

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130358244-01**

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" or "Respondent") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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 has been a FINRA member since July 30, 1955 and its registration remains in effect. The firm has the following relevant disciplinary history:

In October 2010, FINRA accepted the firm's AWC (20080132252) in which it agreed to a censure and a total fine of \$28,000, which included a \$7,500 fine for OATS violations, and a \$3,000 fine for SEC Rule 10b-10 violations in connection with the firm's 2008 Trading and Market Making Surveillance ("TMMS") examination that examined the firm's conduct for trade date June 17, 2008.

In April 2010, FINRA accepted the firm's AWC (20080123149) in which it agreed to a censure and a total fine of \$13,500, which included a \$7,500 fine for OATS violations during the period from July 1, 2007 through September 30, 2007.

SUMMARY

In connection with the 2013 TMMS examination, 20130358244, the staff reviewed the items set forth on Exhibit A, which is attached and incorporated by reference, primarily for trade dates March 12, 2013 and March 13, 2013 (the "review period").

FACTS AND VIOLATIVE CONDUCT

1. During the review period, the firm transmitted to OATS 11 reports that contained inaccurate, incomplete, or improperly formatted data. Specifically, the firm: (a) submitted reports with inaccurate "Lvs Qty"; (b) failed to submit route reports; (c) submitted an order execution report for an agency routed order; (d) submitted an inaccurate order receipt time; (e) failed to submit order information; and (f) failed to submit the appropriate account type code. These inaccurate and/or incomplete reports represented 17 percent of the sample (62) reports the staff reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. During the review period, the firm failed to properly memorialize OATS order information on the memoranda of 22 brokerage orders. Specifically, the firm failed to memorialize: (1) Immediate or Cancel, or InterMarket Sweep Order special handling codes; (2) the PEG special handling code; and (3) the customer instructions regarding displaying the limit order on the order ticket. The inaccurate order memoranda represented 35 percent of the sample of (62) reports the staff reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7440.
3. During the review period, the firm failed on 13 occasions to provide written notification disclosing relevant information to its customers. Specifically, the firm failed to disclose that: (1) the transactions were executed at average prices; (2) that transaction details were available upon request; (3) its capacity in the transactions; and (4) that it charged commissions or commission equivalents. These inaccurate and/or incomplete notifications represented 65 percent of the sample (20) the staff reviewed. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 10b-10.
4. During the review period, 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 did not include: (1) the identification of the person responsible for supervision; (2) the supervisory steps and reviews to be taken by the appropriate supervisor; (3) the frequency of the supervisory reviews; and (4) how the supervisory reviews should be documented. The conduct described in this paragraph constitutes a violation of FINRA Rule 2010 and NASD Rule 3010.

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

A censure and a \$20,000 fine comprised of a \$10,000 fine for OATS reporting and recording violations, a \$5,000 fine for inaccurate customer confirmations, a \$5,000 fine for deficient supervisory procedures and, within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the Respondent shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, providing

the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph four; and, (3) the date the revised procedures were implemented.

Respondent 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.

Respondent 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

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

- A. To have a Complaint issued specifying the allegations against 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

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

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

III.

OTHER MATTERS

Respondent understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (“ODA”), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
 - 1. this AWC will become part of the firm’s permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
 - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 - 4. Respondent may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Respondent may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm’s: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

Sept. 1, 2015
Date

By: [Signature]
Name: Eric Segall

9-22-15
Date


Justin Chretien
Chief Counsel
FINRA Department of Market Regulation

Exhibit A

<u>Sample Size</u>	<u>Sample Description</u>
242	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
48	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
252	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
20	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
37	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
20	Sell orders entered into Nasdaq OMX BX execution system for compliance with Nasdaq OMX BX Rule 4755 long/short reporting requirements
40	Sell orders entered into DirectEdge Exchange execution systems for compliance with EDGA/EDGX Rule 11.15 long/short reporting requirements
45	Buy and Sell orders entered into DirectEdge Exchange execution systems for compliance with EDGA/EDGX Rule 11.22 capacity reporting requirements
40	Sell orders entered into NYSE-Arca execution system for compliance with NYSE-Arca Equities Rule 7.16 long/short reporting requirements
54	Buy and Sell orders entered into NYSE-Arca execution system for compliance with NYSE Arca Equities Rule 7.33 capacity reporting requirements
5	Orders for compliance with best execution requirements of FINRA Rule 5310:
5	Orders for compliance with order protection requirements of FINRA Rule 5320
10	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with FINRA Rule 5330
25	Non-tape reports to a TRF or OTCRF for compliance with the Related Market Center Indicator requirements of FINRA Rules 7230A and 7330
61	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450 requirements

20	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10
24	Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
4	Data sets published for February 2013 monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
1	Quarterly Routing Report for compliance with SEC Rule 606 requirements
22	CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020-1040; Nasdaq Rule Series 1020-1040, Nasdaq OMX BX Rule Series 1020-1040; Nasdaq OMX PHLX Rule Series 600-604; EDGA/EDGX Rules 2.3, 2.5 and 11.4 and NYSE-Arca Rules 2.4, 6.18 and 7.21.
5	Customer orders in OTC equity securities for compliance with FINRA Rule 5310, Supplementary Material .06: Securities with Limited Quotation or Pricing Information
1	Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265
440	Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3/FINRA Rule 4511
333	Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
All Provided	Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with FINRA Rule 5310 and NASD Rule 3010
All Provided	Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
All Provided	Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010, Nasdaq Rule 3010, Nasdaq OMX BX Rule 3010, Nasdaq OMX PHLX Rule 748, EDGA Rule 5.1, EDGX Rule 5.1 or NYSE-Arca Rule 6.18 requirements
All Provided	Member's risk management and supervisory system/procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Rule 15c3-5 requirements