

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

Department of Enforcement,

Complainant,

v.

Wedbush Securities, Inc.
(CRD No. 877),

and

Eric Segall,
(CRD No. 1071881),

Respondents.

Disciplinary Proceeding
No. 2009020701901

Hearing Officer: MC

**ORDER ACCEPTING OFFER OF
SETTLEMENT**

Date: April 9, 2013

INTRODUCTION

The Amended Complaint in Disciplinary Proceeding No. 2009020701901 was filed on February 24, 2012, by the Department of Enforcement of the Financial Industry Regulatory Authority (FINRA) (Complainant). Respondent Wedbush Securities, Inc. (Respondent Wedbush) submitted an Offer of Settlement (Offer) to Complainant dated April 5, 2013. Pursuant to FINRA Rule 9270(e), the Complainant and the National Adjudicatory Council (NAC), a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA) have accepted the uncontested Offer. Accordingly, this Order now is issued pursuant to FINRA Rule 9270(e)(3). The findings, conclusions and sanctions set forth in this Order are those stated in the Offer as accepted by the Complainant and approved by the NAC.

Under the terms of the Offer, Respondent Wedbush has consented, without admitting or denying the allegations of Causes One and Two of the Amended Complaint and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, to the entry of findings and violations consistent with the allegations of Causes One and Two of the Amended Complaint, and to the imposition of the sanctions set forth below, and fully understands that this Order will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA.

BACKGROUND

In May 2009, Respondent Wedbush entered into a Stipulation and Consent to resolve a Complaint issued by the American Stock Exchange alleging, in part, that the firm had not provided information timely in response to requests for information. In March 2010, Respondent Wedbush resolved through a Consent Order a proceeding initiated by the State of New Jersey alleging the failure to provide documents requested in connection with the review of an agent application.

FINDINGS AND CONCLUSIONS

It has been determined that the Offer be accepted and that findings be made as follows:¹

SUMMARY

Between April 1, 2008 and February 28, 2010 (relevant period), Respondent Wedbush Securities, Inc. (Wedbush or the firm), acting through its Chief Compliance Officer, Eric Segall (Segall), failed approximately 37 times, in connection with approximately 14 FINRA examinations, to provide information and records timely, completely or at all to requests for

¹ The findings herein are pursuant to Respondent Wedbush's Offer of Settlement and are not binding on any other person or entity named as a respondent in this or any other proceeding.

information made by FINRA staff pursuant to NASD Procedural Rule 8210 or FINRA Rule 8210, as applicable. In each of these examinations, FINRA staff received either no information or records or a late and partial production in response to the first request, necessitating a second request; in a number of instances, the staff received information and records in response to second requests only after telephone and e-mail communications inquiring about the status of the requests. Frequently, staff calls and e-mails were unanswered. Firm requests for new due dates were made after the original due dates, when the firm was already in violation of Rule 8210.

During the relevant period, the firm, acting through Segall, also failed to establish and maintain a supervisory system, and to establish, maintain and enforce written supervisory procedures, reasonably designed to achieve compliance with NASD Procedural Rule 8210 or FINRA Rule 8210, as applicable.

RESPONDENT AND JURISDICTION

Respondent Wedbush became a member of NASD in 1955 and a member of the New York Stock Exchange in 1972. Wedbush is currently a member of FINRA with its principal place of business in Los Angeles, CA. The firm conducts a general securities business and provides clearing services to its correspondent firms; it employs approximately 725 registered persons and maintains approximately 90 offices.

FIRST CAUSE OF ACTION

(Violations of NASD Procedural Rule 8210 and FINRA Rule 8210)

Examination No. 20080126150 – The LK/WH Investigation

In 2008, a FINRA staff examiner in the Denver District Office was investigating the conduct of LK and WH during the period that LK and WH were registered representatives of

Wedbush (the LK/WH Investigation). That investigation, which resulted from a complaint by customer JM, was conducted under FINRA Examination No. 20080126150.

- On or about April 15, 2008, the FINRA staff examiner sent to Wedbush and Segall a written request pursuant to NASD Procedural Rule 8210 then in effect for information related to the LK/WH Investigation.
- The April 15, 2008, request was sent by first class mail to Wedbush and Segall at the firm's principal business location (1000 Wilshire Blvd., Suite 900, Los Angeles, CA 90017; hereinafter Principal Office Address) and by facsimile to 213-688-6653. The April 15, 2008, request required Wedbush and Segall to provide the requested written information and records on or before April 29, 2008. As of April 29, 2008, FINRA had not received the requested information or records.
- On April 30, 2008, Segall spoke with and sent an e-mail message to the FINRA examiner requesting a due date one week later to provide the requested information and records. In response, FINRA staff set a second due date of May 7, 2008, for Wedbush and Segall to provide the requested written information and record. As of May 7, 2008, FINRA had not received the requested information or records.
- On or about June 2, 2008, and on or about June 20, 2008, the FINRA examiner telephoned Segall to inquire about the requested information and records. When Segall did not answer the calls, the examiner left voice mail messages concerning the status of the firm's response. Segall did not return the calls.
- On July 2, 2008, approximately 64 days after the due date set forth in the initial request and approximately 56 days after the due date requested by Segall on April 30, 2008,

FINRA received the information and records requested in connection with the LK/WH Investigation, accompanied by a cover letter dated July 1, 2008, on firm letterhead that was signed by Segall.

- By providing information and records requested pursuant to FINRA Rule 8210 after the April 29, 2008, and May 7, 2008, due dates, as described above, Respondent Wedbush committed separate and distinct violations of NASD Procedural Rule 8210. By violating Procedural Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, in violation of NASD Conduct Rule 2110 then in effect.

Examination No. 20080161277 - The PG Investigation

In 2008, FINRA staff in the Los Angeles District Office commenced an investigation into the conduct of Wedbush representative PG in connection with an account held by customer EO (the PG Investigation). The PG Investigation was conducted under Examination No. 2008016277 and was initiated by the staff's receipt of an arbitration claim submitted by EO.

- On or about December 23, 2008, a FINRA staff examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for written information and records in connection with the PG Investigation.
- The December 23, 2008, request was sent by first class mail to Wedbush and Segall at a Post Office Box identified on the firm's letterhead as a place at which it receives mail (P.O. Box 30014, Los Angeles, CA 90030-0014; hereinafter Firm PO Box). The December 23, 2008, request required Wedbush and Segall to provide written information

and records on or before January 6, 2009. As of January 6, 2009, FINRA had received neither written information nor records.

- On or about January 7, 2009, Segall spoke with and sent an e-mail to the FINRA examiner who signed the December 23, 2008, letter requesting another due date for the submission of the requested information and records. In response, FINRA staff set a second due date of January 14, 2009 for Wedbush and Segall to provide the requested information and records.
- On January 14, 2009, Segall sent to the FINRA examiner an e-mail attaching certain written information and records responsive to the December 23, 2008, request. On January 15, 2009, Segall sent another e-mail to the FINRA examiner attaching additional records responsive to the December 23, 2008, request. The submissions of written information and records on January 14, 2009, and January 15, 2009, included most, but not all, of the written information and records requested in the December 23, 2008, letter.
- On or about February 19, 2009, the FINRA examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for the written information and records requested in the December 23, 2008, letter but not provided with either the January 14 or the January 15, 2009, submissions, and for an additional item.
- The February 19, 2009, request was sent by first class mail to Wedbush and Segall at the Firm P.O. Box. The letter was also sent by facsimile to 213-688-6653. The February 19, 2009, request required Wedbush and Segall to provide written information and records on or before March 5, 2009. FINRA staff did not receive the requested written information and records by March 5, 2009.

- On or about March 9, 2009, the FINRA examiner attempted to leave a voice message for Segall concerning the requested, but not received, information, but Segall's voice mailbox was full and would not accept a message. On March 13, 2009, the FINRA examiner sent an e-mail to Segall stating that the information requested in the February 19, 2009, letter had not been received and requesting that Segall telephone the examiner to confirm receipt of the e-mail.
- On March 18, 2009, approximately 62 days after the due date set forth in the initial request, and approximately 13 days after the due date set forth in the second request, Segall sent an e-mail to the FINRA examiner attaching what Segall described as "the responses to your request of February 19, 2009." The response included a letter dated March 13, 2009, that was signed by Segall, to which were attached various firm records.
- By providing information and records requested pursuant to FINRA Rule 8210 after January 6, 2009, January 14, 2009, and March 5, 2009, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 200900170295 – The MS Investigation

In 2009, a FINRA staff examiner in the San Francisco District Office was investigating a complaint by Wedbush customer MC concerning the conduct of Wedbush representative MS (the MS Investigation). The MS Investigation was conducted under Examination No. 200900170295.

- On or about March 19, 2009, the FINRA examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for information and records pertaining to the MS Investigation.
- The March 19, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The March 19, 2009, request required Wedbush and Segall to provide the requested information and records on or before April 2, 2009. As of April 2, 2009, FINRA had not received the requested information and records.
- On or about April 13, 2009, the FINRA examiner sent to Wedbush and Segall a second written request pursuant to FINRA Rule 8210 for the written information and records that Wedbush and Segall had failed to provide by April 2, 2009.
- The April 13, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The April 13, 2009, request required Wedbush and Segall to provide the information and records on or before April 27, 2009. As of April 27, 2009, FINRA had not received the requested information and records.
- On or about April 29, 2009, approximately 27 days after the due date set forth in the initial request and two days after the due date set forth in the second request, FINRA received a letter on Wedbush letterhead dated April 29, 2009, and signed by Segall. The written information and records requested on March 19, 2009, and April 13, 2009, were provided in the body of the letter and in the attachments thereto.

- On or about July 15, 2009, the FINRA examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for additional written information and records in connection with the MS Investigation.
- The July 15, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The July 15, 2009, request required Wedbush and Segall to provide written information and records on or before July 29, 2009. As of July 29, 2009, FINRA had not received the requested written information and records.
- On August 19, 2009, TB, a Wedbush employee who, from time to time, assisted Segall with Wedbush's compliance with Rule 8210, spoke with and sent an e-mail to the FINRA examiner requesting a new due date of September 2, 2009, for the information previously requested in the July 15, 2009, letter. In response to that request, FINRA staff set a new due date of September 2, 2009, for Wedbush and Segall to provide the requested written information and records. As of September 2, 2009, FINRA had not received the requested information and records.
- On September 9, 2009, the FINRA examiner sent an e-mail to TB asking when FINRA could expect to receive the information and records requested in the July 19, 2009, letter.
- On September 18, 2009, approximately 34 days after the due date set forth in the initial request and 16 days after the due date requested by TB on August 19, 2009, Wedbush and Segall submitted a response to the July 19, 2009, request. The requested written information and records were contained in and attached to a letter on Wedbush letterhead

signed by Segall. Wedbush and Segall did not provide the requested trade blotter in electronic format. Segall's letter indicated that this record would "follow."

- On September 21, 2009, the FINRA examiner sent an e-mail to Segall asking when the trade blotter omitted from the September 18, 2009, submission would be provided. On September 25, 2009, Wedbush and Segall provided the requested trade blotter.
- By providing information and records requested pursuant to FINRA Rule 8210 after the April 2, 2009, April 27, 2009, July 29, 2009, and September 2, 2009, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 20080142706 – The AC Investigation

In 2008, FINRA's Dallas District Office commenced an investigation upon receipt of a Uniform Termination Notice for Securities Industry Registration submitted in connection with the termination of former Wedbush representative AC's employment (the AC Investigation). The AC Investigation was conducted under Examination No. 20080142706.

- On or about May 14, 2009, a FINRA staff examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for written information and records in connection with the AC Investigation.
- The May 14, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The May 14, 2009, request required Wedbush and Segall to provide the requested written information and records on

or before May 28, 2009. As of May 28, 2009, FINRA had not received the requested information and records.

- On or about June 4, 2009, the FINRA examiner sent to Wedbush and Segall a second written request pursuant to FINRA Rule 8210 for the information and records previously requested in the May 14, 2009, letter, but not provided by the May 28, 2009, due date.
- The June 4, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The June 4, 2009, request required Wedbush and Segall to provide the requested written information and records on or before June 11, 2009.
- On June 4, 2009, the FINRA examiner also sent the May 14, 2009, letter to Segall as an attachment to an e-mail. The e-mail was directed to eric.segall@wedbush.com (Segall's Wedbush e-mail account) and stated, *inter alia*, that the due date for providing the information and records specified in the "new request" was June 11, 2009.
- As of June 11, 2009, FINRA had not received the written information and records requested in the May 14, 2009, and June 4, 2009, letters.
- On or about June 17, 2009, approximately 20 days after the due date set forth in the first request and approximately six days after the due date set forth in the second request, Wedbush and Segall provided the written information and records requested in the May 14, 2009, and June 4, 2009. The information and records were provided in a letter on Wedbush letterhead signed by Segall and in attachments thereto.

- By providing information and records requested pursuant to FINRA Rule 8210 after the May 28, 2009, and June 11, 2009, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 20090180265: The DD Form U4 Investigation

In 2009, FINRA's Los Angeles District Office conducted a review of information provided by Wedbush in response to a Cautionary Action Letter. The Cautionary Action Letter resulted from FINRA's determination that Wedbush had not supervised representative DD in a manner reasonably designed to achieve compliance with the requirement to keep his Uniform Application for Securities Industry Registration or Transfer (Form U4) current. The DD Form U4 Investigation was initiated to obtain additional information concerning the Cautionary Action response and was conducted under Examination No. 20090180265.

- On or about May 14, 2009, a FINRA examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for information and records in connection with the DD U4 Investigation.
- The May 14, 2009, request was sent by first class mail to Wedbush and Segall at the Firm P.O. Box and required Wedbush and Segall to provide the requested written information and records on or before May 28, 2009. As of May 28, 2009, FINRA had not received any information or records in response to the May 14, 2009, request.

- On or about June 1, 2009, the FINRA examiner sent to Wedbush and to Segall a second written request pursuant to FINRA Rule 8210 for the information and records previously requested in the May 14, 2009, letter.
- The June 1, 2009, letter was sent by certified mail and first-class mail to Wedbush and Segall at both the Principal Office Address and Segall's residential address as reflected in FINRA's Central Registration Depository (CRD). The June 1, 2009, letter required Wedbush and Segall to provide the requested written information and records on or before June 15, 2009.
- On or about June 11, 2009, TB (previously identified above) contacted the FINRA examiner to request an extension of the June 15, 2009, due date to June 19, 2009. In response to TB's request, the staff agreed to extend the due date as requested, which TB confirmed in an e-mail to the FINRA examiner later that day. As of June 19, 2009, FINRA had not received written information or records in response to the May 14, 2009, and June 1, 2009, requests.
- On June 29, 2009, the FINRA examiner left a voice mail message for Segall inquiring about the information and records requests of May 14, 2009, and June 1, 2009.
- On or about June 30, 2009, the FINRA examiner sent to Wedbush and Segall pursuant to FINRA Rule 8210 a third written request for the previously-requested information and records. The request was sent by first-class and certified mail to both the Principal Office Address and Segall's current residential address as reflected in CRD. The June 30, 2009, letter required Wedbush and Segall to provide the requested information and records on or before July 14, 2009.

- On July 14, 2009, approximately 47 days after the due date set forth in the initial request, approximately 25 days after the due date set forth in the second request and on the due date set forth in the third request, Segall sent an e-mail to the FINRA examiner providing narrative answers to the questions asked in the requests described above. Segall also represented that there were no firm records responsive to Questions 1(f) and 1(h), which requested documents that were prepared or reviewed in connection with the firm's determination that the court order did not require disclosure on DD's Form U4.
- By providing information and records requested pursuant to FINRA Rule 8210 after the May 28, 2009, and June 19, 2009, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 20080150082: The ARS Examination

In 2008, FINRA's Los Angeles staff commenced a review of sales of Auction Rate Securities (ARS) by Wedbush to its customers (the ARS Examination). The ARS Examination was conducted under Examination No. 20080150082.

- In April 2008, Segall and Wedbush agreed to provide FINRA staff with information about the firm's ARS transactions and its use of certain ARS sales materials. On June 25, 2009, FINRA staff received an e-mail from Segall identifying representatives who used the ARS sales literature at issue. Segall and Wedbush did not provide information about the firm's ARS transactions.

- On or about June 25, 2009, in connection with the ARS Examination, a FINRA attorney sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for an electronic list of certain ARS transactions containing specified information.
- The June 25, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and to Segall's Wedbush e-mail account. The June 25, 2009, request required Wedbush and Segall to provide the requested information on or before July 3, 2009. As of July 3, 2009, FINRA had not received the requested information.
- On or about July 7, 2009, the FINRA attorney sent to Wedbush and Segall a second written request pursuant to FINRA Rule 8210 for the electronic list of certain ARS transactions described above.
- The July 7, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and to Segall's Wedbush e-mail account. The July 7, 2009, request required Wedbush and Segall to provide the requested information on or before July 15, 2009. As of July 15, 2009, FINRA had not received the information requested in the June 25, 2009, and July 7, 2009, requests.
- On or about July 16, 2009, approximately 13 days after the due date set forth in the initial request and a day after the due date set forth in the second request, Wedbush and Segall provided the information requested in the June 25, 2009, and July 7, 2009, requests.
- On or about July 27, 2009, the FINRA attorney sent to Wedbush and Segall pursuant to FINRA Rule 8210 a written request for further information and records in connection with the ARS Investigation.

- The July 27, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and to Segall's Wedbush e-mail account. The July 27, 2009, letter required Wedbush and Segall to provide the requested information and records on or before August 3, 2009. As of August 3, 2009, FINRA had not received the requested information and records.
- On or about August 7, 2009, the FINRA attorney sent to Wedbush and Segall a second written request pursuant to FINRA Rule 8210 for the information and records previously requested on July 27, 2009.
- The August 7, 2009, letter was sent by first class mail to Wedbush and Segall at the Principal Office Address and by e-mail to Segall's Wedbush e-mail account. The August 7, 2009, request required Wedbush and Segall to provide the requested information and records on or before August 14, 2009. As of August 14, 2009, FINRA had not received the requested information and records.
- As of the date hereof, FINRA has not received the written information and records requested pursuant to FINRA Rule 8210 on July 23, 2009, and August 7, 2009.
- By providing information and records requested pursuant to FINRA Rule 8210 after the July 3, 2009, and July 15, 2009, due dates, as described above, and by failing to provide information and records due on or before August 3, 2009, and August 14, 2009, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 20090185213: The Bond Tender Examination

In 2009, FINRA's San Francisco Office initiated an investigation of the tender by Wedbush of certain bonds previously held in customer accounts (the Bond Tender Investigation). The Bond Tender Investigation resulted from a complaint by customer CC that his bonds were tendered despite his instructions not to tender them, and is being conducted under Examination No. 20090185213.

- On or about July 22, 2009, in connection with the Bond Tender Examination, a FINRA staff examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for written information and records.
- The July 22, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6608; however, the facsimile number was incorrect. The July 22, 2009, letter required Wedbush and Segall to provide the requested information and records on or before August 5, 2009. As of August 5, 2009, FINRA had not received the requested information and records.
- On or about August 7, 2009, Segall spoke by telephone to the FINRA examiner. Segall told the FINRA examiner that he had not received the July 22, 2009, request for information. The FINRA examiner sent the request again by facsimile to the correct facsimile number and provided Segall with a due date of August 21, 2009, for the requested information and records. Segall confirmed the conversation, including the due date, in an e-mail to the FINRA examiner sent on August 7, 2009.
- As of August 21, 2009, FINRA had not received the information and records requested in the July 22, 2009, letter.

- On or about September 10, 2009, the FINRA examiner sent another written request pursuant to FINRA Rule 8210 for the information and records previously requested in the July 22, 2009, letter. The September 10, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The September 10, 2009, letter required Wedbush and Segall to provide the requested information on or before September 17, 2009.
- On September 17, 2009, approximately 43 days after the due date set forth in the initial request, approximately 27 days after the new due date provided by FINRA on August 2, 2009, and on the due date set forth in the second written request, Wedbush and Segall provided by e-mail to the FINRA examiner the information and records requested in the July 22, 2009, and September 10, 2009, letters.
- On or about December 3, 2009, the FINRA examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for additional written information and records related to the Bond Tender Examination.
- The December 3, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile at 213-688-6653. The December 3, 2009, request required Wedbush and Segall to provide the requested information and records on or before December 17, 2009. On or about December 7, 2009, the FINRA examiner sent to Wedbush and Segall a letter modifying item eight of the December 3, 2009, request, but reaffirming the December 17, 2009, due date. As of December 17, 2009, FINRA had not received the requested information and records.

- On or about December 22, 2009, the FINRA examiner sent to Wedbush and Segall a second request pursuant to FINRA Rule 8210 for the information and records requested in the December 3, 2009, request, as modified by the December 7, 2009, letter.
- The December 22, 2009, request was sent by certified and first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The December 22, 2009, request required Wedbush and Segall to provide the information and records “immediately.”
- When no information had been provided by December 29, 2009, the FINRA examiner sent a third request pursuant to FINRA Rule 8210 to Wedbush and Segall for the previously-requested information and records.
- The December 29, 2009, request was sent to Wedbush and Segall by certified and first class mail to the Principal Office Address and by facsimile to 213-688-6653. The December 29, 2009, request required Wedbush and Segall to provide the requested information and records “immediately.”
- On December 31, 2009, approximately 14 days after the due date set forth in the initial request, Wedbush and Segall provided the information and records requested in the December 3, 2009, request (as modified by the December 7, 2009, letter), the December 22, 2009, request and the December 29, 2009, request.
- By providing information and records requested by FINRA pursuant to FINRA Rule 8210 after the August 5, 2009, August 21, 2009, and December 17, 2009, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating FINRA Rule 8210, Respondent Wedbush engaged in

conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 20080141727: June 2007-May 2009 Trade Reporting

In 2009, FINRA's Department of Market Regulation was reviewing Wedbush's trade reporting for the period June 1, 2007, through May 31, 2009 (June 2007-May 2009 Trade Reporting Review). The June 2007-May 2009 Trade Reporting Review was conducted under FINRA Examination No. 20080141727.

- On or about July 23, 2009, FINRA's Market Regulation Department sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for information and records pertaining to the June 2007-May 2009 Trade Reporting Review, specifically, in relation to a number of last sale reports submitted by a third party on Wedbush's behalf to the Over-the-Counter Trade Reporting Facility.
- The July 23, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The July 23, 2009, request required Segall and Wedbush to provide the requested information and records on or before August 6, 2009. As of August 6, 2009, FINRA had not received the requested information and records.
- On August 17, 2009, TS, a Market Regulation staff member, spoke by telephone with CF, a Wedbush employee who from time to time participated in, or assumed responsibility for, providing information in response to FINRA requests when they involved trade reporting and other services provided by Wedbush to its correspondent firms. TS contacted CF because Market Regulation had not received the information requested in

the July 23, 2009, request. CF asked TS to re-send that request by facsimile, which TS did. In response to CF's August 17, 2009, request, TS advised CF on August 19, 2009, that the "new due date" for the requested information and records was August 31, 2009. As of August 31, 2009, FINRA had not received the requested information and records.

- On September 2, 2009, CF sent an e-mail to TS requesting that FINRA provide a new due date of September 11, 2009, for the information initially requested in the July 23, 2009, letter. TS responded to CF by e-mail setting a new due date of September 11, 2009 for Wedbush and Segall to provide the requested information and records. As of September 11, 2009, FINRA had not received the requested information and records.
- On or about September 18, 2009, FINRA's Market Regulation Department sent to Wedbush and Segall a second written request pursuant to FINRA Rule 8210 for the information and records previously requested in the July 23, 2009, request.
- The September 18, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The September 18, 2009, request required Wedbush and Segall to provide the requested information and records on or before September 25, 2009. As of September 25, 2009, Wedbush and Segall had not provided the requested information and records.
- On or about October 1, 2009, approximately 56 days after the due date set forth in the initial request, approximately 31 days after the due date requested by CF on August 17, 2009, approximately 20 days after the due date requested by CF on September 2, 2009, and approximately 6 days after the due date set forth in the second request, Wedbush and

Segall provided the information and records requested in the July 23, 2009, and September 18, 2009, requests.

- By providing information and records requested by FINRA pursuant to FINRA Rule 8210 after the August 6, 2009, August 31, 2009, September 11, 2009, and September 25, 2009, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 20090188654: JS Investigation

In 2009, FINRA's Los Angeles District Office commenced an investigation of Wedbush representative JS after receiving a complaint from Wedbush customer MP about nine Exchange Traded Fund transactions in MP's account at the firm (the JS Investigation). The JS Investigation was conducted under Examination No. 20090188654.

- On or about September 17, 2009, in connection with the JS investigation, a FINRA examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for written information and records pertaining to MP's complaint.
- The September 17, 2009, request was sent by first class mail to Wedbush and Segall at the Firm P.O. Box and by facsimile to 213-688-6653. The September 17, 2009, request required Wedbush and Segall to provide the requested information and records on or before October 1, 2009. As of October 1, 2009, FINRA had not received the requested information and records.

- On October 5, 2009, the FINRA examiner attempted to speak with Segall by telephone about the September 17, 2009, request. When Segall did not answer the telephone, the examiner left a message for Segall in Segall's voice mailbox. Segall did not return the examiner's call that day.
- On October 6, 2009, the FINRA examiner sent an e-mail to VM, co-Chief Compliance Officer at Wedbush, who from time to time, participated in, or assumed responsibility for, providing information and records in response to FINRA requests. The examiner attached a copy of the September 17, 2009, request, noted that he had left a voice message for Segall the previous day to which he had not received a response, and requested that VM advise him of the status of the firm's response. The examiner did not receive a response from VM to that e-mail message.
- On or about October 9, 2009, the FINRA examiner sent a second request pursuant to FINRA Rule 8210 for the written information and records previously requested in the September 17, 2009, letter.
- The October 9, 2009, request was sent by certified and first class mail to Wedbush and Segall at the Firm P.O. Box and by facsimile to 213-688-6653. The October 9, 2009, request required Wedbush and Segall to provide the requested information and documents on or before October 23, 2009.
- On October 23, 2009, approximately 22 days after the due date set forth in the initial request and on the due date set forth in the second request, Segall sent to the FINRA examiner, by e-mail, a letter on Wedbush letterhead dated October 22, 2009, containing some, but not all, of the information and records requested in the September 17, 2009,

and October 9, 2009, requests. With respect to request items 6, 8 and 10, Segall represented that responsive information and records would “follow on Monday.” The following Monday was October 26, 2009. Wedbush and Segall did not provide the information and records on October 26, 2009, and, as of December 16, 2009, FINRA had not received them.

- On December 16, 2009, the FINRA examiner sent an e-mail to Segall inquiring about the information and records requested in the September 17, 2009, and October 9, 2009, letters that Wedbush and Segall had not yet provided to FINRA. In the e-mail, the examiner requested that the information and records be provided to FINRA on or before December 23, 2009.
- As of December 29, 2009, Wedbush and Segall had not provided information and records responsive to request items 6, 8 and 10 as set forth in the September 17, 2009, request. On December 29, 2009, the examiner forwarded to VM, by e-mail, Segall’s October 23, 2009, e-mail and the examiner’s December 16, 2009, e-mail. The e-mail stated “[a]ttached are the e-mails and pdfs we just spoke about. Thanks.”
- On January 7, 2010, approximately 98 days after the due date set forth in the initial request and approximately 76 days after the due date set by Segall in his October 23, 2009, partial response, VM sent to the FINRA examiner, in separate e-mails, information and records responsive to request items 6, 8 and 10.
- By providing information and records requested by FINRA pursuant to FINRA Rule 8210 after the October 1, 2009, and October 23, 2009, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210.

By violating FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 20090190987: Exam Waiver Request

In March 2009, Wedbush requested a qualifications examination waiver for KH, a representative. The request was denied. Because of the denial, Wedbush was required to take one of the several actions available to broker-dealers that are unsuccessful in obtaining an examination waiver. It appeared to FINRA staff that, as of September 17, 2009, Wedbush had not taken any of those actions. To determine whether any federal securities laws or rules, or NASD/FINRA rules, had been violated, FINRA's Los Angeles District Office commenced an investigation (the Exam Waiver Investigation). The Exam Waiver Investigation was conducted under Examination No. 20090190987.

- On or about September 17, 2009, a FINRA staff examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for written information and records pertaining to the Exam Waiver Investigation.
- The September 17, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and required Wedbush and Segall to provide the requested information and records on or before October 2, 2009. As of October 2, 2009, FINRA had not received the requested information and records.
- On or about October 26, 2009, Segall represented to the FINRA examiner that he was unable to locate the September 17, 2009, request that was sent to the Principal Office

Address. In response, on October 26, 2009, the FINRA examiner sent the request to Segall by facsimile at 213-688-6653.

- On or about October 27, 2009, Segall and the FINRA examiner spoke about the Examination Waiver Investigation. During that conversation, the FINRA examiner advised Segall that a written response to the September 17, 2009, request for information was necessary.
- On or about October 29, 2009, the FINRA examiner sent to Wedbush and Segall a second written request pursuant to FINRA Rule 8210 for the written information and records previously requested in the September 17, 2009, request.
- The October 29, 2009, request was sent by first class and certified mail to Wedbush and Segall at the Principal Office Address and required Wedbush and Segall to provide the requested information and records on or before November 6, 2009. As of November 6, 2009, FINRA had not received the requested information and records.
- On November 10, 2009, approximately 39 days after the due date set forth in the initial request and approximately 4 days after the due date set forth in the second request, Segall sent an e-mail to the FINRA examiner attaching written information and records in response to the September 17, 2009, and October 29, 2009, requests for information.
- On or about December 22, 2009, the FINRA examiner sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for additional written information and records pertaining to the Examination Waiver Investigation.

- The December 22, 2009, request was sent by first class and certified mail to Wedbush and Segall at the Principal Office Address and by e-mail to Segall's Wedbush e-mail account. The December 22, 2009, request required Wedbush and Segall to provide the requested information and records on or before January 5, 2010. As of January 5, 2010, FINRA had not received the requested information and records.
- On or about January 25, 2010, the FINRA examiner sent to Wedbush and Segall a second written request pursuant to FINRA Rule 8210 for the information and records previously requested in the December 22, 2009, request.
- The January 25, 2010, request was sent by first class and certified mail to Wedbush and Segall at the Principal Office Address and by e-mail to Segall at his Wedbush e-mail account. The January 25, 2010, request required Wedbush and Segall to provide the requested information and records on or before February 8, 2010. As of February 8, 2010, FINRA had not received the requested information and records.
- On February 10, 2010, Segall and the FINRA examiner spoke by telephone about the pending December 22, 2009, and January 25, 2010, requests for information. Following that conversation, Segall sent the examiner an e-mail requesting a February 11, 2010, due date for submission of the information.
- On February 12, 2010, approximately 38 days after the due date set forth in the initial request and approximately four days after the due date set forth in the second request, Segall sent to the FINRA examiner by e-mail one record responsive to the January 25, 2010, request for information. On March 10, 2010, the FINRA examiner sent an e-mail to Segall at Segall's Wedbush e-mail account stating that FINRA had not received a record

previously requested in the January 25, 2010, letter and asking that the record be provided by e-mail. On March 11, 2010, approximately 65 days after the due date set forth in the initial request and approximately 31 days after the due date set forth in the second request, Segall provided the record by e-mail as requested by the Examiner.

- By providing information and records requested by FINRA pursuant to FINRA Rule 8210 after the October 2, 2009, November 6, 2009, January 10, 2010, and February 8, 2010, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Examination No. 20090201071: May 2009 Trade Reporting

In 2009, the FINRA Department of Market Regulation undertook to review Wedbush's compliance in May 2009 with FINRA rules pertaining to trade reporting (the May 2009 Trade Reporting review). The May 2009 Trade Reporting review was conducted under Examination No. 20090201071.

- On or about October 23, 2009, Market Regulation staff sent to Wedbush and Segall a written request pursuant to FINRA Rule 8210 for written information and records pertaining to the May 2009 Trade Reporting review.
- The October 23, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile at 213-688-6653. The October 23, 2009, request required Wedbush and Segall to provide the requested information and records on

or before November 6, 2009. As of November 6, 2009, FINRA had not received the requested information and records.

- On or about November 18, 2009, a Market Regulation staff analyst contacted Segall by telephone. During the ensuing conversation, the staff analyst inquired about the status of the firm's response to the October 23, 2009, request. Segall stated to the analyst that he would look for the request letter and then contact FINRA staff.
- On or about November 20, 2009, Market Regulation staff sent a second written request pursuant to FINRA Rule 8210 to Wedbush and Segall for the written information and records previously requested in the October 23, 2009, request.
- The November 20, 2009, request was sent by first class mail to Wedbush and Segall at the Principal Office Address and by facsimile to 213-688-6653. The November 20, 2009, request required Wedbush and Segall to provide the requested information and records on or before November 27, 2009. As of November 27, 2009, FINRA had not received the requested information and records.
- On November 30, 2009, approximately 24 days after the due date set forth in the initial request and approximately three days after the due date set forth in the second request, Segall provided to Market Regulation, by e-mail and by overnight courier, the information and records requested in the October 23, 2009, and November 20, 2009, requests.
- By providing information requested by FINRA pursuant to FINRA Rule 8210 after the November 6, 2009, and November 27, 2009, due dates, as described above, Respondent Wedbush committed separate and distinct violations of FINRA Rule 8210. By violating

FINRA Rule 8210, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade and violated FINRA Rule 2010.

Independent Consultant Compensation Examination

In or around July 2009, FINRA staff received a communication from an individual retained by Wedbush as an independent consultant to conduct a review of the firm's systems and procedures required by New York Stock Exchange Hearing Board Decision 06-196. In his communication, the consultant claimed that Wedbush had failed to compensate him for services performed pursuant to an agreement. To determine whether Wedbush's conduct violated any applicable rules, FINRA commenced an investigation (the Consultant Compensation Investigation).

- On or about September 21, 2009, the FINRA Department of Enforcement staff located in the 14 Wall Street, New York office (14 Wall Street Staff) sent to Wedbush, Segall and EW, a principal of the firm, a written request pursuant to FINRA Rule 8210 for written information and records related to the Consultant Compensation Investigation.
- The September 21, 2009, request was sent by first class mail to Wedbush, Segall and EW at the Principal Office Address and required them to provide the requested information and records on or before October 6, 2009.
- On September 29, 2009, EW spoke by telephone to EK, a member of the 14 Wall Street Staff, concerning the September 21, 2009, request. During that conversation, EK advised EW that a written response to the September 21, 2009, request was required. As of October 6, 2009, FINRA had not received the requested information and records.

- On or about October 21, 2009, EK sent to Wedbush, Segall and EW, by first class mail and overnight courier to the Principal Business Address, a letter informing them that the due date for providing the information and records requested in the September 21, 2009, request had passed. FINRA staff also advised them that the failure to provide the requested information and records could result in sanctions against the firm.
- On or about April 8, 2010, over six months after the due date set forth in the September 21, 2009, request, Segall sent to FINRA staff a letter providing requested information.
- By providing information in response to a request pursuant to FINRA Rule 8210 after the October 6, 2009, due date, as described above, Respondent Wedbush violated FINRA Rule 8210 and, by violating FINRA Rule 8210, engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

Consultant Retention Investigation

In NYSE Hearing Panel Decision 09-01 (the Decision), issued January 6, 2009, Wedbush was ordered to retain an outside consultant not unacceptable to FINRA staff to review and report on the adequacy of the firm's regulatory and compliance resources. Through a series of events and communications, the date by which the firm was required to retain the consultant was extended to August 31, 2009.

As of August 31, 2009, the firm had not submitted to FINRA the names of any outside consultants or consulting firms for the staff to make a "not unacceptable" determination. Therefore, between August 31, 2009, and November 12, 2009, FINRA Enforcement staff contacted Wedbush personnel by telephone and e-mail in an effort to determine whether the firm

had retained an outside consultant to comply with the Decision and, if so, to obtain the name of the outside consultant the firm had retained. When firm personnel did not reply to the calls and e-mails, the staff commenced an investigation to determine whether the firm was in compliance with the terms of the Decision (the Consultant Retention Investigation).

- On or about November 12, 2009, in connection with the Consultant Retention Investigation, 14 Wall Street Staff sent to Wedbush and Segall pursuant to FINRA Rule 8210 a written request for a written explanation as to why the firm had not retained a consultant by the August 31, 2009, deadline and/or responded to staff inquiries concerning the consultant.
- The November 12, 2009, request was sent by certified mail to Wedbush and Segall at the Principal Office Address and by e-mail to Segall at Segall's Wedbush e-mail address. The November 12, 2009, request required Wedbush and Segall to provide the requested information on or before November 20, 2009. As of November 20, 2009, FINRA had not received the requested information.
- On or about December 2, 2009, 14 Wall Street Staff sent to Wedbush and Segall a written request for the information previously requested in the November 12, 2009, request.
- The December 2, 2009, request was sent by certified mail to Wedbush and Segall at the Principal Office Address and by e-mail to Segall's Wedbush e-mail address. The December 2, 2009, letter requested that Wedbush and Segall provide the specified information on or before December 7, 2009. The letter concluded stating "[t]he Firm is hereby notified that the failure to comply with FINRA's requests may result in the

institution of non-summary or formal disciplinary proceedings leading to sanctions including expulsion of the Firm.”

- As of December 7, 2009, FINRA had not received the requested information.
- On March 15, 2010, almost four months after the due date set forth in the request for information, while providing sworn testimony to FINRA in connection with the examination that led to this Complaint, Segall orally represented to FINRA staff that the firm had retained a consultant pursuant to the Decision. On April 14, 2010, almost five months after the due date set forth in the request for information, in response to a request for information issued after Segall’s sworn testimony, Wedbush and Segall provided a copy of a consulting agreement executed by a representative of Wedbush on or about October 22, 2009. Wedbush and Segall did not provide a copy of a fully-executed consulting agreement, which FINRA staff eventually obtained from the consulting firm. The fully-executed agreement evidenced that the consulting agreement was effective in December 2009, upon payment by Wedbush of a retainer.
- As of the date hereof, Wedbush and Segall have not provided the information requested in the November 12, 2009, and December 2, 2009, requests, specifically, a written explanation as to why the outside consultant was not retained by the August 31, 2009, deadline and why firm personnel failed to respond to staff inquiries concerning the retention of a consultant.
- By failing to provide information requested pursuant to FINRA Rule 8210, as described above, Respondent Wedbush violated FINRA Rule 8210 and, by violating FINRA Rule

8210, engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

Examination No. 20070094044: The RE-3/U4/U5 Investigation

In 2007, the 14 Wall Street Staff commenced an investigation to determine whether Wedbush had submitted all required Forms RE-3, U4 and U5 during the period from approximately January 1, 2005, through December 31, 2007 (the RE-3/U4/U5 Investigation). The RE-3/U4/U5 Investigation was conducted under Examination No. 20070094044.

- On or about November 16, 2009, FINRA Enforcement staff sent to Wedbush and Segall a written request pursuant to “NASD Rule 8210 of the FINRA Code of Conduct” for written information and records pertaining to the RE-3/U4/U5 Investigation.
- The November 16, 2009, request was sent by first class and certified mail to Wedbush and Segall at the Principal Office Address and required Wedbush and Segall to provide the requested information and records on or before December 2, 2009. As of December 2, 2009, FINRA had not received the requested information and records.
- On December 3, 2009, FINRA Enforcement staff sent an e-mail to Segall at Segall’s Wedbush e-mail account stating that FINRA had not received the information and records requested in the November 16, 2009, request by the December 2, 2009, due date. The November 16, 2009, request was attached to the e-mail.
- On or about December 7, 2009, FINRA Enforcement Staff sent to Wedbush and Segall a second written request pursuant to FINRA Rule 8210 for the written information and records previously requested in the November 16, 2009, request.

- The December 7, 2009, request was sent by first class and certified mail to Wedbush and Segall at the Principal Office Address and required Wedbush and Segall to provide the requested information and documents on or before December 14, 2009.
- On December 8, 2009, FINRA Enforcement staff sent to Segall at Segall's Wedbush e-mail account and e-mail advising Segall that FINRA had not received the information requested in the November 16, 2009, request and that a second request had been sent on December 7, 2009. The December 7, 2009, request was attached to the e-mail.
- On December 9, 2009, Segall sent an e-mail to 14 Wall Street Staff stating "we are attempting to locate the files for the information you have requested November 16, 2009," asking if FINRA Enforcement would prefer to receive a partial response immediately and requesting an additional two weeks to provide the remaining information and records. In response, 14 Wall Street Staff sent an e-mail to Segall on December 10, 2009, stating that Enforcement would accept a partial response to the December 7, 2009, request not later than December 14, 2009, and would extend the due date for the remaining information and records to December 28, 2009. As of December 14, 2009, FINRA had not received any information or records responsive to the November 16, 2009, and December 7, 2009, requests.
- On December 16, 2009, 14 Wall Street Staff sent to Segall at Segall's Wedbush e-mail account an e-mail advising Segall that FINRA had not received any information or records, including the previously agreed-upon partial production, and requesting that the partial response be forwarded to FINRA "without delay in accordance with our agreement."

- As of December 28, 2009, FINRA had not received any of the written information and records requested in the November 16, 2009, and December 7, 2009, requests.
- On January 4, 2010, a 14 Wall Street Staff member attempted to contact Segall by telephone at 213-688-6608, Segall's Wedbush telephone number. The staff member left a message for Segall stating that FINRA had not received the documents that were required to be provided by December 28, 2009, and requesting a return call. Also on January 4, 2010, the staff member sent to Segall at Segall's Wedbush e-mail account an e-mail noting that none of the information and records to be provided on December 14, 2009, and December 28, 2009, had been received and asking that Segall contact the staff to discuss the situation.
- As of the date hereof, FINRA has not received the information and records requested in the November 16, 2009, and December 7, 2009, requests.
- By failing to provide information and records requested pursuant to FINRA Rule 8210 despite initial and subsequent due dates of December 2, 2009, December 14, 2009, and December 28, 2009, as described above, Respondent Wedbush violated FINRA Rule 8210 and, by violating FINRA Rule 8210, engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade in violation of FINRA Rule 2010.

SECOND CAUSE OF ACTION

(Inadequate Supervisory System and Written Supervisory Procedures)

During period from April 1, 2008, through December 14, 2008, Wedbush's supervisory system and its written supervisory procedures were not reasonably designed to achieve

compliance with NASD Procedural 8210. During the period from December 15, 2008, through February 28, 2010, Wedbush's supervisory system and its written supervisory procedures were not reasonably designed to achieve compliance with FINRA Rule 8210.

Among the deficiencies evidencing the firm's failure to establish and implement a supervisory system and written supervisory procedures reasonably designed to achieve compliance with the applicable Rule 8210 requirements were:

- The absence of adequate practices and procedures providing for (i) the timely and complete recording of the receipt of FINRA requests for information; (ii) recording due dates for submitting information and records in response to such requests, (iii) verifying that the information was provided timely; and (iv) ensuring that the information and records provided constituted a complete response to the requests;
- The absence of adequate practices and procedures for monitoring the firm's preparation and collection of information and records requested by FINRA to determine that the firm and any responsible individuals would be able to meet the due dates for submission;
- The absence of practices or provisions designed to ensure that the firm requested extensions of time to provide information and records before the due dates so as to avoid a violation of the Rule and responded to staff inquiries concerning missed due dates;
- The absence of practices and procedures for the periodic, retrospective review of the firm's compliance with the applicable Rule 8210 requirements so as to identify any late, incomplete or missing responses, determine the causes thereof and take steps necessary to improve compliance; and

- Notwithstanding concerns expressed by regulators that the firm's compliance resources might be inadequate to meet its compliance needs, the absence of practices and procedures for evaluating the adequacy of resources available to provide FINRA with information and records requested pursuant to the applicable Rule 8210 in compliance with the Rule.

By failing to establish and maintain a supervisory system, and to establish, maintain and enforce written supervisory procedures, reasonably designed to achieve compliance with NASD Procedural Rule 8210 and FINRA Rule 8210, as applicable, Respondent Wedbush violated NASD Conduct Rule 3010. By violating NASD Conduct Rule 3010, Respondent Wedbush engaged in conduct inconsistent with high standards of commercial honor and just and equitable principles of trade, which constituted a violation of NASD Conduct Rule 2110 during the period from April 1, 2008, through December 14, 2008, and a violation of FINRA Rule 2010 during the period from December 15, 2008, through February 28, 2010.

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

SANCTIONS

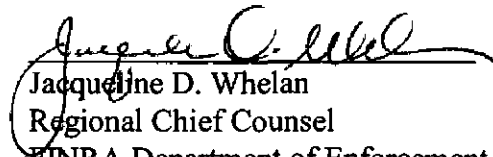
It is ordered that Respondent be censured and fined in the amount of \$75,000.00.

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

SO ORDERED.

FINRA

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



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