

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017053173601**

TO: Department of Enforcement
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, Respondent Wedbush Securities Inc. 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

Respondent has been a FINRA member since July 30, 1955. It has more than 500 registered persons in almost 100 offices.

RELEVANT DISCIPLINARY HISTORY

Respondent has the following disciplinary history related to short interest reporting:

On September 27, 2013, FINRA accepted an AWC in which Respondent was censured and fined a total of \$87,500, including a \$42,500 fine for short interest reporting violations and a \$12,500 fine for supervisory deficiencies during the period June 30, 2008 through June 30, 2010. (AWC No. 2009016641301)

On September 27, 2017, FINRA accepted an AWC in which Respondent was censured and fined a total of \$470,000 for three different violations, including short interest reporting and supervision of short interest reporting during the period July 2010 through October 2013. (AWC No. 2011030598001)

OVERVIEW

During the period March 31, 2016 through October 14, 2016 (the review period), Respondent misreported its short positions in equity securities, which must be reported pursuant to FINRA Rule 4560. On 14 reporting dates during the review period, it reported a total of 1,911 short positions totaling 23,640,682 shares, when it should have reported 1,704 short positions totaling 21,157,936 shares.

FACTS AND VIOLATIVE CONDUCT

FINRA Rule 4560 requires firms to maintain and periodically report information regarding short positions in all customer and proprietary accounts. FINRA requires that these be reported twice per month. The rule provides that firms shall only report short positions that have settled or reached settlement date as of the close of the relevant reporting settlement date.

During the review period, Respondent used a system for recording same-day purchases and sales of equities pursuant to which it created offsetting purchases and sales, recording the purchase in the customer's margin account and the sale in the customer's cash account. The positions were netted out the following day when the trades settled. Under this system, the cash account would appear to be short in the security, and Respondent's system for reporting short positions did not offset these unsettled sell orders by the corresponding long position in the customer's margin account. As a result, Respondent misreported its short positions in equities on all 14 of the bimonthly reporting dates during the review period. It reported a total of 1,911 short positions totaling 23,640,682 shares but should have reported only 1,704 short positions totaling 21,157,936 shares. Thus, it overstated its short positions by a total of 2,482,746 shares and overstated the number of accounts with short positions by 207.

By virtue of the foregoing, Respondent violated FINRA Rules 4560 and 2010.

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

1. A censure; and
2. A fine of \$90,000.

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Respondent has submitted an Election of Payment form showing that 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 sanctions 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 it;
- 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 prejudice 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 Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
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(s) 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 Respondent'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.

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.

1/7/20
Date

Wedbush Securities Inc.
Respondent

By: 

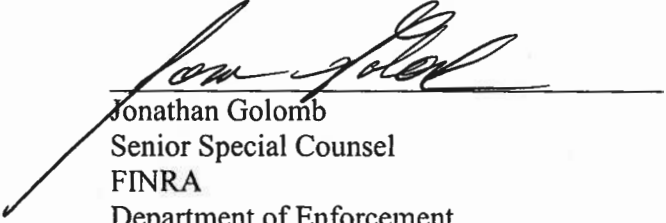
Print Name: ANDREW DRUCH

Title: GENERAL COUNSEL

Accepted by FINRA:

1/16/20
Date

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


Jonathan Golomb
Senior Special Counsel
FINRA
Department of Enforcement
15200 Omega Drive
Rockville, MD 20850