACCOUNTS HANDLED BY REGISTERED REPRESENTATIVES IN THE FIRM'S PARIS BRANCH OFFICE AND/OR SPECIFICALLY APPROVE THE OPENING OF ACCOUNTS PRIOR TO OR PROMPTLY AFTER THE COMPLETION OF ANY TRANSACTION FOR THE ACCOUNTS OF OR WITH A CUSTOMER; VIOLATED RULES 17A-4(B)(4) AND 17A-4(F) UNDER THE EXCHANGE ACT AND EXCHANGE RULES 440 AND 472(A)(1) BY FAILING TO REVIEW OR APPROVE WRITTEN OR ELECTRONIC COMMUNICATIONS IN CONDUCTING ITS BUSINESS AS SUCH AND FAILING TO HAVE PROCEDURES TO MAINTAIN SUCH COMMUNICATIONS IN THE FIRM'S PARIS BRANCH OFFICE; VIOLATED RULE 17A-3(6) UNDER THE EXCHANGE ACT AND EXCHANGE RULE 440 BY FAILING TO CREATE AND MAINTAIN ORDER TICKETS AND EXECUTION REPORTS OF THE FIRM'S PARIS BRANCH OFFICE; VIOLATED EXCHANGE RULES 342(D) AND 345(A) BY FAILING TO HAVE ONE OR MORE QUALIFIED PERSONS ACCEPTABLE TO THE EXCHANGE IN CHARGE OF ONE OR MORE BRANCH OFFICES;**CONTINUED AT 13C**</p>
Initiated By:	NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT
Date Initiated:	12/12/2005
Docket/Case Number:	HBD# 09-NYSE-01
Principal Product Type:	Other
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	



Resolution:	Decision
Resolution Date:	01/06/2009
Sanctions Ordered:	Censure Monetary/Fine \$100,000.00
Other Sanctions Ordered:	
Sanction Details:	<p>**1/06/2009**DECISION 09-NYSE-01 ISSUED BY THE NYSE HEARING BOARD. DECISION: AFTER A CONTESTED HEARING, RESPONDENT WAS FOUND TO HAVE VIOLATED NYSE RULES 342(A) AND (B) BY FAILING TO PROVIDE FOR APPROPRIATE PROCEDURES OF SUPERVISION AND CONTROL AND ESTABLISH SYSTEM OF FOLLOW-UP AND REVIEW WITH RESPECT TO ACTIVITIES OF ITS PARIS OFFICE; VIOLATED NYSE RULE 342 (C) BY FAILING TO OBTAIN PRIOR CONSENT OF NYSE FOR EACH OFFICE ESTABLISHED OTHER THAN THE MAIN OFFICE; VIOLATED NYSE RULE 405 BY FAILING TO USE DUE DILIGENCE TO LEARN ESSENTIAL FACTS RELATIVE TO EVERY CUSTOMER, SUPERVISE DILIGENTLY ALL ACCOUNTS HANDLED BY REGISTERED REPRESENTATIVES IN PARIS BRANCH OFFICE AND/OR SPECIFICALLY APPROVE OPENING OF ACCOUNTS PRIOR TO OR PROMPTLY AFTER COMPLETION OF TRANSACTION FOR ACCOUNTS OF OR WITH CUSTOMER; VIOLATED RULE 17A-4(B)(4) AND 17A-4(F) UNDER EXCHANGE ACT OF 1934 AND NYSE RULES 440 AND 472(A)(1) BY FAILING TO REVIEW OR APPROVE WRITTEN OR ELECTRONIC COMMUNICATIONS AND FAILING TO HAVE PROCEDURES TO MAINTAIN SUCH COMMUNICATIONS IN PARIS BRANCH OFFICE; VIOLATED RULE 17A-3(6) UNDER EXCHANGE ACT AND NYSE RULE 440 BY FAILING TO CREATE AND MAINTAIN ORDER TICKETS AND EXECUTION REPORTS OF PARIS BRANCH OFFICE; VIOLATED NYSE RULES 342(D) AND 345(A) BY FAILING TO HAVE QUALIFIED PERSONS ACCEPTABLE TO NYSE IN CHARGE OF BRANCH OFFICES; AND/OR PERMITTING PERSONS TO PERFORM REGULARLY DUTIES CUSTOMARILY PERFORMED BY REGISTERED REPRESENTATIVES AND DIRECT SUPERVISOR WITHOUT SUCH PERSONS BEING REGISTERED WITH, QUALIFIED BY, AND ACCEPTABLE TO NYSE; VIOLATED NYSE RULE 445 BY FAILING TO IMPLEMENT POLICIES, PROCEDURES AND INTERNAL CONTROLS REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH BANK SECRECY ACT AND IMPLEMENTING REGULATIONS THEREUNDER; VIOLATED RULE 15C3-3**CONTINUED AT 14**</p>
Regulator Statement	<p>**CONTINUED FROM 13C**(G) UNDER EXCHANGE ACT BY MAKING WITHDRAWALS FROM ITS SPECIAL RESERVE ACCOUNT FOR EXCLUSIVE BENEFIT OF CUSTOMERS WHEN AMOUNT REMAINING WAS LESS THAN AMOUNT REQUIRED TO BE ON DEPOSIT PURSUANT TO RULE 15C3-3(E) UNDER EXCHANGE ACT, THEREBY CAUSING HINDSIGHT DEFICIENCIES - CENSURE, \$100,000 FINE, ORDERED TO HIRE AN OUTSIDE CONSULTANT TO MAKE RECOMMENDATIONS AS TO CERTAIN ASPECTS OF COMPLIANCE</p>



RELATING TO THE VIOLATIONS AND TO IMPLEMENT SUCH RECOMMENDATIONS.

01/06/2009THE DECISION IS FINAL AND EFFECTIVE CLOSE OF BUSINESS ON FEBRUARY 2, 2009.

Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH MORGAN SECURITIES STATES THAT THE PARIS FACILITY IS NOT A BRANCH OFFICE OF WEDBUSH MORGAN SECURITIES BUT IS CORRESPONDENT FIRM, HAW FINANCE NETWORK. NYSE ALLEGED THE FIRM INFRINGED EXCHANGE RULES 342(A) AND (B) BY NOT HAVING PROCEDURES OF SUPERVISION WITH RESPECT TO THE ACTIVITIES OF THE PARIS OFFICE; INFRINGED EXCHANGE RULE 342(C) BY NOT OBTAINING THE CONSENT TO ESTABLISH THE OFFICES OTHER THAN THE MAIN OFFICE BY THE EXCHANGE; INFRINGED EXCHANGE RULE 405 BY NOT USING DUE DILIGENCE TO SUPERVISE ACCOUNTS HANDLED BY REGISTERED REPRESENTATIVES IN THE PARIS OFFICE; INFRINGED RULES 17-4(B)(4) AND 17A-4(F) UNDER THE EXCHANGE ACT AND EXCHANGE RULES 440 AND 472(A)(1) BY NOT REVIEWING WRITTEN OR ELECTRONIC COMMUNICATIONS; INFRINGED RULE 17A-3(6) UNDER THE EXCHANGE ACT AND EXCHANGE RULE 440 BY NOT MAINTAINING ORDER TICKETS AND EXECUTION REPORTS OF THE PARIS OFFICE; INFRINGED EXCHANGE RULES 342(D) AND 345(A) BY NOT HAVING ONE OR MORE QUALIFIED PERSONS ACCEPTABLE TO THE EXCHANGE IN CHARGE OF BRANCH OFFICES; AND/OR PERFORM REGULARLY THE DUTIES CUSTOMARILY PERFORMED BY A REGISTERED REPRESENTATIVE AND A DIRECT SUPERVISOR;**CONTINUED AT 13C**

Initiated By: NEW YORK STOCK EXCHANGE DIVISION OF ENFORCEMENT

Date Initiated: 12/12/2005

Docket/Case Number: HBD# 09-NYSE-01

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 02/02/2009



Sanctions Ordered:	Censure Monetary/Fine \$100,000.00
Other Sanctions Ordered:	UNDERTAKING BY INDEPENDENT CONSULTANT
Sanction Details:	\$100,000 FINE AND AN UNDERTAKING TO EVALUATE THE REGULATORY AND COMPLIANCE RESOURCES OF THE FIRM
Firm Statement	<p>**CONTINUED FROM #7** INFRINGED EXCHANGE RULE 345A(A) BY PERMITTING ONE OR MORE REGISTERED REPRESENTATIVES TO CONTINUE TO PERFORM DUTIES AS A REGISTERED PERSON WITHOUT MEETING CONTINUING EDUCATION REQUIREMENTS; INFRINGED EXCHANGE RULE 407(B) BY FAILING TO RECEIVE AND REVIEW MONTHLY ACCOUNT STATEMENTS AND CONFIRMATION OF ACCOUNTS HELD AT OTHER FIRMS BY REGISTERED REPRESENTATIVES; INFRINGED EXCHANGE RULE 445 BY NOT IMPLEMENTING POLICIES AND PROCEDURES TO DETECT REPORTING OF TRANSACTIONS REQUIRED UNDER 31 U.S.C. 5318(G) AND DID NOT IMPLEMENT POLICIES AND PROCEDURES TO ACHIEVE COMPLIANCE WITH THE BANK SECRECY ACT; INFRINGED RULE 15C-3-3(G) UNDER THE EXCHANGE ACT BY MAKING WITHDRAWALS FROM ITS SPECIAL RESERVE ACCOUNT WHEN AT THE TIME OF THE WITHDRAWALS THE AMOUNT REMAINING IN THE RESERVE ACCOUNT WAS LESS THAN THE AMOUNT REQUIRED TO BE ON DEPOSIT PURSUANT TO RULE 15C3-3(E) UNDER THE EXCHANGE ACT.</p>

Disclosure 118 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	<p>NASD CONDUCT RULE – 2110 AND NASD MARKETPLACE RULE 6620(A) - WEDBUSH MORGAN SECURITIES INC. FAILED WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH AUTOMATED CONFIRMATION TRANSACTION SERVICE ("ACT") 78 LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES. THESE TRANSACTIONS CONSTITUTE NEARLY 6 PERCENT OF TRANSACTIONS REVIEWED THAT THE FIRM WAS REQUIRED TO REPORT TO ACT DURING THE REVIEW PERIOD. FURTHERMORE, FOR 48 OF THE TRANSACTIONS REFERENCED ABOVE, WEDBUSH MORGAN SECURITIES INC. FAILED WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF THE TRANSACTIONS IN OTC EQUITY SECURITIES AND FAILED TO DESIGNATE THROUGH ACT SUCH LAST SALE REPORTS AS LATE.</p>
Initiated By:	NASD
Date Initiated:	08/20/2004



Docket/Case Number:	CMS040129
Principal Product Type:	Equity - OTC
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	08/20/2004
Does the order constitute a final order based on violations of any laws or regulations that prohibit fraudulent, manipulative, or deceptive conduct?	No
Sanctions Ordered:	Censure Monetary/Fine \$7,500.00
Other Sanctions Ordered:	
Sanction Details:	WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH MORGAN SECURITIES INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7,500.
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Reporting Source:	Firm
Current Status:	Final
Allegations:	WITHOUT ADMITTING OF DENYING ALLEGATIONS THAT IT FAILED TO TRANSMIT 78 TRANSACTION REPORTS IN OTC SECURITIES THROUGH ACT WITHIN 90 SECONDS AFTER EXECUTION BETWEEN SEPTEMBER 1,2002 AND DECEMBER 31,2002, WEDBUSH MORGAN SECURITIES CONSENTED TO A CENSURE AND A FINE OF \$7500.
Initiated By:	NASD
Date Initiated:	08/20/2004
Docket/Case Number:	CMS040129
Principal Product Type:	Equity - OTC

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Acceptance, Waiver & Consent(AWC)**Resolution Date:** 08/20/2004**Sanctions Ordered:** Censure
Monetary/Fine \$7,500.00**Other Sanctions Ordered:****Sanction Details:** WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH MORGAN SECURITIES INC. CONSENTED TO THE DESCRIBED SANCTIONS AND TO THE ENTRY OF FINDINGS; THEREFORE, THE FIRM IS CENSURED AND FINED \$7500.**Disclosure 119 of 142****Reporting Source:** Regulator**Current Status:** Final**Allegations:** NASD CONDUCT RULE 2110, NASD MARKETPLACE RULE 4632(A) AND 6620(A)(3) - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT MEMBER CONSENTED TO THE ENTRY OF FINDINGS THAT IT FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH AUTOMATED CONFIRMATION TRANSACTION SERVICE (ACT) LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY, NASDAQ NATIONAL MARKET (NNM) AND NASDAQ SMALLCAP (SC) SECURITIES. THESE TRANSACTIONS WERE REQUIRED TO REPORT TO ACT DURING THE REVIEW PERIOD. RESPONDENT MEMBER ALSO FAILED TO DESIGNATE AS ".T" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN OTC EQUITY SECURITIES EXECUTED OUTSIDE NORMAL MARKET HOURS. IN ADDITION, THE RESPONDENT MEMBER FAILED, WITHIN 90 SECONDS AFTER EXECUTION, TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES AND FAILED TO DESIGNATE THROUGH ACT SUCH LAST SALE REPORTS AS LATE. FURTHERMORE, RESPONDENT MEMBER INCORRECTLY DESIGNATED AS ".T" THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES EXECUTED DURING NORMAL MARKET HOURS.**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**Date Initiated:** 12/12/2002



Docket/Case Number: CMS020242

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/12/2002

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: A FINE OF \$5,000.

Reporting Source: Firm

Current Status: Final

Allegations: WITHOUT ADMITTING OR DENYING THE ALLEGATIONS,WMS CONSENTED TO THE ENTRY OF FINDINGS THAT IT FAILED WITHIN 90 SECONDS AFTER EXECUTION,TO TRANSMIT THROUGH ACT LAST SALE REPORTS OF TRANSACTIONS AND FAILED TO DESIGNATE AS".T" REPORTS OF TRANSACTIONS EXECUTED OUTSIDE NORMAL MARKET HOURS AND INCORRECTLY DESIGNATED AS".T" LAST SALE REPORTS OF TRANSACTIONS IN NNM SECURITIES EXECUTED DURING NORMAL MARKET HOURS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS,INC.

Date Initiated: 12/12/2002

Docket/Case Number: CMS020242

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)



Resolution Date: 12/12/2002

Sanctions Ordered: Monetary/Fine \$5,000.00

Other Sanctions Ordered:

Sanction Details: A FINE OF \$5,000.00

Disclosure 120 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: SEC RULE 11AC1-4 - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT FIRM CONSENTED TO THE ENTRY OF FINDINGS THAT IT FAILED TO DISPLAY IMMEDIATELY THE CUSTOMER LIMIT ORDERS IN NASDAQ SECURITIES IN ITS PUBLIC QUOTATION, WHEN EACH SUCH ORDER WAS AT A PRICE THAT WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER IN EACH SUCH SECURITY; OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER IN SUCH SECURITY, AND THE SIZE OF THE ORDER REPRESENTED MORE THAN A DE MINIMIS CHANGE IN RELATION TO THE SIZE ASSOCIATED WITH ITS BID OR OFFER IN EACH SUCH SECURITY.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 12/05/2002

Docket/Case Number: CMS020236

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/05/2002

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: A CENSURE AND A FINE OF \$10,000.



Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH MORGAN,WITHOUT ADMITTING OR DENYING THE ALLEGATIONS,SUBMITTED A LETTER OF ACCEPTANCE,WAIVER,&CONSENT,CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS THAT ON A FEW OCCASIONS FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN ITS PUBLIC QUOTATION,WHEN SUCH ORDER WAS AT A PRICE WHICH WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER,OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER IN SUCH SECURITY.

Initiated By: NASD

Date Initiated: 11/19/2002

Docket/Case Number: NASD #CMS020236

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/19/2002

Sanctions Ordered: Censure
Monetary/Fine \$10,000.00

Other Sanctions Ordered:

Sanction Details: \$10,000.00 FINED

Firm Statement WEDBUSH MORGAN,WITHOUT ADMITTING OR DENYING THE ALLEGATIONS,SUBMITTED A LETTER OF ACCEPTANCE,WAIVER&CONSNET,CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS THAT ON A FEW OCCASIONS IT FAILED TO DISPLAY IMMEDIATELY CUSTOMER LIMIT ORDERS IN ITS PUBLIC QUOTATION,WHEN SUCH ORDER WAS AT A PRICE WHICH WOULD HAVE IMPROVED THE FIRM'S BID OR OFFER,OR WHEN THE ORDER WAS PRICED EQUAL TO THE FIRM'S BID OR OFFER AND THE NATIONAL BEST BID OR OFFER IN SUCH SECURITY.THE FIRM WAS CENSURED AND FINED \$10,000.00.



Disclosure 121 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	NASD RULES 2110, 3010, 3320 AND 4613(B), AND SEC RULE 11AC1-1 - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT MEMBER CONSENTED TO THE ENTRY OF FINDINGS THAT IT WAS A MARKET MAKER IN SECURITIES, AND AN ORDER WAS PRESENTED TO THE FIRM AT THE FIRM'S PUBLISHED BID OR PUBLISHED OFFER IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE. THE FIRM FAILED TO EXECUTE THE ORDERS UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION. THE FIRM'S SUPERVISORY SYSTEM DID NOT PROVIDE FOR SUPERVISION REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING FIRM QUOTE COMPLIANCE. SPECIFICALLY, THE FIRM'S SUPERVISORY SYSTEM DID NOT INCLUDE WRITTEN SUPERVISORY PROCEDURES PROVIDING FOR THE IDENTIFICATION OF THE PERSON RESPONSIBLE AT THE FIRM TO ENSURE COMPLIANCE WITH THE APPLICABLE RULES; A STATEMENT OF THE STEPS THAT SUCH PERSON SHOULD TAKE TO ENSURE COMPLIANCE; A STATEMENT AS TO HOW OFTEN SUCH PERSON SHOULD TAKE SUCH STEPS; AND A STATEMENT AS TO HOW ENFORCEMENT OF SUCH WRITTEN SUPERVISORY PROCEDURES SHOULD BE DOCUMENTED AT THE FIRM.
Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated:	11/19/2002
Docket/Case Number:	CMS020010
Principal Product Type:	Other
Other Product Type(s):	UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/19/2002
Sanctions Ordered:	Censure



Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details:

A CENSURE, A FINE OF \$15,000 (\$10,000 FOR THE FIRM QUOTE VIOLATIONS AND \$5,000 FOR THE SUPERVISORY VIOLATION) AND AN UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES WITH RESPECT TO THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING FIRM QUOTE COMPLIANCE WITHIN 30 BUSINESS DAYS.

Reporting Source:

Firm

Current Status:

Final

Allegations:

WEDBUSH MORGAN SECURITIES FAILED TO HONOR ITS PUBLISHED QUOTATIONS.

Initiated By:

NASD

Date Initiated:

11/19/2002

Docket/Case Number:

NASD #CMS020210

Principal Product Type:

Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Censure

Other Sanction(s)/Relief Sought:

FINE

Resolution:

Acceptance, Waiver & Consent(AWC)

Resolution Date:

11/19/2002

Sanctions Ordered:

Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details:

\$15,000.00 FINED

Firm Statement

WEDBUSH MORGAN, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, SUBMITTED A LETTER OF ACCEPTANCE, WAIVER, & CONSENT CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS THAT IT FAILED ON A FEW OCCASIONS TO HONOR ITS PUBLISHED QUOTATIONS. THE FIRM WAS CENSURED, FINED \$15,000, AND REQUIRED TO REVISE ITS WRITTEN SUPERVISORY PROCEDURES RELATING TO FIRM QUOTE COMPLIANCE.



Disclosure 122 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	NASD RULE 4613(E)(1)(C) - WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, THE RESPONDENT MEMBER CONSENTED TO THE ENTRY OF FINDINGS THAT IT, AS A MARKET MAKER IN SECURITIES, WAS A PARTY TO A LOCKED OR CROSSED MARKET CONDITION PRIOR TO THE MARKET OPENING AND RECEIVED A TRADE-OR-MOVE MESSAGE IN EACH INSTANCE THROUGH SELECTNET AND WITHIN 30 SECONDS OF RECEIVING SUCH MESSAGES, FAILED TO FILL THE INCOMING TRADE-OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS BID DOWN (OFFER UP) BY A QUOTATION INCREMENT THAT WOULD HAVE UNLOCKED/UNCROSSED THE MARKET. RESPONDENT MEMBER, AS A MARKET MAKER IN SECURITIES, CAUSED A LOCKED/CROSSED MARKET CONDITION PRIOR TO THE MARKET OPENING BY ENTERING A BID (ASK) QUOTATION THAT LOCKED/CROSSED ANOTHER MARKET MAKER'S QUOTATIONS WITHOUT IMMEDIATELY THEREAFTER SENDING THROUGH SELECTNET TO THE MARKET MAKER(S) WHOSE QUOTE(S) IT LOCKED OR CROSSED A TRADE-OR-MOVE MESSAGE(S) THAT WAS AT THE RECEIVING MARKET MAKER'S QUOTED PRICE AND WHOSE AGGREGATE SIZE WAS AT LEAST 5000 SHARES.
Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated:	11/19/2002
Docket/Case Number:	CMS020212
Principal Product Type:	Other
Other Product Type(s):	UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	11/19/2002
Sanctions Ordered:	Censure Monetary/Fine \$20,000.00
Other Sanctions Ordered:	



Sanction Details: A CENSURE AND A FINE OF \$20,000.

Reporting Source: Firm

Current Status: Final

Allegations: WEDBUSH MORGAN, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, SUBMITTED A LETTER OF ACCEPTANCE, WAIVER, & CONSENT, CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS ON A FEW OCCASIONS THAT IT WAS A PARTY TO A LOCKED OR CROSSED MARKET CONDITION PRIOR TO MARKET OPENING AND FAILED TO FILL AN INCOMING TRADE-OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS MARKET WITHIN 30 SECONDS.

Initiated By: NASD

Date Initiated: 11/19/2002

Docket/Case Number: NASD #CMS020212

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Censure

Other Sanction(s)/Relief Sought: FINE

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 11/19/2002

Sanctions Ordered: Censure
Monetary/Fine \$20,000.00

Other Sanctions Ordered:

Sanction Details: \$20,000.00 FINED

Firm Statement WEDBUSH MORGAN, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, SUBMITTED A LETTER OF ACCEPTANCE, WAIVER, & CONSENT, CONSENTING TO SANCTIONS AND THE ENTRY OF FINDINGS THAT ON A FEW OCCASIONS THAT IT WAS A PARTY TO A LOCKED OR CROSSED MARKET CONDITION PRIOR TO MARKET OPENING AND FAILED TO FILL AN INCOMING TRADE-OR-MOVE MESSAGE FOR THE FULL SIZE OF THE MESSAGE OR MOVE ITS MARKET WITHIN 30 SECONDS. THE FIRM WAS CENSURED AND FINED \$20,000.00

**Disclosure 123 of 142**

Reporting Source: Regulator

Current Status: Final

Allegations: NASD RULE 3110 AND SEC RULE 17A-3 - RESPONDENT MEMBER FAILED TO TIME STAMP ORDER TICKETS PROMPTLY UPON RECEIPT, WITH RESPECT TO MANUAL TRANSACTION ORDERS, AND THEREBY FAILED TO SHOW THE TIME OF ENTRY ON THE MEMORANDUM OF BROKERAGE ORDERS.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS

Date Initiated: 10/10/2001

Docket/Case Number: C02010054

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/10/2001

Sanctions Ordered: Monetary/Fine \$2,500.00

Other Sanctions Ordered:

Sanction Details: NONE

Reporting Source: Firm

Current Status: Final

Allegations: WMS WAS ALLEGED TO BE IN VIOLATION OF NASD CONDUCT RULES 3110 AND SEC RULE 17 A-3.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS (NASD)

Date Initiated: 08/22/2001

Docket/Case Number: C01020054

Principal Product Type: No Product

Other Product Type(s):



Principal Sanction(s)/Relief Sought:	Civil and Administrative Penalt(ies) /Fine(s)
Other Sanction(s)/Relief Sought:	
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	10/10/2001
Sanctions Ordered:	Monetary/Fine \$2,500.00
Other Sanctions Ordered:	
Sanction Details:	WMS PAID FINE IN THE AMOUNT OF \$2,500.
Firm Statement	ON 09/27/01, WITHOUT ADMITTING OR DENYING THE ALLEGATIONS, WEDBUSH SIGNED AN ACCEPTANCE AND CONSENT TO FINDINGS THAT ON A SINGLE TRADE DATE IT FAILED TO STAMP 11 MANUAL ORDERS PROMPTLY UPON RECEIPT AND AGREED TO PAY A FINE IN THE AMOUNT OF \$2,500 TO NASD REG, INC.

Disclosure 124 of 142

Reporting Source:	Firm
Current Status:	Final
Allegations:	STATE OF OREGON ALLEGED THAT THREE AGENTS OF WMS WERE NOT PROPERLY REGISTERED TO CONDUCT BUSINESS IN OREGON.
Initiated By:	STATE OF OREGON
Date Initiated:	07/01/1988
Docket/Case Number:	E8-37
Principal Product Type:	Other
Other Product Type(s):	GENERAL SECURITIES
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	07/01/1988
Sanctions Ordered:	Monetary/Fine \$1,000.00 Cease and Desist/Injunction

**Other Sanctions Ordered:**

Sanction Details: DISPOSITION RESULTED IN A FINE OF \$1000.00 OF WHICH WAS PAID IN JULY 1988.

Firm Statement STATE OF OREGON ALLEGED THAT THREE AGENTS OF WMS WERE NOT PROPERLY REGISTERED TO CONDUCT BUSINESS IN STATE. WMS RESOLVED THE MATTER BY CONSENTING TO THE ENTRY OF A CEASE AND DESIST ORDER AND A FINE OF \$1,000.00

Disclosure 125 of 142

Reporting Source: Firm

Current Status: Final

Allegations: WMS OFFERED AND SOLD SECURITIES IN STATE WITHOUT BROKER/DEALER AND AGENT REGISTRATION; OFFERED AND SOLD SECURITIES IN STATE WHICH SECURITIES WERE NOT REGISTERED OR EXEMPT; FAILED TO EXERCISE SUFFICIENT COMPLIANCE AND SUPERVISION OVER ITS AGENTS AND ACTIVITIES IN STATE.

Initiated By: STATE OF IDAHO

Date Initiated: 11/30/1987

Docket/Case Number: 1987-7-56

Principal Product Type: Other

Other Product Type(s): GENERAL SECURITIES

Principal Sanction(s)/Relief Sought: Civil and Administrative Penalt(ies) /Fine(s)

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 11/30/1987

Sanctions Ordered: Monetary/Fine \$4,000.00
Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: WMS SUBMITTED BROKER/DEALER AND AGENT REGISTRATION APPLICATIONS AND PAID FINE OF \$4,000.00 WITHIN TEN DAYS OF ORDER.

Firm Statement WMS OFFERED AND SOLD SECURITIES IN STATE WITHOUT BROKER/DEALER AND AGENT REGISTRATION; OFFERED AND SOLD



SECURITIES IN STATE WHICH SECURITIES WERE NOT REGISTERED OR EXEMPT; FAILED TO EXERCISE SUFFICIENT COMPLIANCE AND SUPERVISION OVER ITS AGENTS AND ACTIVITIES IN STATE. FIRM SUBMITTED APPLICATIONS AND PAID FINE OF \$4,000.00 WITHIN TEN DAYS OF ORDER. IN 1988, THE FIRM ESTABLISHED AN AUTOMATED SYSTEM TO DETECT TRANSACTIONS IN STATE WHERE AGENTS ARE NOT REGISTERED. SINCE THE SYSTEM WAS IMPLEMENTED NO SIMILAR DISCIPLINARY ACTIONS HAVE OCCURRED.

Disclosure 126 of 142

Reporting Source:	Firm
Current Status:	Final
Allegations:	WMS'S PREDECESSOR, WEDBUSH, NOBLE, COOK INC., WAS SUBJECT OF A CEASE AND DESIST ORDER. WEDBUSH HAD FAILED TO INCLUDE IN ITS REGISTRATION RENEWAL PACKET A COPY OF ITS LATEST AUDITED FINANCIAL STATEMENT AND A CHECK IN THE AMOUNT OF \$70.00. WMS'S APPLICATION FOR RENEWAL HAD ALSO INCLUDED APPLICATION FOR TWO EMPLOYEES WHO WERE DOMICILED IN COLORADO BUT INADVERTENTLY HAD FAILED TO HAVE THEIR SIGNATURES NOTARIZED.
Initiated By:	STATE OF COLORADO
Date Initiated:	02/06/1978
Docket/Case Number:	7B9NRU204
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Stipulation and Consent
Resolution Date:	03/09/1979
Sanctions Ordered:	Monetary/Fine \$2,000.00 Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	AS A RESULT OF THESE INADVERTENT FAILURES TO INCLUDE ALL THE NECESSARY DOCUMENTS, THE STATE OF COLORADO ISSUED A CEASE AND DESIST ORDER UNTIL SUCH DOCUMENTS WERE SUBMITTED AND



PROPERLY NOTARIZED. WMS PROVIDED DOCUMENTS AND PAID A FINE OF \$2,000.00 ON 3/14/1978.

Firm Statement

WMS'S PREDECESSOR, WEDBUSH, NOBLE, COOK INC., WAS SUBJECT OF A CEASE AND DESIST ORDER. WEDBUSH HAD FAILED TO INCLUDE IN ITS REGISTRATION RENEWAL PACKET A COPY OF ITS LATEST AUDITED FINANCIAL STATEMENT AND A CHECK IN THE AMOUNT OF \$70.00. WMS'S APPLICATION FOR RENEWAL HAD ALSO INCLUDED APPLICATION FOR TWO EMPLOYEES WHO WERE DOMICILED IN COLORADO BUT INADVERTENTLY HAD FAILED TO HAVE THEIR SIGNATURES NOTARIZED. DOCUMENTS WERE SUBMITTED AND FINE WAS PAID IN THE AMOUNT OF \$2,000.00 ON 3/14/1978.

Disclosure 127 of 142

Reporting Source: Firm

Current Status: Final

Allegations: STATE OF WASHINGTON ALLEGES WEDBUSH FROM OFFERING UNREGISTERED SECURITIES IN VIOLATION OF RCW 21.20.140 BY ITS POLICY OF PAYING INTEREST ON ITS CUSTOMERS' FREE CREDIT BALANCES.

Initiated By: STATE OF WASHINGTON

Date Initiated: 01/23/1978

Docket/Case Number: SD-133-77

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought: Cease and Desist

Other Sanction(s)/Relief Sought:

Resolution: Order

Resolution Date: 01/23/1978

Sanctions Ordered: Cease and Desist/Injunction

Other Sanctions Ordered:

Sanction Details: WMS AND ITS AGENTS WILL NOT ENGAGE IN THE GENERAL SOLICITATION OF CUSTOMERS BY ADVERTISEMENT OF ITS INTEREST PAYMENT POLICY NOR USE SAID INTEREST PAYMENT POLICY AS AN INDUCEMENT TO A PROSPECTIVE CUSTOMER. WEDBUSH WILL INCLUDE WITH CURRENT



PERIODIC STATEMENTS REASONABLE PERFUNCTORY NOTICE
DESCRIBING ITS INTEREST PAYMENT POLICY.

Firm Statement

IN 1976 WEDBUSH ADVERTISED IN THE STATE OF WASHINGTON THAT IT PAID INTEREST ON CUSTOMER'S BALANCES INTENDED FOR RE-INVESTMENT. THE STATE OF WASHINGTON DEEMED THIS ADVERTISING AS AN OFFERING OF UNREGISTERED SECURITIES. ON JANUARY 23, 1978, THE STATE AND FIRM ENTERED INTO A STIPULATION THAT THE FIRM WILL NOT ENGAGED IN THE GENERAL SOLICITATION OF CUSTOMERS BY ADVERTISING OF ITS INTEREST PAYMENT POLICY AND WILL INCLUDE WITH CURRENT CUSTOMER PERIODIC STATEMENTS REASONABLE PERFUNCTORY NOTICE DESCRIBING ITS INTEREST PAYMENT POLICY.

Disclosure 128 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: FAILURE TO SUPERVISE

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 02/22/1984

Docket/Case Number: SEA-334

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 03/31/1988

Sanctions Ordered: Censure
Monetary/Fine \$50,000.00

Other Sanctions Ordered:

Sanction Details: \$50,000 PAID ON 4/24/89 - DEPOSIT NO. 009.

Regulator Statement

TOP] 5/29/85: COMPLAINT #SEA-334 FILED 2/22/84 BY DISTRICT NO. 1, ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1, 2, 15 ARTICLE IV, SECTION 5 OF THE RULES OF FAIR PRACTICE AND MSRB RULES G-17 AND G-19 IN THAT RESPONDENT MEMBER FAILED TO COMPLY WITH NASD'S



FORMAL WRITTEN REQUESTS FOR INFORMATION MADE PURSUANT TO ARTICLE IV, SECTION 5 OF THE RULES OF FAIR PRACTICE. ***DECISION RENDERED 4/4/85, WHEREIN RESPONDENT MEMBER IS CENSURED, FINED \$50,000 AND IS DIRECTED TO PROVIDE TO THE COMMITTEE A LETTER OUTLINING WHAT SUPERVISORY PROCEDURES HAVE BEEN IMPLEMENTED TO PREVENT A RECURRENCE OF THE VIOLATIONS WITHIN 90 DAYS FROM THE DATE OF THE DECISION; ALLEGATIONS OF VIOLATIONS OF MSRB RULES G-17 AND G-19 AS CONTAINED IN THE SIXTH CAUSE OF COMPLAINT WERE DISMISSED. ***4/18/85, APPEALED TO BOARD.

***DECISION RENDERED 3/20/86, WHEREIN SANCTIONS AS TO THE MEMBER, JONES AND PARKER ARE AFFIRMED. ALLEGATIONS OF FAILURE TO SUPERVISE WITH REGARD TO CAUSE TWO AND THREE ARE DISMISSED WITH REGARD TO THE RESPONDENTS MEMBER AND TEMPLETON IN THAT THE BOARD DETERMINED THAT HE PURPOSELY FAILED TO INFORM THE FIRM OF HIS DISCRETIONARY AUTHORITY AND THAT IT WAS THE BRANCH MANAGER'S FAILURE TO SUPERVISE JONES THAT PREVENTED THE FIRM FROM FULFILLING ITS SUPERVISORY RESPONSIBILITY.

5/7/86 - APPEALED TO THE SEC.

4/12/88-SEC NEWS DIGEST ISSUE 88-61 DATED 3/31/88 - THE SEC AFFIRMED SANCTIONS IMPOSED BY THE NASD ON WEDBUSH. THE SEC FOUND, AS HAD THE NASD, THAT, IN 1980-1982, THE FIRM FAILED TO EXERCISE PROPER SUPERVISION OVER TWO SALESMEN IN ITS BELLEVUE, WASHINGTON BRANCH OFFICE AND THAT THE FIRM IMPROPERLY DELAYED FURNISHING THE NASD WITH REQUESTED INFORMATION DURING THE NASD'S INVESTIGATION OF THE SALESMEN'S ACTIVITIES. (REL. 34-25504) ***\$50,000 PAID ON 4/24/89 - DEPOSIT NO. 009.

Reporting Source: Firm

Current Status: Final

Allegations: FAILURE TO SUPERVISE

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 02/22/1984

Docket/Case Number: SEA-334

Principal Product Type: Equity Listed (Common & Preferred Stock)

Other Product Type(s):

Principal Sanction(s)/Relief Sought:



Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 03/31/1988

Sanctions Ordered: Censure
Monetary/Fine \$50,000.00

Other Sanctions Ordered:

Sanction Details: \$50,000 PAID ON 4/24/89 -DEPOSIT NO.009

Firm Statement

5/29/85:COMPLAINT #SEA-334 FILED 2/22/84 BY DISTRICT NO.1 ALLEGING VIOLATIONS OF ARTICLE III,SECTIONS 1,2,15 ARTICLE IV,SECTION 5 OF THE RULES OF FAIR PRACTICE AND MSRB RULES G-17 AND G-19 IN THAT RESPONDENT MEMBER FAILED TO COMPLY WITH NASD'S FORMAL WRITTEN REQUESTS FOR INFORMATION MADE PURSUANT TO ARTICLE IV, SECTION 5 OF THE RULES OF FAIR PRACTICE***DECISION RENDERED 4/4/85,WHEREIN RESPONDENT MEMBER IS CENSURED,FINED \$50,000 AND IS DIRECTED TO PROVIDE TO THE COMMITTEE WHAT SUPERVISORY PROCEDURES HAVE BEEN IMPLEMENTED TO PREVENT A RECURRENCE OF THE VIOLATIONS WITHIN 90 DAYS FROM THE DATE OF THE DECISION; ALLEGATIONS OF VIOLATIONS OF MSRB RULES G-17 AND G-19 AS CONTAINED IN THE SIXTH CAUSE OF COMPLAINT WERE DISMISSED***4/18/85, APPEALED TO BOARD.***DECISION RENDERED 3/20/86,WHEREIN SANCTIONS AS TO THE MEMBER, JONES AND PARKER ARE AFFIRMED. ALLEGATIONS OF FAILURE TO SUPERVISE WITH REGARD TO CAUSE TWO AND THREE ARE DISMISSED WITH REGARD TO THE RESPONDENTS MEMBER AND TEMPLETON IN THAT THE BOARD DETERMINED THAT HE PURPOSELY FAILED TO INFORM THE FIRM OF HIS DISCRETIONARY AUTHORITY AND THAT IT WAS THE BRANCH MANAGER'S FAILURE TO SUPERVISE JONES THAT PREVENTED THE FIRM FROM FULFILLING ITS SUPERVISORY RESPONSIBILITY. 5/7/86 -APPEALED TO THE SEC. 4/12/88- SEC NEWS DIGEST ISSUE 88-61 DATED 3/31/88- THE SEC AFFIRMED SANCTIONS IMPOSED BY THE NASD ON WEDBUSH. THE SEC FOUND, AS HAD THE NASD,THAT,IN 1980-1982, THE FIRM FAILED TO EXERCISE PROPER SUPERVISION OVER TWO SALESMEN IN ITS BELLEVUE, WASHINGTON BRANCH OFFICE AND THAT THE FIRM IMPROPERLY DELAYED FURNISHING THE NASD WITH REQUESTED INFORMATION DURING THE NASD'S INVESTIGATION OF THE SALESMEN'S ACTIVITIES.(REL.34-25504)***\$50,000 PAID ON 4/24/89- DEPOSIT NO.009

Disclosure 129 of 142

Reporting Source: Regulator



Current Status:	Final
Allegations:	RESPONDENT: ENTERED PRICED ORDERS INTO SELECTNET BROADCAST THAT WERE PRICED BETTER THAN THE FIRM'S PUBLIC QUOTE WITHOUT REFLECTING EACH SUCH ORDER IN THE FIRM'S PUBLIC QUOTE; AND FAILED TO ESTABLISH, MAINTAIN, AND ENFORCE ADEQUATE WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE SEC'S ORDER HANDLING RULES AND NASD MARKETPLACE RULE 4613. (SEC RULE 11AC1-1(C)(5) AND NASD CONDUCT RULES 2110 AND 3010.)
Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated:	09/28/1999
Docket/Case Number:	CMS990132
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Other
Other Sanction(s)/Relief Sought:	FINE OF \$3,000.00
Resolution:	Acceptance, Waiver & Consent(AWC)
Resolution Date:	09/28/1999
Sanctions Ordered:	Monetary/Fine \$3,000.00
Other Sanctions Ordered:	NONE
Sanction Details:	FINE OF \$3,000.00 *** 04/11/2000GS: \$3,000 PAID ON 12/07/99 - INVOICE NO. 99-MS-858.
Regulator Statement	NONE

Reporting Source:	Firm
Current Status:	Final
Allegations:	RESPONDENT:ENTERED PRICED ORDERS INTO SELECTNET BROADCAST THAT WERE PRICED BETTER THAN THE FIRM'S PUBLIC QUOTE WITHOUT REFLECTING EACH SUCH ORDER IN THE FIRM'S PUBLIC QUOTE;AND FAILED TO ESTABLISH,MAINTAIN, AND ENFORCE ADEQUATE WRITTEN SUPERVISORY PROCEDURES DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING



THE SEC'S ORDER HANDLING RULES AND NASD MARKETPLACE RULE 4613.(SEC RULE 11AC1-1(C)(5)AND NASD CONDUCT RULES 2110 AND 3010).

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 09/28/1999

Docket/Case Number: CMS990132

Principal Product Type: No Product

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 09/28/1999

Sanctions Ordered: Monetary/Fine \$3,000.00

Other Sanctions Ordered:

Sanction Details: FINE OF \$3,000.00***04/11/2000 GS: \$3,000.00 PAID ON 12/07/1999 - INVOICE NO.99-MS858.

Firm Statement NONE

Disclosure 130 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: RESPONDENT MEMBER: FAILED TO EXECUTE ORDERS UPON PRESENTMENT AND THEREBY FAILED TO HONOR ITS PUBLISHED QUOTATION IN INSTANCES WHERE ORDERS WERE PRESENTED TO THE FIRM AT THE FIRM'S PUBLISHED BID OR PUBLISHED OFFER IN AN AMOUNT UP TO ITS PUBLISHED QUOTATION SIZE AND WHEN THE FIRM WAS A REGISTERED MARKET MAKER IN THE SECURITIES IN QUESTION; FAILED TO ESTABLISH AND MAINTAIN WRITTEN SUPERVISORY PROCEDURES REASONABLY DESIGNED TO ACHIEVE COMPLIANCE WITH THE APPLICABLE SECURITIES LAWS AND REGULATIONS CONCERNING THE SEC AND NASD FIRM QUOTE RULES. [SEC RULE 11AC1-1, NASD RULES 2110, 3010, 3320, 4613(B)]

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.



Date Initiated: 03/30/1999

Docket/Case Number: CMS990038

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 03/30/1999

Sanctions Ordered: Censure
Monetary/Fine \$8,000.00

Other Sanctions Ordered: UNDERTAKING

Sanction Details: AN UNDERTAKING TO REVISE THE FIRM'S WRITTEN SUPERVISORY PROCEDURES RELATING TO FIRM QUOTE COMPLIANCE IN A MANNER NOT UNACCEPTABLE TO THE NASD. THE REVISED PROCEDURES SHOULD BE SUBMITTED TO THE NASD WITHIN 60 CALENDAR DAYS OF ACCEPTANCE OF THIS AWC BY THE NAC; \$8,000.00 FINE; CENSURE

Regulator Statement NONE

Reporting Source: Firm

Current Status: Final

Allegations: WMS WAS ALLEGED TO BE IN VIOLATION OF "FIRM QUOTE RULE" NASD RULE 3320 AND NASD RULE 4613(B).

Initiated By: NATIONAL ASSOCIATION SECURITIES DEALERS (NASD)

Date Initiated: 12/01/1998

Docket/Case Number: CMS990038

Principal Product Type: Equity - OTC

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:



Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 12/19/1998

Sanctions Ordered: Censure
Monetary/Fine \$8,000.00

Other Sanctions Ordered: NONE

Sanction Details: IN ORDER TO AVOID THE EXPENSE AND CONSUMPTION OF TIME REQUIRED TO RESPOND TO THIS INQUIRY, WMS CONSENTED TO A CENSURE AND A FINE OF \$8000.00 TO SETTLE ALLEGATIONS OF VIOLATIONS RELATING TO THE "FIRM QUOTE RULE" NASD RULE 3320 AND NASD RULE 4613(B). WMS PAID TOTAL FINE OF \$8000.00 ON 5/11/1999. FIRM WRITTEN SUPERVISORY PROCEDURES WERE REVISED TO BE IN COMPLIANCE WITH "FIRM QUOTE RULE".

Disclosure 131 of 142

Reporting Source: Regulator

Current Status: Final

Allegations:

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 03/30/1989

Docket/Case Number:

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 03/30/1989

Sanctions Ordered: Monetary/Fine \$1,000.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement ^7/2/90^ SEC LITIGATION, ACTIONS AND PROCEEDINGS BULLETIN FOR



THE QUARTER ENDING 6/30/89 (VOLUME 55, BULLETIN 02, PAGE 256)
DISCLOSES: THE NEW YORK STOCK EXCHANGE FINED WEDBUSH
MORGAN
SECURITIES INC \$1,000.00 ON MARCH 30, 1989 BASED ON A VIOLATION
OF EXCHANGE RULE 132.30 AND FAILURE TO SUBMIT AUDIT TRAIL DATA
IN ORDER TO QUALIFIED CLEARING AGENCY REGARDING STOCK
TRANSACTIONS FOR THE WEEKS OF 9/12 AND 10/17/88.

Reporting Source:	Firm
Current Status:	Final
Allegations:	DUE TO AGE OF THIS FILING NO OTHER INFORMATIONS WERE PROVIDED.
Initiated By:	NEW YORK STOCK EXCHANGE
Date Initiated:	03/30/1989
Docket/Case Number:	
Principal Product Type:	No Product
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision
Resolution Date:	03/30/1989
Sanctions Ordered:	Monetary/Fine \$1,000.00
Other Sanctions Ordered:	
Sanction Details:	FINE OF \$1000.00 ON 03/30/1989
Firm Statement	07/02/1990 SEC LITIGATION, ACTIONS AND PROCEEDINGS BULLETIN FOR THE QUARTER ENDING 06/30/1989 (VOLUME 55,BULLETIN 02,PAGE 256)DISCLOSES: THE NEW YORK STOCK EXCHANGE FINED WEDBUSH MORGAN SECURITIES INC. \$1,000.00 ON MARCH 30,1989 BASED ON A VIOLATION OF EXCHANGE RULE 132.30 AND FAILURE TO SUBMIT AUDIT TRAIL DATA IN ORDER TO QUALIFIED CLEARING AGENCY REGARDING STOCK TRANSACTIONS FOR THE WEEKS OF 9/12 AND 10/17/88.



Reporting Source: Regulator

Current Status: Final

Allegations:

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 10/06/1997

Docket/Case Number: C02970040

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/06/1997

Sanctions Ordered: Censure
Monetary/Fine \$250.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement ON OCTOBER 6, 1997, DISTRICT NO. 2 NOTIFIED RESPONDENTS WEDBUSH MORGAN SECURITIES INC. AND ROBERT DURNING HARLAN, JR. THAT THE LETTER OF ACCEPTANCE, WAIVER AND CONSENT NO. C02970040 WAS ACCEPTED; THEREFORE, THEY ARE CENSURED AND FINED \$250, JOINTLY AND SEVERALLY - (NASD RULE 2110 - RESPONDENT MEMBER, ACTING THROUGH RESPONDENT HARLAN FAILED TO FILE AN MSRB FORM G-37 DISCLOSING THIS UNDERWRITING; AND, FAILED TO TIMELY FILE AN MSRB FORM G-37 DISCLOSING A POLITICAL CONTRIBUTION).

*** \$250.00 PAID J&S ON 10/30/97, INVOICE NO. 97-02-919 ***

Reporting Source: Firm

Current Status: Final

Allegations: NASD RULE 2110-RESPONDENT MEMBER,ACTING THROUGH RESPONDENT HARLAN FAILED TO FILE AN MSRB FORM G-37.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.



Date Initiated: 10/06/1997

Docket/Case Number: C02970040

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Acceptance, Waiver & Consent(AWC)

Resolution Date: 10/06/1997

Sanctions Ordered: Censure
Monetary/Fine \$250.00

Other Sanctions Ordered:

Sanction Details: FINE OF \$250.00 - PAID J&S ON 10/30/1997, INVOICE #97-02-919

Firm Statement ON OCTOBER 6,1997,DIST NO.2 NOTIFIED RESPONDENTS WEDBUSH MORGAN SECURITIES INC.AND ROBERT DURLING HARLAN,JR.THAT THE LETTER OR ACCEPTANCE,WAIVER AND CONSENT NO.C02970040 WAS ACCEPTED;THEREFORE,THEY ARE CENSURED AND FINED \$250,JOINTLY AND SEVERALLY (NASD RULE 2110-RESPONDENT MEMBER,ACTING THROUGH RESPONDENT HARLAN FAILED TO FILE AN MSRB FORM G-37 DISCLOSING THIS UNDERWRITING;AND FAILED TO TIMELY FILE AN MSRB FORM G-37 DISCLOSING A POLITICAL CONTRIBUTION).***\$250.00 PAID J&S ON 10/30/97,INVOICE NO.97-02-919.

Disclosure 133 of 142

Reporting Source: Regulator

Current Status: Final

Allegations: WEDBUSH, NOBLE, COOKE, INC., A MEMBER ORGANIZATION, VIOLATED: REGULATION 240.15C3-3 IN THAT ON SEVERAL OCCASTIONS, IT DID NOT PROMPTLY OBTAIN AND/OR MAINTAIN THE PHYSICAL POSSESSION OR CONTROL OF ALL FULLY-PAID AND EXCESS MARGIN SECURITIES CARRIED BY IT FOR THE ACCOUNT OF CUSTOMERS; REGULATION 15C3-3(M), IN THAT WHEN IT HAD NOT OBTAINED POSSESSION OF SECURITIES FOR WHICH IT HAD EXECUTED SELL ORDERS WITHIN TEN DAYS AFTER THE SETTLEMENT DATE, IT DID NOT EITHER IMMEDIATELY CLOSE THE TRANSACTIONS BY PURCHASING SECURITIES OF LIKE KIND AND



QUANTITY

OR OBTAIN APPROPRIATE EXTENSIONS; FORMER SECTION 220.4(C)(2) OF REGULATION "T" IN THAT, ON SEVERAL OCCASIONS, WHEN CUSTOMERS PURCHASED SECURITIES AND DID NOT MAKE FULL CASH PAYMENT WITHIN SEVEN DAYS AFTER THE PURCHASE DATE, IT DID NOT CANCEL OR LIQUIDATE THE TRANSACTION OR OBTAIN AN APPROPRIATE EXTENSION; FORMER SECTION 220.4(C)(8) OF REGULATION "T" AND EXCHANGE RULE 431(D)(9) IN THAT, ON SEVERAL OCCASIONS, IT FAILED TO PREVENT A CUSTOMER FROM PURCHASING, WITHOUT HAVING FUNDS IN HIS ACCOUNT SUFFICIENT FOR THAT PURPOSE, SECURITIES IN HIS CASH ACCOUNT

WHEN, DURING THE PRECEDING 90 DAYS HE HAD PURCHASED A SECURITY IN THAT ACCOUNT AND SOLD THAT OTHER SECURITY WITHOUT HAVING PAID THEREFOR; EXCHANGE RULES 401 AND 409(B)(2) IN THAT IT FAILED TO PREVENT COMMUNICATIONS TO A NONMEMBER CUSTOMER FROM BEING ADDRESSED TO ONE OF ITS EMPLOYEES; EXCHANGE RULE 401 IN THAT IT DID NOT PREVENT CHANGES IN ACCOUNT NAMES ON ORDERS TRANSMITTED TO THE FLOOR FROM BEING MADE BY AN EMPLOYEE WHO HAD NOT BEEN AUTHORIZED TO MAKE SUCH CHANGES PURSUANT TO THAT RULE; FORMER EXCHANGE RULES 472 AND 474B ON TWO OCCASIONS IN THAT IT DID NOT REQUIRE ITS EMPLOYEE WHO TELECAST BUSINESS NEWS TO PROVIDE COPIES OF HIS SCRIPTS OR TAPES AND DID NOT MAINTAIN A LOG OF HIS BROADCAST ENGAGEMENTS; AND EXCHANGE RULE 342(A) IN THAT IT DID NOT ADEQUATELY SUPERVISE ITS BUSINESS TO PREVENT THE ABOVE NOTED VIOLATIONS.

Initiated By: NEW YORK STOCK EXCHANGE

Date Initiated: 07/21/1986

Docket/Case Number: 86-54

Principal Product Type: Other

Other Product Type(s): UNKNOWN TYPE OF SECURITIES

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 07/21/1986

Sanctions Ordered: Censure
Monetary/Fine \$25,000.00

**Other Sanctions Ordered:****Sanction Details:** CENSURED AND FINED \$25,000.
.....**Reporting Source:** Firm**Current Status:** Final

Allegations: WEDBUSH, NOBLE, COOKE, INC., A MEMBER ORGANIZATION, VIOLATED: REGULATION 240.15C3-3 IN THAT ON SEVERAL OCCASIONS, IT DID NOT PROMPTLY OBTAIN AND /OR MAINTAIN THE PHYSICAL POSSESSION OF CONTROL OF ALL FULLY-PAID AND EXCESS MARGIN SECURITIES CARRIED BY IT FOR THE ACCOUNT OF CUSTOMERS; REGULATION 15C3-3(M), IN THAT WHEN IT HAD NOT OBTAINED POSSESSION OF SECURITIES OR WHICH IT HAD EXECUTED SELL ORDERS WITHIN 10 DAYS AFTER THE SETTLEMENT DATE, IT DID NOT EITHER IMMEDIATELY CLOSE THE TRANSACTIONS BY PURCHASING SECURITIES OF LIKE KIND AND QUANTITY OR OBTAIN APPROPRIATE EXTENSIONS; FORMER SECTION 220.4(C)(2) OF REGULATION "T" IN THAT, ON SEVERAL OCCASIONS, WHEN CUSTOMERS PURCHASED SECURITIES AND DID NOT MAKE FULL CASH PAYMENT WITHIN 7 DAYS AFTER THE PURCHASE DATE, IT DID NOT CANCEL OR LIQUIDATE THE TRANSACTION OR OBTAIN AN APPROPRIATE EXTENSION; FORMER SECTION 220.4(C)(8) OR REGULATION "T" AND EXCHANGE RULE 431(D)(9) IN THAT, ON SEVERAL OCCASIONS, IT FAILED TO PREVENT A CUSTOMER FROM PURCHASING, WITHOUT HAVING FUNDS IN HIS ACCOUNT SUFFICIENT FOR THAT PURPOSE, SECURITIES IN HIS CASH ACCOUNT WHEN, DURING THE PRECEDING 90 DAYS HE HAD PURCHASED A SECURITY IN THAT ACCOUNT AND SOLD THAT OTHER SECURITY WITHOUT HAVING PAID THEREFORE; EXCHANGE RULES 401 AND 409(B)(2) IN THAT IT FAILED TO PREVENT COMMUNICATIONS TO A NON-MEMBER CUSTOMER FROM BEING ADDRESSED TO ONE OF ITS EMPLOYEES; EXCHANGE RULE 401 IN THAT IT DID NOT PREVENT CHANGES IN ACCOUNT NAMES ON ORDERS TRANSMITTED TO THE FLOOR FROM BEING MADE BY AN EMPLOYEE WHO HAD NOT BEEN AUTHORIZED TO MAKE SUCH CHANGES PURSUANT TO THAT RULE; FORMER EXCHANGE RULES 472 AND 474B ON TWO OCCASIONS IN THAT IT DID NOT REQUIRE ITS EMPLOYEE WHO TELECAST BUSINESS NEWS TO PROVIDE COPIES OF HIS SCRIPTS OR TAPES AND DID NOT MAINTAIN A LOG OF HIS BROADCAST ENGAGEMENTS; AND EXCHANGE RULE 342(A) IN THAT IT DID NOT ADEQUATELY SUPERVISE ITS BUSINESS TO PREVENT THE ABOVE NOTED VIOLATIONS.

Initiated By: NEW YORK STOCK EXCHANGE**Date Initiated:** 07/21/1986**Docket/Case Number:** NYSE #86-54



Principal Product Type: Other
Other Product Type(s): UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Consent
Resolution Date: 07/21/1986
Sanctions Ordered: Censure
Monetary/Fine \$25,000.00
Other Sanctions Ordered:
Sanction Details: CENSURED AND FINED \$25,000.00

Disclosure 134 of 142

Reporting Source: Regulator
Current Status: Final
Allegations:
Initiated By: NEW YORK STOCK EXCHANGE
Date Initiated: 03/05/1984
Docket/Case Number:
Principal Product Type:
Other Product Type(s):
Principal Sanction(s)/Relief Sought:
Other Sanction(s)/Relief Sought:
Resolution: Decision
Resolution Date: 03/05/1984
Sanctions Ordered: Censure
Monetary/Fine \$35,000.00
Other Sanctions Ordered:

**Sanction Details:****Regulator Statement**

WEDBUSH, NOBLE, COOKE, INC. WAS CENSURED AND FINED \$35,000 BY THE NEW YORK STOCK EXCHANGE FOR VIOLATIONS OF EXCHANGE RULES 431 (d)(6), 431 (d)(1), 401, AND 342(b).

Reporting Source:

Firm

Current Status:

Final

Allegations:

DUE TO AGE OF THIS FILING NO OTHER INFORMATIONS WERE PROVIDED.

Initiated By:

NEW YORK STOCK EXCHANGE

Date Initiated:

03/05/1984

Docket/Case Number:**Principal Product Type:**

Other

Other Product Type(s):**Principal Sanction(s)/Relief Sought:**

Other

Other Sanction(s)/Relief Sought:**Resolution:**

Decision

Resolution Date:

03/05/1984

Sanctions Ordered:

Censure
Monetary/Fine \$35,000.00

Other Sanctions Ordered:**Sanction Details:**

CENSURED AND FINED \$35,000.00

Firm Statement

WEDBUSH, NOBLE, COOKE, INC. WAS CENSURE AND FINED \$35,000.00 BY THE NEW YORK STOCK EXCHANGE FOR VIOLATIONS OF EXCHANGE RULES 431(D)(6), 431(D)(1), 401, AND 342(B).

Disclosure 135 of 142**Reporting Source:**

Regulator

Current Status:

Final

Allegations:

APRIL 12, 1994 CHARGES ISSUED BY NYSE



DIVISION OF ENFORCEMENT -- CHARGES: (1) VIOLATED 220.4 OF REGULATION T OF THE FEDERAL RESERVE BOARD IN THAT THE FIRM EXTENDED CREDIT FOR THE PURCHASE OF SECURITIES WITHOUT REQUIRING PAYMENT; (2) VIOLATED EXCHANGE RULE 431(c) IN THAT THE FIRM FAILED TO ENSURE THAT CERTAIN ACCOUNTS MAINTAINED THE MARGIN EQUITY REQUIRED BY SAID RULE; (3) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS THE FIRM DISTRIBUTED TO CUSTOMERS ONE OR MORE RESEARCH REPORTS WHICH HAD NOT BEEN APPROVED BY A SUPERVISORY ANALYST; (4) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION THE FIRM FAILED TO DISCLOSE THAT IT WAS THEN A MARKET MAKER IN THE SUBJECT SECURITY; (5) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION THE FIRM FAILED TO DISCLOSE THE INTEREST OF ONE OF ITS REGISTERED REPRESENTATIVES IN THE SUBJECT SECURITY; (6) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION PREPARED BY AN OUTSIDE PERSON THE FIRM FAILED TO DISCLOSE SUCH AUTHORSHIP; (7) VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE OCCASIONS THE FIRM PERMITTED A REGISTERED REPRESENTATIVE TO ENGAGE IN BROADCAST ACTIVITIES WITHOUT PRIOR WRITTEN APPROVAL BY THE FIRM; (8) VIOLATED EXCHANGE RULE 472 IN THAT THE FIRM FAILED TO ESTABLISH WRITTEN SUPERVISORY PROCEDURES APPLICABLE TO EMPLOYEES WHO MAKE RADIO OR TELEVISION APPEARANCES; (9) VIOLATED EXCHANGE RULE 791 IN THAT THE FIRM ALLOWED THE ISSUANCE OF SALES LITERATURE PERTAINING TO OPTIONS TO CUSTOMERS OR MEMBERS OF THE PUBLIC WITHOUT THE PRIOR APPROVAL OF THE FIRM'S COMPLIANCE REGISTERED OPTIONS PRINCIPAL OR DESIGNEE; (10) VIOLATED SEC REGULATION 240.10a-1(c) AND EXCHANGE RULE 440B.13 BY FAILING TO MARK SELL ORDER TICKETS "LONG" OR "SHORT"; (11) VIOLATED EXCHANGE RULE 342(a)*See FAQ #1*

Initiated By: NYSE NYSE DIVISION OF ENFORCEMENT. N

Date Initiated: 04/12/1994

Docket/Case Number: HPD 94-162

Principal Product Type:

Other Product Type(s):



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 02/03/1995

Sanctions Ordered: Censure
Monetary/Fine \$80,000.00

Other Sanctions Ordered:

Sanction Details: CONSENT TO CENSURE AND \$80,000 FINE.

Regulator Statement **FEBRUARY 3, 1995** THE DECISION IS NOW FINAL
IN WHICH WEDBUSH MORGAN SECURITIES INC. IS FINED THE SUM OF
\$80,000.00 AND CENSURED. CONTACT MS. PEGGY L. GERMINO AT (212)
656-8450.

Reporting Source: Firm

Current Status: Final

Allegations: APRIL 12,1994 CHARGES ISSUED BY NYSE DIVISIONOF ENFORCEMENT-
CHARGES:(1)VIOLATED 220.4 OF REGULATION OF THE FEDERAL RESERVE
BOARD IN THAT THE FIRM EXTENDED CREDIT FOR THE PURCHASE OF
SECURITIES WITHOUT REQUIRING PAYMENT;(2)VIOLATED EXCHANGE
RULE 431(C)IN THAT THE FIRM FAILED TO ENSURE THAT CERTAIN
ACCOUNTS MAINTAINED THE MARGIN EQUITY REQUIRED BY SAID RULE;
(3)VIOLATED EXCHANGE RULE 472 IN THAT ONE OR MORE OCCASIONS
THE FIRM DISTRIBUTED TO CUSTOMERS ONE OR MORE RESEARCH
REPORTS WHICH HAD NOT BEEN APPROVED BY A SUPERVISORY
ANALYST;(4)VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR MORE
OCCASIONS WHEN THE FIRM DISTRIBUTED TO CUSTOMER A WRITTEN
COMMUNICATION THE FIRM FAILED TO DISCLOSE THAT IT WAS THEN A
MARKET MAKER IN THE SUBJECT SECURITY;(5)VIOLATED EXCHANGE
RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM
DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION THE FIRM
FAILED TO DISCLOSE THE INTEREST OF ONE OF ITS REGISTERED
REPRESENTATIVES IN THE SUBJECT SECURITY;(6)VIOLATED EXCHANGE
RULE 472 IN THAT ON ONE OR MORE OCCASIONS WHEN THE FIRM
DISTRIBUTED TO CUSTOMERS A WRITTEN COMMUNICATION PREPARED
BY AN OUTSIDE PERSON THE FIRM FAILED TO DISCLOSE SUCH
AUTHORSHIP;(7)VIOLATED EXCHANGE RULE 472 IN THAT ON ONE OR
MORE OCCASIONS THE FIRM PERMITTED A REGISTERED



REPRESENTATIVE TO ENGAGE IN BROADCAST ACTIVITIES WITHOUT PRIOR WRITTEN APPROVAL BY THE FIRM;(8)VIOLATED EXCHANGE RULE 472 IN THAT THE FIRM FAILED TO ESTABLISH WRITTEN SUPERVISORY PROCEDURES APPLICABLE TO EMPLOYEES WHO MAKE RADIO OR TELEVISION APPEARANCES;(9)VIOLATED EXCHANGE RULE 791 IN THAT THE FIRM ALLOWED THE ISSUANCE OF SALES LITERATURE PERTAINING TO OPTIONS TO CUSTOMERS OR MEMBERS OF THE PUBLIC WITHOUT THE PRIOR APPROVAL OF THE FIRM'S COMPLIANCE REGISTERED OPTIONS PRINCIPAL OR DESIGNEE;(10)VIOLATED SEC REGULATION 240.10A-1(C)AND EXCHANGE RULE 440B.13 BY FAILING TO MARK SELL ORDER TICKETS"LONG" OR "SHORT";(11)VIOLATED EXCHANGE RULE 342(A)
SEE FAQ #1

Initiated By: NYSE DIVISION OF ENFORCEMENT

Date Initiated: 04/12/1994

Docket/Case Number: HPD 94-162

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 02/03/1995

Sanctions Ordered: Censure
Monetary/Fine \$80,000.00

Other Sanctions Ordered:

Sanction Details: CONSENT TO CENSURE AND \$80,000.00 FINE

Firm Statement **FEBRUARY 3,1995**THE DECISION IS NOW FINAL IN WHICH WEDBUSH MORGAN SECURITIES INC.IS FINED THE SUM OF \$80,000.00 AND CENSURED. CONTACT MS.PEGGY L. GERMINO AT (212)656-8450.

Disclosure 136 of 142

Reporting Source: Regulator

Current Status: Final

**Allegations:****Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**Date Initiated:** 06/18/1985**Docket/Case Number:** MS-161-SC**Principal Product Type:****Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Decision**Resolution Date:** 07/22/1985**Sanctions Ordered:** Monetary/Fine \$500.00**Other Sanctions Ordered:****Sanction Details:****Regulator Statement** 2/4/86: MARKET SURVEILLANCE COMMITTEE COMPLAINT MS-161-SC

FILED: 6/18/85

ALLEGED VIOLATION(S): EXCESS SPREAD

DECISION RENDRED 7/22/85: \$500 FINE

Reporting Source: Firm**Current Status:** Final**Allegations:** DUE TO THE AGE OF THIS FILING NO OTHER INFORMATIONS WERE PROVIDED.**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**Date Initiated:** 06/18/1985**Docket/Case Number:** MS-161-SC**Principal Product Type:** Other**Other Product Type(s):**



Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 07/22/1985

Sanctions Ordered: Monetary/Fine \$500.00

Other Sanctions Ordered:

Sanction Details: 07/22/1985 FINED \$500.00

Firm Statement 02/04/1986:MARKET SURVEILLANCE COMMITTEE COMPLAINT MS-161-SC
FILED:6/18/85 ALLEGED VIOLATION(S):EXCESS SPREAD DECISION
RENDERED 7/22/85:\$500 FINE

Disclosure 137 of 142

Reporting Source: Regulator

Current Status: Final

Allegations:

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 02/24/1972

Docket/Case Number: N-V-39

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 06/16/1972

Sanctions Ordered: Monetary/Fine \$25.00

Other Sanctions Ordered:

Sanction Details:



Regulator Statement	NASDAQ COMPLAINT N-V-39 FILED 2/24/72 5/2/72: FINED \$25.00 5/22/72: PAID FINE 6/16/72: FINAL
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Reporting Source:	Firm
Current Status:	Final
Allegations:	DUE TO AGE OF THIS FILING NO OTHER INFORMATIONS WERE PROVIDED.
Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS,INC.
Date Initiated:	02/27/1972
Docket/Case Number:	N-V-39
Principal Product Type:	Other
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Decision
Resolution Date:	06/16/1972
Sanctions Ordered:	Monetary/Fine \$25.00
Other Sanctions Ordered:	
Sanction Details:	FINED \$25.00
Firm Statement	NASDAQ COMPLAINT N-V-39 FILED 2/24/1972:FINED \$25.00 5/22/72:PAID FINE 6/16/72:FINAL

Disclosure 138 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	
Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated:	08/28/1981



Docket/Case Number: CA882

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 06/12/1984

Sanctions Ordered: Censure
Monetary/Fine \$750.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement

COMPLAINT; #CA-882 FILED 08/28/81, DIST. #2S. DECISION; 03/31/82: CENSURED; FINED \$750; AND ASSESSED COSTS OF \$276.10, J&S. 05/07/82: B/G REVIEW. 10/26/82: B/G DECISION RENDERED; FINDINGS MADE AND 10/26/82: B/G DECISION RENDERED; FINDINGS MADE AND PENALTIES IMPOSED BY THE DBCC ARE AFFIRMED.

COMPLAINT NO. CA-882 FILED AUGUST 28, 1981 BY DISTRICT NO. 2 AGAINST RESPONDENTS WEDBUSH NOBLE COOK, INC., RICHARD A. LANNI AND HARVEY G. LEASON ALLEGING VIOLATIONS OF ARTICLE III, SECTION 1 OF THE RULES OF FAIR PRACTICE IN THAT REPSONDENTS MEMBER AND LANNI FAILED TO MAKE BONA FIDE PUBLIC DISTRIBUTIONS OF STOCK IN THAT THEY ALLOWED RESPONDENT LEASON TO ALLOT 200 SHARES TO THE ACCOUNT OF A MEMBER OF HIS IMMEDIATE FAMILY, IN CONTRAVENTION OF THE BOARD OF GOVERNORS INTERPRETATION WITH RESPECT TO FREE-RIDING AND WITHHOLDING. *****
DECISION RENDERED MARCH 31, 1982 WHEREIN RESPONDENTS ARE CENSURED, FINED \$750, JOINTLY AND SEVERALLY AND ASSESSED COSTS OF \$276.10, JOINTLY AND SEVERALLY. ***** APRIL 30, 1982
- APPEALED TO THE NBCC BY RESPONDENT LANNI. *****
MAY 7, 1982 - CALLED FOR REVIEW AS TO RESPONDENTS MEMBER AND LEASON. ***** OCTOBER 26, 1982 - NBCC DECISION RENDERED WHEREIN THE FINDINGS MADE AND SANCTIONS IMPOSED ARE
AFFIRMED. IF NO FURTHER ACTION, DECISION IS FINAL NOVEMBER 26, 1982. ***** DECEMBER 8, 1982 - APPEALED TO THE SEC.
***** SEC DECISION RENDERED APRIL 12, 1984 WHEREIN



THE FINDINGS MADE AND SANCTIONS IMPOSED ARE AFFIRMED. IF NO
 FURTHER ACTION, DECISION IS FINAL JUNE 12, 1984.
 ***** JUNE 12, 1984 - DECISION IS FINAL.

Reporting Source: Firm

Current Status: Final

Allegations: DUE TO AGE OF THIS FILING NO MORE ADDITIONAL INFORMATIONS WERE PROVIDED.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 08/28/1981

Docket/Case Number: CA882

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 06/12/1984

Sanctions Ordered: Censure
Monetary/Fine \$750.00

Other Sanctions Ordered:

Sanction Details: FINED \$750.00

Firm Statement COMPLAINT; #CA-882 FILED 8/28/81,DIST.#2S.DECISION;03/31/82:CENSURED;FINED \$750;AND ASSESSED COSTS OF \$276.10, J&S.05/07/82: B/G REVIEW.1026/82: B/G DECISION RENDERED;FINDINGS MADE AND 10/26/82: B/G DECISION RENDERED;FINDINGS MADE AND PENALTIES IMPOSED BY THE DBCC ARE AFFIRMED.COMPLAINT #CA-882 FILED AUGUST 28,1981 BY DISTRICT #2 AGAINST RESPONDENTS WEDBUSH,NOBLE,COOKE,INC.,RICHARD A.LANNI AND HARVEY G.LEASON ALLEGING VIOLATIONS OF ARTICLE III,SECTION 1 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENTS MEMBER AND LANNI FAILED TO MAKE BONA FIDE PUBLIC DISTRIBUTIONS OF STOCK IN THAT THEY ALLOWED RESPONDENT LEASON TO ALLOT 200 SHARES TO THE ACCOUNT OF A MEMBER OF HIS IMMEDIATE FAMILY,IN



CONTRAVENTION OF THE BOARD OF GOVERNORS INTERPRETATION WITH RESPECT TO FREE-RIDING AND WITHHOLDING.

DECISION RENDERED MARCH 31, 1982 WHEREIN RESPONDENTS ARE CENSURED FINED \$750 JOINTLY AND SEVERALLY AND ASSESSED COSTS OF \$276.10, JOINTLY AND SEVERALLY

APRIL 30, 1982-APPEALED TO THE NBCC BY RESPONDENT LANNI.

MAY 7, 1982-CALLED FOR REVIEW AS TO RESPONDENTS MEMBER AND LEASON.

OCTOBER 26, 1982-NBCC DECISION RENDERED WHEREIN THE FINDINGS MADE AND SANCTIONS IMPOSED ARE AFFIRMED. IF NO FURTHER ACTION, DECISION IS FINAL NOVEMBER 26, 1982.

DECEMBER 8, 1982-APPEALED TO THE SEC

SEC DECISION RENDERED APRIL 12, 1984 WHEREIN THE FINDINGS MADE AND SANCTIONS IMPOSED ARE AFFIRMED. IF NO FURTHER ACTION, DECISION IS FINAL JUNE 12, 1984.

JUNE 12, 1984-DECISION IS FINAL.

Disclosure 139 of 142

Reporting Source: Regulator

Current Status: Final

Allegations:

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 07/29/1991

Docket/Case Number: C01910025

Principal Product Type:

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 06/20/1994

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details:

**Regulator Statement**

COMPLAINT NO. C01910025 (DISTRICT NO. 1) FILED JULY 29, 1991 AGAINST RESPONDENTS WEDBUSH MORGAN SECURITIES, INC., RENE ROLAND ST. PIERRE, EDWARD WILLIAM WEDBUSH, PHILIP JOSEPH LOBUE, MARIE ELAIN EATON, RICHARD ANTHONY LANNI, AND MICHAEL HARLAN HUME ALLEGING VIOLATIONS OF ARTICLE III, SECTIONS 1, 2 AND 27 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENT ST. PIERRE EXERCISED EFFECTIVE CONTROL OVER THE ACCOUNT OF PUBLIC CUSTOMERS AND RECOMMENDED TO SUCH CUSTOMERS THE PURCHASE AND SALE OF SECURITIES WITHOUT HAVING REASONABLE GROUNDS FOR BELIEVING THAT SUCH RECOMMENDATIONS WERE SUITABLE FOR THE CUSTOMERS IN VIEW OF THE SIZE AND FREQUENCY OF THE RECOMMENDED TRANSACTIONS AND THE CUSTOMERS' FINANCIAL SITUATION AND NEEDS; AND, IN CONNECTION WITH SUCH ACTIVITIES, RESPONDENT MEMBER, ACTING THROUGH RESPONDENTS WEDBUSH, LOBUE, EATON, LANNI AND HUME, FAILED TO ESTABLISH AND IMPLEMENT ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO DETECT AND PREVENT THE VIOLATIONS ALLEGED, AND TO OTHERWISE SUPERVISE RESPONDENT ST. PIERRE. DECISION RENDERED JULY 28, 1993 WHEREIN RESPONDENT ST. PIERRE IS CENSURED, FINED \$25,000, AND SUSPENDED FROM ASSOCIATION WITH ANY NASD MEMBER IN ANY CAPACITY FOR 30 DAYS; THIS DECISION SHALL SERVE AS A LETTER OF CAUTION AS TO RESPONDENTS MEMBER, WEDBUSH, AND LANNI; AND, RESPONDENT MEMBER IS REQUIRED TO RESPOND WITH A LETTER WITHIN 30 DAYS SETTING FORTH THE STEPS TO BE TAKEN TO DETECT AND PREVENT SIMILAR VIOLATIONS BY ITS EMPLOYEES IN THE FUTURE; THIS DECISION SHALL SERVE AS A LETTER OF CAUTION AS TO RESPONDENT HUME AND HE IS REQUIRED TO REQUALIFY BY EXAMINATION PRIOR TO ASSUMING ANY SUPERVISORY POSITION WITH ANY NASD MEMBER IN THE FUTURE. IN ADDITION, RESPONDENTS MEMBER, WEDBUSH, LANNI, HUME, AND ST. PIERRE ARE ASSESSED COSTS OF \$2,939.30, JOINTLY AND SEVERALLY. THE COMPLAINT WAS DISMISSED AS TO RESPONDENTS LOBUE AND EATON IN THAT THE COMMITTEE DETERMINED THAT IN PERFORMING THEIR COMPLIANCE FUNCTIONS THEY HAD NO LINE AUTHOR*See FAQ #1*

Reporting Source:	Firm
Current Status:	Final
Allegations:	DUE TO AGE OF THIS FILING NO MORE ADDITIONAL INFORMATIONS WERE PROVIDED.
Initiated By:	NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.
Date Initiated:	07/29/1991



Docket/Case Number: CO1910025

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Decision

Resolution Date: 06/20/1994

Sanctions Ordered: Censure
Monetary/Fine \$15,000.00

Other Sanctions Ordered:

Sanction Details: FINED \$15,000.00

Firm Statement

COMPLAINT #CO1910025(DISTRICT #1)FILED JULY 29,1991 AGAINST RESPONDENTS WEDBUSH MORGAN SECURITIES,INC.,RENE ROLAND ST.PIERRE,EDWARD WILLIAM WEDBUSH,PHILIP JOSEPH LOBUE,MARIE ELAIN EATON,RICHARD ANTHONY LANNI,AND MICHAEL HARLAN HUME ALLEGING VIOLATIONS OF ARTICLE III,SECTIONS 1,2 & 27 OF THE RULES OF FAIR PRACTICE IN THAT RESPONDENT ST.PIERRE EXERCISED EFFECTIVE CONTROL OVER THE ACCOUNT OF PUBLIC CUSTOMERS AND RECOMMENDED TO SUCH CUSTOMERS THE PURCHASE AND SALE OF SECURITIES WITHOUT HAVING REASONABLE GROUNDS FOR BELIEVING THAT SUCH RECOMMENDATIONS WERE SUITABLE FOR THE CUSTOMERS IN VIEW OF THE SIZE AND FREQUENCY OF THE RECOMMENDED TRANSACTIONS AND THE CUSTOMERS' FINANCIAL SITUATION AND NEEDS;AND, IN CONNECTION WITH SUCH ACTIVITIES,RESPONDENT MEMBER,ACTING THROUGH RESPONDENTS WEDBUSH,LOBUE,EATON,LANNI AND HUME,FAILED TO ESTABLISH AND IMPLEMENT ADEQUATE WRITTEN SUPERVISORY PROCEDURES TO PROTECT AND PREVENT THE VIOLATIONS AND ALLEGED,AND TO OTHERWISE SUPERVISE RESPONDENT ST.PIERRE. DECISION RENDERED JULY 28,1993 WHEREIN RESPONDENT ST.PIERRE IS CENSURED,FINED \$25,000,AND SUSPENDED FROM ASSOCIATION WITH ANY NASD MEMBER IN ANY CAPACITY FOR 30 DAYS;THIS DECISION SHALL SERVE AS A LETTER OF CAUTIONS AS TO RESPONDENTS MEMBER,WEDBUSH, AND LANNI;AND RESPONDENT MEMBER IS REQUIRED TO RESPOND WITH A LETTER WITHIN 30 DAYS SETTING FORTH THE STEPS TO BE TAKEN TO DETECT AND PREVENT SIMILAR VIOLATIONS BY ITS EMPLOYEES IN THE FUTURE;THIS DECISION SHALL SERVE AS A LETTER OF CAUTION AS TO



RESPONDENT HUME AND HE IS REQUIRED TO REQUALIFY BY EXAMINATION PRIOR TO ASSUMING ANY SUPERVISORY POSITION WITH ANY NASD MEMBER IN THE FUTURE. IN ADDITION,RESPONDENTS MEMBER,WEDBUSH,LANNI,HUME,AND ST.PIERRE ARE ASSESSED COSTS OF \$2,939.30,JOINTLY AND SEVERALLY. THE COMPLAINT WAS DISMISSED AS TO RESPONDENTS LOBUE AND EATON IN THAT THE COMMITTEE DETERMINED THAT IN PERFORMING THEIR COMPLIANCE FUNCTIONS THEY HAD NO LINE AUTHOR***SEE FAQ #1***

Disclosure 140 of 142

Reporting Source:	Regulator
Current Status:	Final
Allegations:	WEDBUSH SECURITIES, INC. AND OTHER INDIVIDUAL INVOLVED IN THE SALE OF SECURITIES IN GEORGIA AT A TIME WHEN INDIVIDUAL WAS NOT REGISTERED IN GEORGIA AND FOR FAILURE TO EXERCISE ADEQUATE SUPERVISION.
Initiated By:	GEORGIA
Date Initiated:	10/07/1987
Docket/Case Number:	50-87-9561
URL for Regulatory Action:	
Principal Product Type:	Other
Other Product Type(s):	UNKNOWN TYPE OF SECURITIES
Principal Sanction(s)/Relief Sought:	
Other Sanction(s)/Relief Sought:	
Resolution:	Consent
Resolution Date:	10/07/1987
Sanctions Ordered:	
Other Sanctions Ordered:	PROHIBITION AND COSTS
Sanction Details:	WEDBUSH SECURITIES, INC. AND OTHER INDIVIDUAL ENTERED INTO AN ORDER OF PROHIBITION AND SETTLEMENT WITH THE STATE OF GEORGIA FOR THE SALE OF SECURITIES IN GEORGIA AT A TIME WHEN INDIVIDUAL WAS NOT REGISTERED IN GEORGIA AND FOR FAILURE TO EXERCISE ADEQUATE SUPERVISION, WHEREBY WEDBUSH SECURITIES REIMBURSE THE STATE OF GEORGIA FOR INVESTIGATIVE COSTS.



Reporting Source:	Firm
Current Status:	Final
Allegations:	STATE OF GEORGIA ALLEGED THAT WMS AND AGENT EFFECT TWO SALES TRANSACTIONS WHILE THE AGENT WAS NOT REGISTERED WITH THE STATE.
Initiated By:	STATE OF GEORGIA
Date Initiated:	11/01/1987
Docket/Case Number:	50-87-9561
Principal Product Type:	Debt - Corporate
Other Product Type(s):	
Principal Sanction(s)/Relief Sought:	Cease and Desist
Other Sanction(s)/Relief Sought:	
Resolution:	Order
Resolution Date:	11/01/1987
Sanctions Ordered:	Monetary/Fine \$1,250.00 Disgorgement/Restitution Cease and Desist/Injunction
Other Sanctions Ordered:	
Sanction Details:	MATTER WAS RESOLVED BY WMS AND THE AGENT AGREEING TO AN ORDER TO PROHIBITION AND SETTLEMENT AND REIMBURSEMENT TO THE STATE OF THEIR \$1,250.00 COSTS.
Firm Statement	STATE OF GEORGIA ALLEGED THAT WMS AND AGENT EFFECTED TWO SALES TRANSACTIONS WHILE THE AGENT WAS NOT REGISTERED WITH THE STATE. MATTER WAS RESOLVED BY WMS AND THE AGENT AGREEING TO AN ORDER TO PROHIBITION AND SETTLEMENT AND REIMBURSEMENT TO THE STATE OF THEIR \$1,250.00 COSTS.

Disclosure 141 of 142

Reporting Source:	Regulator
Current Status:	Final

**Allegations:****Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**Date Initiated:** 02/05/1987**Docket/Case Number:** MS-499-AWC**Principal Product Type:****Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Consent**Resolution Date:** 04/07/1987**Sanctions Ordered:** Monetary/Fine \$250.00**Other Sanctions Ordered:****Sanction Details:****Regulator Statement** MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-499-AWC:

LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) WAS FILED ON FEBRUARY 5, 1987, ALLEGING VIOLATIONS OF PART I, SECTION C.3.(c) OF SCHEDULE D OF THE ASSOCIATION'S BY-LAWS IN THAT RESPONDENT FAILED TO REPORT ITS NASDAQ VOLUME IN ONE SECURITY ON 12/18/86. THE AWC WAS ACCEPTED BY THE MARKET SURVEILLANCE COMMITTEE ON MARCH 6, 1987 AND BY THE NATIONAL BUSINESS CONDUCT COMMITTEE ON APRIL 7, 1987. \$250 FINE RECEIVED 2/17/87

Reporting Source: Firm**Current Status:** Final**Allegations:** DUE TO THE AGE OF THIS FILING NO MORE ADDITIONAL INFORMATION WERE PROVIDED.**Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**Date Initiated:** 02/05/1987**Docket/Case Number:** MS-499-AWC**Principal Product Type:** Other

**Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:****Resolution:** Consent**Resolution Date:** 04/07/1987**Sanctions Ordered:** Monetary/Fine \$250.00**Other Sanctions Ordered:****Sanction Details:** FINED \$250.00**Firm Statement**

MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-499-AWC:LETTER OF ACCEPTANCE,WAIVER AND CONSENT(AWC)WAS FILED ON FEBRUARY 5,1987,ALLEGING VIOLATIONS OF PART 1,SECTION C.3.(C)OF SCHEDULE D OF THE ASSOCIATION'S BY-LAWS IN THAT RESPONDENT FAILED TO REPORT ITS NASDAQ VOLUME IN ONE SECURITY ON 12/18/86. THE AWC WAS ACCEPTED BY THE MARKET SURVEILLANCE COMMITTEE ON MARCH 6,1987 AND BY THE NATIONAL BUSINESS CONDUCT ON APRIL 7,1987. \$250 FINE RECEIVED 2/17/87.

Disclosure 142 of 142**Reporting Source:** Regulator**Current Status:** Final**Allegations:****Initiated By:** NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**Date Initiated:** 09/25/1986**Docket/Case Number:** MS-432-AWC**Principal Product Type:****Other Product Type(s):****Principal Sanction(s)/Relief Sought:****Other Sanction(s)/Relief Sought:**



Resolution: Consent
Resolution Date: 01/12/1987
Sanctions Ordered: Monetary/Fine \$250.00

Other Sanctions Ordered:

Sanction Details:

Regulator Statement MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-432-AWC:

LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) WAS FILED ON SEPTEMBER 25, 1986, ALLEGING VIOLATIONS OF PART I, SECTION C.3.(c) OF SCHEDULE D OF THE ASSOCIATION'S BY-LAWS IN THAT RESPONDENT FAILED TO REPORT ITS NASDAQ VOLUME IN ONE SECURITY ON 6/24/86, IN TWO SECURITIES ON 6/30/86, AND IN ONE SECURITY ON 7/16/86. THE AWC WAS ACCEPTED BY THE MARKET SURVEILLANCE COMMITTEE ON DECEMBER 4, 1986 AND BY THE NATIONAL BUSINESS CONDUCT COMMITTEE ON JANUARY 12 1987. FINE \$250

Reporting Source: Firm

Current Status: Final

Allegations: DUE TO THE AGE OF THIS FILING NO MORE ADDITIONAL INFORMATION WERE PROVIDED.

Initiated By: NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

Date Initiated: 09/25/1986

Docket/Case Number: MS-432-AWC

Principal Product Type: Other

Other Product Type(s):

Principal Sanction(s)/Relief Sought:

Other Sanction(s)/Relief Sought:

Resolution: Consent

Resolution Date: 01/12/1987

Sanctions Ordered: Monetary/Fine \$250.00

Other Sanctions Ordered:

**Sanction Details:**

FINED \$250.00

Firm Statement

MARKET SURVEILLANCE COMMITTEE COMPLAINT #MS-432-AWC: LETTER OF ACCEPTANCE, WAIVER AND CONSENT (AWC) WAS FILED ON SEPTEMBER 25, 1986, ALLEGING VIOLATIONS OF PART 1, SECTION C.3.(C) OF SCHEDULE D OF THE ASSOCIATION'S BY-LAWS IN THAT RESPONDENT FAILED TO REPORT ITS NASDAQ VOLUME IN ONE SECURITY ON 6/24/86, AND IN ONE SECURITY ON 7/16/86. THE AWC WAS ACCEPTED BY THE MARKET SURVEILLANCE COMMITTEE ON DECEMBER 4, 1986 AND BY THE NATIONAL BUSINESS CONDUCT COMMITTEE ON JANUARY 12, 1987. FINE \$250.00



Civil - Final

This type of disclosure event involves (1) an injunction issued by a foreign or domestic court within the last 10 years in connection with investment-related activity, (2) a finding by a court of a violation of any investment-related statute or regulation, or (3) an action dismissed by a court pursuant to a settlement agreement.

Disclosure 1 of 3

Reporting Source:	Firm
Current Status:	Final
Allegations:	PLAINTIFFS ALLEGE THAT WEDBUSH SENT OUT FOUR UNAUTHORIZED WIRE TRANSFERS FROM TWO ACCOUNTS.
Initiated By:	JAMES Q. WHITAKER AND PATHOLOGY INSTITUTE OF MIDDLE GEORGIA, P.C
Court Details:	COOK COUNTY, ILLINOIS CIRCUIT COURT- CASE NO. 2015L2617
Date Court Action Filed:	03/13/2015
Principal Product Type:	No Product
Other Product Types:	
Relief Sought:	Money Damages (Private/Civil Complaint)
Other Relief Sought:	
Resolution:	Opinion
Resolution Date:	07/14/2021
Sanctions Ordered or Relief Granted:	Monetary/Fine \$323,047.00
Other Sanctions:	
Sanction Details:	THE TOTAL AMOUNT PAID BY WEDBUSH ON JULY 21ST, 2021 WAS \$323,047

Disclosure 2 of 3

Reporting Source:	Firm
Current Status:	Final
Allegations:	VIOLATION OF FIDUCIARY DUTIES UNDER ERISA AND ENGAGING IN PROHIBITED TRANSACTIONS
Initiated By:	UNITED STATES DEPARTMENT OF LABOR
Court Details:	UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION



Date Court Action Filed:	03/30/2017
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Types:	LIMITED PARTNERSHIPS
Relief Sought:	Disgorgement
Other Relief Sought:	FINES
Resolution:	Settled
Resolution Date:	01/12/2018
Sanctions Ordered or Relief Granted:	Monetary/Fine \$209,090.91 Disgorgement/Restitution
Other Sanctions:	
Sanction Details:	THE FIRM AGREED TO PAY A PENALTY OF \$209,090.91 TO THE DEPARTMENT OF LABOR. THE FIRM AGREED TO PAY RESTITUTION TO THE PLANS A TOTAL SUM OF \$2,090,909.09. THE FIRM ALSO AGREED TO OFFER CERTAIN INDIVIDUALS IN THE PLAN THE RIGHT TO SELL THEIR SHARES IN WEDBUSH INC AT A PRICE OF \$14.
Firm Statement	THE DEPARTMENT OF LABOR ALLEGED VIOLATION OF FIDUCIARY DUTIES UNDER ERISA AND ENGAGING IN PROHIBITED TRANSACTIONS. THE FIRM AND TRUSTEES AGREED TO SETTLE THE ACTION.

Reporting Source:	Firm
Current Status:	Final
Allegations:	VIOLATION OF FIDUCIARY DUTIES UNDER ERISA AND ENGAGING IN PROHIBITED TRANSACTIONS
Initiated By:	UNITED STATES DEPARTMENT OF LABOR
Court Details:	UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, LOS ANGELES DIVISION
Date Court Action Filed:	03/30/2017
Principal Product Type:	Equity Listed (Common & Preferred Stock)
Other Product Types:	LIMITED PARTNERSHIPS
Relief Sought:	Disgorgement
Other Relief Sought:	FINES
Resolution:	Settled



Resolution Date:	01/12/2018
Sanctions Ordered or Relief Granted:	Monetary/Fine \$209,090.91 Disgorgement/Restitution
Other Sanctions:	
Sanction Details:	THE FIRM AGREED TO PAY A PENALTY OF \$209,090.91 TO THE DEPARTMENT OF LABOR. THE FIRM AGREED TO PAY RESTITUTION TO THE PLANS A TOTAL SUM OF \$2,090,909.09. THE FIRM ALSO AGREED TO OFFER CERTAIN INDIVIDUALS IN THE PLAN THE RIGHT TO SELL THEIR SHARES IN WEDBUSH INC AT A PRICE OF \$14.
Firm Statement	THE DEPARTMENT OF LABOR ALLEGED VIOLATION OF FIDUCIARY DUTIES UNDER ERISA AND ENGAGING IN PROHIBITED TRANSACTIONS. THE FIRM AND TRUSTEES AGREED TO SETTLE THE ACTION.

Disclosure 3 of 3

Reporting Source:	Firm
Current Status:	Final
Allegations:	EMPLOYEE OF WMS INDUCED A CUSTOMER TO INVEST IN A PRIVATE COMPANY CREATED BY THE EMPLOYEE. WMS COULD NOT HAVE KNOWN ABOUT THIS ACTIVITY SINCE IT WAS NOT DONE THROUGH FACILITIES OF WMS.
Initiated By:	GLOBAL DEVELOPMENT
Court Details:	UNITED STATES DISTRICT COURT WESTERN DISTRICT OF WASHINGTON AT SEATTLE NO. C80-1153V
Date Court Action Filed:	09/11/1982
Principal Product Type:	Other
Other Product Types:	IN THIS CIRCUMSTANCE, PRODUCT WAS A FICTITIOUS INVESTMENT.
Relief Sought:	Civil Penalty(ies)/Fine(s)
Other Relief Sought:	
Resolution:	Judgment Rendered
Resolution Date:	02/15/1983
Sanctions Ordered or Relief Granted:	Monetary/Fine \$69,159.00
Other Sanctions:	



Sanction Details:

DISPOSITION RESULTED IN A JUDGMENT IN THE AMOUNT OF \$69,159.00, WHICH A PORTION OF WAS PAID BY WMS'S FIDELITY BONDING COMPANY.

Firm Statement

EMPLOYEE OF WMS INDUCED A CUSTOMER TO INVEST IN A PRIVATE COMPANY CREATED BY THE EMPLOYEE. WMS COULD NOT HAVE KNOWN ABOUT THIS ACTIVITY SINCE IT WAS NOT DONE THROUGH FACILITIES OF WMS. DISPOSITION RESULTED IN A JUDGMENT IN THE AMOUNT OF \$69,159.00 OF WHICH A PORTION WAS PAID BY WMS'S FIDELITY BONDING COMPANY ON 2/16/1983.



Arbitration Award - Award / Judgment

Brokerage firms are not required to report arbitration claims filed against them by customers; however, BrokerCheck provides summary information regarding FINRA arbitration awards involving securities and commodities disputes between public customers and registered securities firms in this section of the report.

The full text of arbitration awards issued by FINRA is available at www.finra.org/awardsonline.

Disclosure 1 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum:	NASD
Case Initiated:	01/05/2001
Case Number:	00-05559
Disputed Product Type:	COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE
Sum of All Relief Requested:	\$352,819.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	03/19/2003
Sum of All Relief Awarded:	\$79,091.91

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 2 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-COLLECTION; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD
Case Initiated:	03/15/2001
Case Number:	01-00908
Disputed Product Type:	COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE



Sum of All Relief Requested: \$242,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 07/30/2003
Sum of All Relief Awarded: \$0.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 3 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; TRADING DISPUTES-BUY IN
Arbitration Forum: NASD
Case Initiated: 10/09/2001
Case Number: 01-04479
Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; MUTUAL FUNDS
Sum of All Relief Requested: \$25,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/05/2002
Sum of All Relief Awarded: \$4,979.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 4 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum: NASD
Case Initiated: 11/14/2001



Case Number: 01-05629

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$733,157.20

Disposition: AWARD AGAINST PARTY

Disposition Date: 07/03/2003

Sum of All Relief Awarded: \$173,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 5 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE

Arbitration Forum: NASD

Case Initiated: 01/03/2002

Case Number: 01-07091

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE; OPTIONS

Sum of All Relief Requested: \$500,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 09/26/2003

Sum of All Relief Awarded: \$317,150.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 6 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE



Arbitration Forum: NASD
Case Initiated: 06/04/2003
Case Number: 03-01719
Disputed Product Type: CORPORATE BONDS; NO OTHER TYPE OF SEC INVOLVE
Sum of All Relief Requested: \$75,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 05/25/2004
Sum of All Relief Awarded: \$48,428.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 7 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-MARGIN CALLS; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: NASD
Case Initiated: 07/14/2003
Case Number: 03-04976
Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE; MUTUAL FUNDS
Sum of All Relief Requested: \$73,546.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 10/01/2004
Sum of All Relief Awarded: \$63,000.00

There may be a non-monetary award associated with this arbitration.
 Please select the Case Number above to view more detailed information.

Disclosure 8 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION



Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-TRANSFER
Arbitration Forum:	NASD
Case Initiated:	10/14/2003
Case Number:	03-07330
Disputed Product Type:	COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE
Sum of All Relief Requested:	\$1,263,000.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	12/06/2004
Sum of All Relief Awarded:	\$363,500.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 9 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum:	NASD
Case Initiated:	10/15/2003
Case Number:	03-07340
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested:	\$1,270,150.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	04/22/2005
Sum of All Relief Awarded:	\$49,040.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 10 of 60



Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE

Arbitration Forum: NASD

Case Initiated: 07/26/2004

Case Number: 04-05032

Disputed Product Type: ANNUITIES; NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$1,350,245.83

Disposition: AWARD AGAINST PARTY

Disposition Date: 11/27/2006

Sum of All Relief Awarded: \$1,218,219.20

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 11 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 09/07/2004

Case Number: 04-06067

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: Unspecified Damages

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/03/2006

Sum of All Relief Awarded: \$101,817.14



There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 12 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum:	NASD
Case Initiated:	09/13/2004
Case Number:	04-06226
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested:	\$160,158.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	05/10/2006
Sum of All Relief Awarded:	\$249,071.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 13 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY- MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum:	NASD
Case Initiated:	03/29/2005
Case Number:	05-01410
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested:	\$1,000,000.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	05/26/2006



Sum of All Relief Awarded: \$3,801,933.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 14 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 12/28/2006

Case Number: 06-05367

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE

Sum of All Relief Requested: \$22,858.65

Disposition: AWARD AGAINST PARTY

Disposition Date: 05/31/2007

Sum of All Relief Awarded: \$25,805.12

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 15 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 08/21/2008

Case Number: 08-02897

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE; GOVERNMENT SECURITIES



Sum of All Relief Requested: \$190,135.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 07/17/2009

Sum of All Relief Awarded: \$100,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 16 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-SUITABILITY; EXECUTIONS-EXECUTION PRICE; NO OTHER CONTROVERSY INVOLVED

Arbitration Forum: FINRA

Case Initiated: 02/05/2009

Case Number: 09-00564

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE

Sum of All Relief Requested: \$20,306.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 08/14/2009

Sum of All Relief Awarded: \$20,688.50

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 17 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS

Arbitration Forum: FINRA

Case Initiated: 04/07/2009



Case Number: 09-01152
Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; PRIVATE EQUITIES
Sum of All Relief Requested: \$98,535.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 12/03/2009
Sum of All Relief Awarded: \$9,834.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 18 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-NEGLIGENCE; EXECUTIONS-FAILURE TO EXECUTE; EXECUTIONS-INCORRECT QUANTITY
Arbitration Forum: FINRA
Case Initiated: 04/27/2009
Case Number: 09-01865
Disputed Product Type: COMMON STOCK; FUTURES (OTHER THAN COMMODITIES); HEDGE FUND; OPTIONS
Sum of All Relief Requested: \$282,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/02/2010
Sum of All Relief Awarded: \$108,000.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 19 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT



RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 09/23/2009

Case Number: 09-02143

Disputed Product Type: COMMON STOCK; MUTUAL FUNDS; OTHER TYPES OF SECURITIES

Sum of All Relief Requested: Unspecified Damages

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/25/2011

Sum of All Relief Awarded: \$228,671.66

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 20 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 05/11/2009

Case Number: 09-02259

Disputed Product Type: AUCTION RATE SECURITIES

Sum of All Relief Requested: Unspecified Damages

Disposition: AWARD AGAINST PARTY

Disposition Date: 11/11/2010

Sum of All Relief Awarded: \$245,865.29

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 21 of 60

Reporting Source: Regulator



Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MANIPULATION; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 07/08/2009

Case Number: 09-03657

Disputed Product Type: OPTIONS

Sum of All Relief Requested: \$456,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 05/12/2010

Sum of All Relief Awarded: \$107,100.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 22 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 08/14/2009

Case Number: 09-04522

Disputed Product Type: ANNUITIES; VARIABLE ANNUITIES

Sum of All Relief Requested: \$1,000,000.00

Disposition: AWARD AGAINST PARTY



Disposition Date: 08/26/2011
Sum of All Relief Awarded: \$1,165,885.11

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 23 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-MARGIN CALLS; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER
Arbitration Forum: FINRA
Case Initiated: 10/27/2009
Case Number: 09-05898
Disputed Product Type: OTHER TYPES OF SECURITIES
Sum of All Relief Requested: \$1,200,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 06/28/2011
Sum of All Relief Awarded: \$89,100.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 24 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: FINRA



Case Initiated: 12/16/2009
Case Number: 09-06884
Disputed Product Type: COMMON STOCK
Sum of All Relief Requested: \$6,000,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 05/05/2011
Sum of All Relief Awarded: \$750,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 25 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE
Arbitration Forum: FINRA
Case Initiated: 02/17/2010
Case Number: 10-00603
Disputed Product Type: HEDGE FUND; LIMITED PARTNERSHIPS; PRIVATE EQUITIES; REAL ESTATE INVESTMENT TRUST
Sum of All Relief Requested: \$2,000,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 11/29/2011
Sum of All Relief Awarded: \$285,613.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 26 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION



Allegations: ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 06/25/2010

Case Number: 10-02023

Disputed Product Type: ANNUITIES; COMMON STOCK; MUTUAL FUNDS

Sum of All Relief Requested: \$75,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/21/2011

Sum of All Relief Awarded: \$60,024.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 27 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: FINRA

Case Initiated: 01/06/2011

Case Number: 10-05751

Disputed Product Type: OTHER TYPES OF SECURITIES

Sum of All Relief Requested: \$150,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 04/12/2012

Sum of All Relief Awarded: \$207,500.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 28 of 60



Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS

Arbitration Forum: FINRA

Case Initiated: 02/18/2011

Case Number: 11-00626

Disputed Product Type: COMMON STOCK

Sum of All Relief Requested: \$200,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 08/30/2012

Sum of All Relief Awarded: \$329,239.02

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 29 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-OTHER; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-TRANSFER; EMPLOYMENT-OTHER

Arbitration Forum: FINRA

Case Initiated: 09/30/2011

Case Number: 11-03452

Disputed Product Type: COMMON STOCK; MUNICIPAL BONDS; MUTUAL FUNDS; OTHER TYPES OF SECURITIES; PRIVATE EQUITIES

Sum of All Relief Requested: Unspecified Damages

Disposition: AWARD AGAINST PARTY

Disposition Date: 08/16/2013

Sum of All Relief Awarded: \$435,382.55

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.



Disclosure 30 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-ERRORS-CHARGES; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE; EXECUTIONS-FAILURE TO EXECUTE
Arbitration Forum:	FINRA
Case Initiated:	11/08/2013
Case Number:	13-03250
Disputed Product Type:	COMMON STOCK
Sum of All Relief Requested:	\$1,628,672.73
Disposition:	AWARD AGAINST PARTY
Disposition Date:	11/05/2015
Sum of All Relief Awarded:	\$813,475.09

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 31 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum:	FINRA
Case Initiated:	11/19/2013
Case Number:	13-03313
Disputed Product Type:	
Sum of All Relief Requested:	\$332,000.01
Disposition:	AWARD AGAINST PARTY
Disposition Date:	01/23/2015
Sum of All Relief Awarded:	\$351,400.00



There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 32 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations:

Arbitration Forum: FINRA

Case Initiated: 04/15/2016

Case Number: 16-00847

Disputed Product Type:

Sum of All Relief Requested: \$247,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 07/13/2017

Sum of All Relief Awarded: \$1,797,054.07

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 33 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE; ACCOUNT RELATED-OTHER; OTHER-CLEARING DISPUTES

Arbitration Forum: FINRA

Case Initiated: 11/30/2017

Case Number: 17-02874

Disputed Product Type: COMMON STOCK

Sum of All Relief Requested: \$132,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 11/29/2018

Sum of All Relief Awarded: \$36,869.16



There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 34 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-MARGIN CALLS; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD
Case Initiated:	
Case Number:	87-02294
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested:	\$224,000.00
Disposition:	AWARD AGAINST PARTY
Disposition Date:	05/17/1990
Sum of All Relief Awarded:	\$12,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 35 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-BREACH OF CONTRACT; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD
Case Initiated:	01/01/1988
Case Number:	88-02064
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested:	\$3,877,242.90
Disposition:	AWARD AGAINST PARTY
Disposition Date:	09/25/1989



Sum of All Relief Awarded: \$600,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 36 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-NEGLIGENCE; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum: NASD
Case Initiated: 01/01/1988
Case Number: 88-02145
Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$18,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 12/11/1989
Sum of All Relief Awarded: \$15,666.54

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 37 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: NO OTHER CONTROVERSY INVOLVED
Arbitration Forum: NASD
Case Initiated: 02/27/1989
Case Number: 89-00201
Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE
Sum of All Relief Requested: \$62,000.00
Disposition: AWARD AGAINST PARTY



Disposition Date: 09/14/1990

Sum of All Relief Awarded: \$1,750.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 38 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT RELATED-COLLECTION; ACCOUNT RELATED-DIVIDENDS;
ACCOUNT RELATED-NEGLIGENCE; NO OTHER CONTROVERSY INVOLVED

Arbitration Forum: NASD

Case Initiated:

Case Number: 89-01205

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE

Sum of All Relief Requested: \$3,240.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 02/15/1990

Sum of All Relief Awarded: \$3,240.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 39 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: EXECUTIONS-FAILURE TO EXECUTE; NO OTHER CONTROVERSY
INVOLVED

Arbitration Forum: NASD

Case Initiated: 01/01/1989

Case Number: 89-01678

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE

Sum of All Relief Requested: \$3,156.00



Disposition: AWARD AGAINST PARTY

Disposition Date: 06/08/1990

Sum of All Relief Awarded: \$1,332.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 40 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: NO OTHER CONTROVERSY INVOLVED

Arbitration Forum: NASD

Case Initiated: 08/22/1989

Case Number: 89-01749

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE

Sum of All Relief Requested: \$27,073.22

Disposition: AWARD AGAINST PARTY

Disposition Date: 12/17/1991

Sum of All Relief Awarded: \$25,784.17

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 41 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; NO OTHER CONTROVERSY INVOLVED

Arbitration Forum: NASD

Case Initiated: 04/18/1990

Case Number: 90-01039

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; LIMITED PARTNERSHIPS

Sum of All Relief Requested: \$201,625.12



Disposition: AWARD AGAINST PARTY

Disposition Date: 03/16/1992

Sum of All Relief Awarded: \$22,500.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 42 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OTHER;
ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-OTHER

Arbitration Forum: NASD

Case Initiated: 10/15/1990

Case Number: 90-02241

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; LIMITED PARTNERSHIPS

Sum of All Relief Requested: \$92,385.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/16/1992

Sum of All Relief Awarded: \$75,305.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 43 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-OTHER; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT
RELATED-BREACH OF CONTRACT; OTHER-OTHER

Arbitration Forum: NASD

Case Initiated: 10/15/1990

Case Number: 90-02242

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; LIMITED PARTNERSHIPS



Sum of All Relief Requested: \$36,366.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/23/1992

Sum of All Relief Awarded: \$15,821.16

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 44 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-NEGLIGENCE; NO OTHER CONTROVERSY INVOLVED

Arbitration Forum: NASD

Case Initiated: 12/07/1990

Case Number: 90-02328

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE; MUTUAL FUNDS; OPTIONS

Sum of All Relief Requested: Unspecified Damages

Disposition: AWARD AGAINST PARTY

Disposition Date: 03/31/1992

Sum of All Relief Awarded: \$10,500.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 45 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-OTHER; UNKNOWN TYPE OF CONTROVERSIES

Arbitration Forum: NASD

Case Initiated: 10/15/1990



Case Number: 90-02426
Disputed Product Type: COMMON STOCK; PREFERRED STOCK; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$21,834.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 03/22/1991
Sum of All Relief Awarded: \$11,917.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 46 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT RELATED-OTHER; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum: NASD
Case Initiated: 04/17/1991
Case Number: 91-00370
Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE
Sum of All Relief Requested: \$1,788.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 11/13/1991
Sum of All Relief Awarded: \$766.50

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 47 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum: NASD
Case Initiated: 03/26/1991



Case Number: 91-00439

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; OPTIONS; WARRANTS/RIGHTS

Sum of All Relief Requested: \$148,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 04/06/1992

Sum of All Relief Awarded: \$28,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 48 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT RELATED-NEGLIGENCE; NO OTHER CONTROVERSY INVOLVED

Arbitration Forum: NASD

Case Initiated: 03/21/1991

Case Number: 91-00749

Disputed Product Type: CORPORATE BONDS; NO OTHER TYPE OF SEC INVOLVE

Sum of All Relief Requested: \$46,978.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 10/14/1991

Sum of All Relief Awarded: \$15,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 49 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; NO OTHER CONTROVERSY INVOLVED



Arbitration Forum: NASD
Case Initiated: 08/21/1991
Case Number: 91-02442
Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; MUTUAL FUNDS
Sum of All Relief Requested: \$21,000.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 07/22/1992
Sum of All Relief Awarded: \$9,970.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 50 of 60

Reporting Source: Regulator
Type of Event: ARBITRATION
Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE
Arbitration Forum: NASD
Case Initiated: 12/10/1991
Case Number: 91-03752
Disputed Product Type: COMMON STOCK; CORPORATE BONDS; MUNICIPAL BONDS; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested: \$22,300.00
Disposition: AWARD AGAINST PARTY
Disposition Date: 09/18/1992
Sum of All Relief Awarded: \$36,192.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 51 of 60

Reporting Source: Regulator



Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD
Case Initiated:	03/25/1992
Case Number:	92-00632
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES
Sum of All Relief Requested:	\$18,198.07
Disposition:	AWARD AGAINST PARTY
Disposition Date:	04/21/1993
Sum of All Relief Awarded:	\$4,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 52 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD
Case Initiated:	04/15/1992
Case Number:	92-01100
Disputed Product Type:	COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE
Sum of All Relief Requested:	\$1,010.50
Disposition:	AWARD AGAINST PARTY
Disposition Date:	08/20/1992
Sum of All Relief Awarded:	\$1,010.50

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 53 of 60



Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; NO OTHER CONTROVERSY INVOLVED

Arbitration Forum: NASD

Case Initiated: 09/30/1992

Case Number: 92-03256

Disputed Product Type: COMMON STOCK; CORPORATE BONDS; GOVERNMENT SECURITIES; MUNICIPAL BONDS

Sum of All Relief Requested: \$40,673.38

Disposition: AWARD AGAINST PARTY

Disposition Date: 06/29/1993

Sum of All Relief Awarded: \$45,592.72

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 54 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT ACTIVITY-UNAUTHORIZED TRADING; ACCOUNT RELATED-FAILURE TO SUPERVISE

Arbitration Forum: NASD

Case Initiated: 03/03/1993

Case Number: 93-00583

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; GOVERNMENT SECURITIES; LIMITED PARTNERSHIPS; OTHER TYPES OF SECURITIES

Sum of All Relief Requested: \$36,626.81

Disposition: AWARD AGAINST PARTY

Disposition Date: 01/21/1994

Sum of All Relief Awarded: \$110,000.00



There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 55 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD
Case Initiated:	08/23/1993
Case Number:	93-02888
Disputed Product Type:	NO OTHER TYPE OF SEC INVOLVE; MUNICIPAL BOND FUNDS
Sum of All Relief Requested:	\$9,199.25
Disposition:	AWARD AGAINST PARTY
Disposition Date:	09/30/1994
Sum of All Relief Awarded:	\$1,653.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 56 of 60

Reporting Source:	Regulator
Type of Event:	ARBITRATION
Allegations:	ACCOUNT ACTIVITY-MISREPRESENTATION; ACCOUNT ACTIVITY-SUITABILITY; NO OTHER CONTROVERSY INVOLVED
Arbitration Forum:	NASD
Case Initiated:	08/04/1994
Case Number:	94-02327
Disputed Product Type:	COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE
Sum of All Relief Requested:	\$5,875.13
Disposition:	AWARD AGAINST PARTY
Disposition Date:	04/11/1995



Sum of All Relief Awarded: \$5,537.01

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 57 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT RELATED-BREACH OF CONTRACT; ACCOUNT RELATED-FAILURE TO SUPERVISE; ACCOUNT RELATED-NEGLIGENCE

Arbitration Forum: NASD

Case Initiated: 07/20/1995

Case Number: 95-02862

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; LIMITED PARTNERSHIPS

Sum of All Relief Requested: \$75,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 02/18/1997

Sum of All Relief Awarded: \$40,000.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 58 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-SUITABILITY; ACCOUNT RELATED-FAILURE TO SUPERVISE

Arbitration Forum: NASD

Case Initiated: 01/08/1998

Case Number: 97-05990

Disputed Product Type: COMMON STOCK; NO OTHER TYPE OF SEC INVOLVE; MUTUAL FUNDS

Sum of All Relief Requested: \$90,000.00



Disposition: AWARD AGAINST PARTY

Disposition Date: 10/09/1998

Sum of All Relief Awarded: \$140,260.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 59 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-BRCH OF FIDUCIARY DT; ACCOUNT ACTIVITY-OTHER;
NO OTHER CONTROVERSY INVOLVED

Arbitration Forum: NASD

Case Initiated: 07/20/1999

Case Number: 99-02349

Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$399,125.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 10/10/2000

Sum of All Relief Awarded: \$269,125.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.

Disclosure 60 of 60

Reporting Source: Regulator

Type of Event: ARBITRATION

Allegations: ACCOUNT ACTIVITY-CHURNING; ACCOUNT ACTIVITY-
MISREPRESENTATION; ACCOUNT ACTIVITY-OMISSION OF FACTS;
ACCOUNT ACTIVITY-UNAUTHORIZED TRADING

Arbitration Forum: NASD

Case Initiated: 11/17/1999

Case Number: 99-04500



Disputed Product Type: NO OTHER TYPE OF SEC INVOLVE; UNKNOWN TYPE OF SECURITIES

Sum of All Relief Requested: \$117,000.00

Disposition: AWARD AGAINST PARTY

Disposition Date: 09/19/2001

Sum of All Relief Awarded: \$17,750.00

There may be a non-monetary award associated with this arbitration.
Please select the Case Number above to view more detailed information.



Civil Bond

This type of disclosure event involves a civil bond for the brokerage firm that has been denied, paid, or revoked by a bonding company.

Disclosure 1 of 1

Reporting Source:	Firm
Policy Holder:	WEDBUSH MORGAN SECURITIES INC,
Bonding Company Name:	FIDELITY BONDING COMPANY
Disposition:	Payout
Disposition Date:	02/16/1983
Payout Details:	\$69,159.00 PAID BY THE BONDING COMPANY.
Firm Statement	EMPLOYEE OF WMS INDUCED A CUSTOMER TO INVEST IN A PRIVATE COMPANY CREATED BY THE EMPLOYEE. WMS COULDN'T HAVE KNOWN ABOUT THIS ACTIIVTY SINCE IT WAS NOT DONE THROUGH FACILITIES OF WMS.

End of Report



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