

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090181461-01**

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

RE: Wedbush Securities Inc., Respondent
Broker-Dealer
CRD No. 877

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Wedbush Securities Inc. (the "firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

The firm became a member of FINRA in 1955, and its registration remains in effect. The firm was formerly known as Wedbush Morgan Securities Inc.

RELEVANT DISCIPLINARY HISTORY

The firm has the following relevant disciplinary history:

- In August 2010, FINRA accepted the firm's AWC (20090186422) in which it agreed to a censure and a fine of \$15,000 for violations of MSRB Rule G-14 from January 1 to March 31, 2009.
- In March 2009, FINRA accepted the firm's AWC (20080137115) in which it agreed to a censure and a fine of \$7,000 for violations of MSRB Rule G-14 from January 1 to March 31, 2008.

- In September 2008, FINRA accepted the firm's AWC (20060042923) in which it agreed to a fine of \$5,000 for violations of MSRB Rule G-14 from January 1 to March 31, 2007.

SUMMARY

This matter is the result of eight reviews:

- (1) in Matter No. 20090181461 the Customers Issues Group conducted a Market Order Timeliness Review for the time period January 1, 2009 through March 31, 2009;
- (2) in Matter No. 20100217881 the Customer Issues Group conducted a Market Order Timeliness Review for the time period October 1, 2009 through December 31, 2009;
- (3) in Matter No. 20100217838 the Municipal Bonds Team conducted a Contra Execution Review for the time period October 1, 2009 through December 31, 2009;
- (4) in Matter No. 20100227682 the Municipal Bonds Team conducted a Late Trade Review for the time period January 1, 2010 through March 31, 2010;
- (5) in Matter No. 20110264408 the Municipal Bonds Team conducted a Mismatched Destination Code Review for the time period October 1, 2010 through December 31, 2010;
- (6) in Matter No. 20110266960 the Municipal Bonds Team conducted a Late Trade Review for the time period October 1, 2010 through December 31, 2010;
- (7) in Matter No. 20100249575 the Municipal Bonds Team conducted a Contra Execution Review for the time period July 1, 2010 through September 30, 2010; and
- (8) in Matter No. 20110288085 the Municipal Bonds Team conducted a Contra Execution Review for the time period April 1, 2011 through June 30, 2011.

FACTS AND VIOLATIVE CONDUCT

Market Order Timeliness

20090181461

1. From January 1, 2009 to March 31, 2009, in 47 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2111(a).

2. From January 1, 2009 to March 31, 2009, in 28 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, as reflected on Exhibit A which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2320.

20100217881

3. From October 1, 2009 to December 31, 2009, in 50 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2111(a).
4. From October 1, 2009 to December 31, 2009, in 20 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, as reflected on Exhibit B which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 2010 and NASD Rule 2320.

Municipal Bond Reporting

20100217838

5. From October 1, 2009 to December 31, 2009, the firm failed to report information regarding 70 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 the correct Time of Trade to the RTRS in 70 reports of transactions in municipal securities, and failed to report information about 66 of these transactions within 15 minutes of Time of Trade. These transactions constituted 2.10 percent of the transactions that the firm reported to the RTRS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
6. From October 1, 2009 to December 31, 2009, the firm failed on 61 occasions to show the correct time of execution on the memorandum of 61 transactions in municipal securities for the account of the firm executed with another broker or dealer. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-8.

20100227682

7. From January 1, 2010 to March 31, 2010, the firm failed to report information regarding 214 purchase and sale transactions 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 214 transactions in municipal securities within 15 minutes of Time of Trade to an RTRS Portal, and failed to report the correct Time of Trade in 11 of these transactions. These transactions constituted 2.62 percent of the transactions that the firm reported to the RTRS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20110264408

8. From October 1, 2010 to December 31, 2010, in 35 instances, the firm improperly reported information to the RTRS that it should not have. Specifically, the firm improperly reported 35 "purchase and sale transactions effected 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 conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20110266960

9. From October 1, 2010 to December 31, 2010, the firm failed to report information regarding 264 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 transaction within 15 minutes of time of trade to an RTRS portal. These transactions constituted 3.46 percent of the transactions that the firm reported to the RTRS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

20100249575

10. From July 1, 2010 to September 30, 2010, the firm failed to report information regarding 95 purchase and sale transactions 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 the correct Time of Trade to the RTRS in 95 reports of transactions in municipal securities, and failed to report information about 85 of these transactions within 15 minutes of Time of Trade. These transactions constituted 2.49 percent of the transactions that the firm reported to the RTRS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.

11. From July 1, 2010 to September 30, 2010, the firm failed on 83 occasions to show the correct time of execution on the memorandum of 83 transactions in municipal securities for the account of the firm executed with another broker or dealer. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-8.
12. From July 1, 2010 to September 30, 2010, 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. The conduct described in this paragraph constitutes violations of MSRB Rule G-27.

20110288085

13. From April 1, 2011 to June 30, 2011, the firm failed to report information regarding 84 purchase and sale transactions 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 the correct Time of Trade to the RTRS in 84 reports of transactions in municipal securities, and failed to report information about 83 of these transactions within 15 minutes of Time of Trade. These transactions constituted 2.08 percent of the transactions that the firm reported to the RTRS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-14.
14. From April 1, 2011 to June 30, 2011, the firm failed on 80 occasions to show the correct time of execution on the memorandum of 80 transactions in municipal securities for the account of the firm executed with another broker or dealer. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-8.

B. The firm also consents to the imposition of the following sanctions:

A censure and a total fine of \$95,000 (apportioned as follows: \$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).

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the firm;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;

- The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

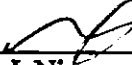
Title: EVP

Attorney Name

Accepted by FINRA:

10/16/2013
Date

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



**James J. Nixon
Chief Litigation Counsel
Department of Market Regulation**

Wedbush Morgan Securities Inc. ("WEDB")
1st Quarter 2009 Market Order Timeliness Review

Item No.	Order No.	Order Receipt Date	MPID	Order Receipt Time	Desk Receipt Time	Order to Buy/Sell	Quantity	Issue	Execution Time	Firm Order ID	Actual Order Duration
1	1	1/6/2009	WEDB	14:48:09	14:48:09	SL	1000	NARA	14:49:03	TV0008	0:00:54
2	3	1/8/2009	WEDB	9:17:32	9:17:33	SL	50	SBUX	9:41:11	FW0001	0:23:35
3	5	1/16/2009	WEDB	12:44:15	12:44:29	SL	850	MAXY	12:45:15	XZ0662	0:00:46
4	6	1/20/2009	WEDB	13:31:23	13:31:24	B	1000	HANS	13:32:46	XZ0750	0:01:22
5	7	1/21/2009	WEDB	11:08:53	11:08:53	SL	1000	WLFCP	11:09:38	XZ0288	0:00:45
6	8	1/22/2009	WEDB	10:01:03	10:01:23	SL	5000	RFMD	10:08:01	XZ0117	0:06:38
7	11	1/29/2009	WEDB	11:42:20	11:42:20	B	1000	EZPW	11:43:10	XZ0405	0:00:50
8	12	1/30/2009	WEDB	13:34:03		B	1000	EZPW	13:34:59	XZ0870	0:00:56
9	14	2/3/2009	WEDB	14:37:26	14:37:26	SL	500	UMPQ	14:38:31	XZ0805	0:01:05
10	16	2/4/2009	WEDB	15:24:41	15:24:42	SL	9	DTV	15:25:36	XZ1111	0:00:54
11	18	2/6/2009	WEDB	15:19:15	15:19:15	SL	2000	WLFC	15:21:20	CZ0018	0:02:05
12	19	2/10/2009	WEDB	10:30:15	12:38:42	SL	16	PACW	12:45:55	XZ0674	0:07:13
13	22	2/13/2009	WEDB	12:27:25	N/A	SL	1000	WIBC	12:28:27	XZ0449	0:01:02
14	24	2/20/2009	WEDB	11:45:00	11:46:46	SL	325	PACW	11:47:52	XZ0570	0:01:06
15	25	2/20/2009	WEDB	12:39:47	12:39:47	SL	300	GILD	12:41:02	XZ0767	0:01:15
16	29	3/2/2009	WEDB	7:31:54	7:31:54	SL	4000	ISPH	9:34:52	XZ0045	0:04:52
17	30	3/5/2009	WEDB	15:15:13	15:15:14	SL	300	CSCO	15:16:00	XZ0982	0:00:46
18	33	3/10/2009	WEDB	13:10:01	13:10:01	SL	325	SSBI	13:11:30	XZ0871	0:01:29
19	35	3/12/2009	WEDB	14:10:02	14:10:02	B	800	UMPQ	14:14:44	XZ0770	0:04:42
20	37	3/17/2009	WEDB	13:46:17	13:46:17	SL	750	IVAN	13:46:48	XZ0631	0:00:31
21	41	3/20/2009	WEDB	13:07:00	13:07:32	SL	49	INSP	13:08:02	XZ0681	0:00:30
22	42	3/24/2009	WEDB	12:22:00	12:22:13	SL	300	CSCO	12:23:14	XZ0657	0:01:01
23	43	3/27/2009	WEDB	9:27:42	9:27:42	SL	1000	DYAX	9:32:36	DB0003	0:02:21
24	44	3/27/2009	WEDB	9:35:29	9:35:29	B	2000	ARTG	9:36:33	XZ0119	0:01:04
25	46	3/30/2009	WEDB	11:23:15	11:23:15	B	500	WIBC	11:24:08	GA0007	0:00:53
26	48	3/30/2009	WEDB	14:17:19	14:17:19	SL	725	IDCC	14:18:01	XZ0935	0:00:42
27	49	3/31/2009	WEDB	11:10:00	14:15:36	SL	620	TBHS	14:16:28	XZ0986	0:00:52
28	50	3/31/2009	WEDB	13:45:13	13:45:14	SL	1000	IDCC	13:46:24	XZ0852	0:01:09

Wedbush Morgan Securities, Inc. ("WEDB")
4th Quarter 2009 Market Order Timeliness Review

Order Information										
Item No.	Original Item No.	MPID	Order Receipt Date	Order Receipt Time	Desk Receipt Time	Buy/Sell	Quantity	Issue	Order ID	Order Execution Time
1	2	WEDB	10/1/2009	13:30:33	13:30:33	SL	200	HANS	XZ0696	13:31:59
2	8	WEDB	10/12/2009	9:23:16	9:23:17	B	1000	LCRD	XZ0124	9:30:41
3	9	WEDB	10/12/2009	11:02:51	11:02:51	B	100	WYNN	AF0004	11:04:21
4	13	WEDB	10/14/2009	12:50:00	12:51:49	B	500	LCUT	XZ0909	12:52:43
5	19	WEDB	10/23/2009	12:43:08	12:43:08	SL	2000	SONC	XZ0688	12:46:30
6	21	WEDB	11/2/2009	9:38:00	12:41:26	B	100	ITRI	XZ0759	12:42:07
7	23	WEDB	11/4/2009	9:39:36	9:39:37	SL	30	WYNN	XZ0112	9:40:08
8	24	WEDB	11/6/2009	12:56:38	12:56:38	SL	1000	TRCI	GA0010	12:57:15
9	25	WEDB	11/6/2009	15:56:20	15:56:20	SL	100	WYNN	XZ1208	15:57:18
10	26	WEDB	11/9/2009	15:31:55	15:31:56	SL	25	WYNN	XZ1419	15:32:42
11	27	WEDB	11/9/2009	15:33:26	15:33:26	SL	50	WYNN	XZ1430	15:34:52
12	29	WEDB	11/16/2009	14:33:58	14:33:58	SL	325	BSRR	XZ1303	14:34:29
13	32	WEDB	11/17/2009	10:44:17	10:44:18	B	200	WYNN	XZ0302	10:45:15
14	37	WEDB	12/2/2009	12:29:57	12:29:57	B	100	DISCA	HI0004	12:31:20
15	38	WEDB	12/3/2009	12:30:10	12:30:10	SL	350	HRBN	XZ0732	12:31:05
16	40	WEDB	12/3/2009	13:15:39	13:15:39	SL	530	HRBN	XZ0873	13:16:47
17	41	WEDB	12/3/2009	13:18:24	13:18:25	SL	800	HRBN	XZ0895	13:20:09
18	42	WEDB	12/3/2009	13:56:20	13:56:20	SL	600	HRBN	XZ1086	14:02:23
19	43	WEDB	12/3/2009	13:57:56	13:57:56	SL	250	HRBN	XZ1097	14:02:24
20	45	WEDB	12/8/2009	14:19:31	14:19:31	SL	500	BMRC	XZ1103	14:26:39