

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2022074793701**

TO: Department of Enforcement
Financial Industry Regulatory Authority (FINRA)

RE: Wedbush Securities Inc. (Respondent)
Member Firm
CRD No. 877

Pursuant to FINRA Rule 9216, 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 in this AWC.

I.

ACCEPTANCE AND CONSENT

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

BACKGROUND

Wedbush has been a FINRA member since 1955 and a Municipal Securities Rulemaking Board (MSRB) registrant since 1977. The firm, which is headquartered in Los Angeles, California, employs approximately 500 registered representatives and has 70 branch offices. The firm provides securities brokerage, wealth management, investment banking, and clearing services.¹

OVERVIEW

Between June 2018 and December 2022, Wedbush violated Section 15(c)(3) of the Securities Exchange Act of 1934, Exchange Act Rule 15c3-3 and FINRA Rule 2010 by failing to maintain possession or control of customers' fully paid and excess margin securities. During this same period, Wedbush violated FINRA Rules 3110 and 2010 by failing to establish and maintain a supervisory system reasonably designed to achieve compliance with Exchange Act Rule 15c3-3.

Between August 2022 and August 2023, Wedbush violated MSRB Rule G-15 and FINRA Rules 2232 and 2010 by failing to disclose required mark-up and mark-down information on retail customer confirmations. Wedbush also violated MSRB Rule G-27

¹ For more information about the firm, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

and FINRA Rules 3110 and 2010 by failing to establish and maintain a supervisory system reasonably designed to achieve compliance with MSRB Rule G-15 and FINRA Rule 2232.

For these violations, Wedbush is censured and fined \$150,000.

FACTS AND VIOLATIVE CONDUCT

This matter originated from FINRA's cycle examinations of the firm.

Wedbush failed to maintain possession or control of customers' fully paid and excess margin securities.

Exchange Act Rule 15c3-3, also known as the "Customer Protection Rule," is intended to protect customer assets from improper use by a broker-dealer, and to ensure the prompt return of customer securities in the event of broker-dealer insolvency. Exchange Act Rule 15c3-3(b)(1) requires a broker-dealer to promptly obtain and maintain physical possession or control of fully paid and excess margin securities carried for customer accounts. The number of customers' fully paid and excess margin securities required to be in a firm's possession or control is referred to as its "segregation requirement." If the number of shares in a firm's possession or control exceeds its segregation requirement, the firm has an "excess" of securities. If the number of shares in its possession or control is less than a firm's segregation requirement, the firm has a "deficit" of securities.

Under Exchange Act Rule 15c3-3(a)(5), excess margin securities are those securities carried in a customer's account having a market value in excess of 140% of the customer's net debit balance at the firm. According to an SEC interpretation of this Rule, to determine the customer's net debit balance, the firm must combine the credit and debit balances in all of a customer's securities accounts at the firm.

A violation of Exchange Act § 15(c)(3) and Exchange Act Rule 15c3-3 is also a violation of FINRA Rule 2010, which requires firms to observe high standards of commercial honor and just and equitable principles of trade in the conduct of their business.

Between June 2018 and December 2022, Wedbush failed to maintain possession or control of customers' excess margin securities. The firm did not combine credits and debits from separate accounts owned by the same customer (and opened under the same tax identification number) prior to calculating the securities having a market value in excess of 140% of the customer's debit balance. Therefore, the firm overcalculated the number of shares that were available for rehypothecation (collateral to be used for the firm's own purposes). This resulted in deficits in customers' securities the firm was required to segregate. The amount of the firm's segregation deficit varied during the relevant period, and at times exceeded 100,000 shares and \$2 million in value.

As a result, the firm violated Exchange Act § 15(c)(3), Exchange Act Rule 15c3-3(b)(1), and FINRA Rule 2010.

Wedbush failed to establish and maintain a supervisory system, including written supervisory procedures (WSPs), reasonably designed to achieve compliance with its possession or control responsibilities under Exchange Act Rule 15c3-3.

FINRA Rule 3110(a) requires a member firm to “establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” FINRA Rule 3110(b) requires a member firm to “establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.” A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010.

Between June 2018 and December 2022, Wedbush failed to establish and maintain a reasonable system, including WSPs, to achieve compliance with Exchange Act Rule 15c3-3’s possession or control requirements.² The firm did not have reasonable systems in place to identify separate accounts owned by customers with the same tax identification number and to combine the credits and debits of the securities in those accounts prior to determining the amount of securities that it needed to segregate. Likewise, the firm did not provide guidance to firm employees on how to segregate securities where customers held multiple accounts with the same tax identification number to ensure that the firm did not improperly use customer securities.

As a result, Wedbush violated FINRA Rules 3110 and 2010.

Wedbush failed to disclose required mark-up and mark-down information on retail customer confirmations for municipal securities transactions and corporate and agency debt securities transactions.

Trade confirmations protect investors who buy or sell securities through broker-dealers by, among other things, alerting them to potential conflicts of interest with their broker-dealers and providing them the means to verify the terms of their transactions and evaluate transaction costs and the quality of their broker-dealers’ executions.

MSRB Rule G-15(a) requires each broker, dealer or municipal securities dealer, at or before the completion of a transaction in municipal securities with or for the account of a customer, to send customers a written confirmation that complies with the requirements of MSRB Rule G-15(a)(i). MSRB Rule G-15(a)(i)(F)(1) requires, with certain exceptions not relevant here, that confirmations sent to non-institutional customers include the dealer’s mark-up or mark-down for the transaction to be calculated as provided in the rule and expressed as a total dollar amount and as a percentage of the prevailing market price (PMP).

² The firm established procedures related to its compliance with Rule 15c3-3’s possession or control requirements in 2023.

FINRA Rule 2232(c) requires, with certain exceptions not relevant here, that confirmations sent to non-institutional customers include the firm's mark-up or mark-down for the transaction to be calculated as provided in the rule and expressed as a total dollar amount and as a percentage of the PMP. A violation of FINRA Rule 2232 also is a violation of FINRA Rule 2010.

Between August 2022 and August 2023, Wedbush issued approximately 300 confirmations for municipal securities transactions to retail customers that did not include mark-ups and mark-downs expressed as a total dollar amount and as a percentage of the PMP. Also during this period, Wedbush issued approximately 1,050 confirmations for corporate and agency debt transactions to retail customers that did not include mark-ups and mark-downs expressed as a total dollar amount and as a percentage of the PMP. These failures resulted from Wedbush personnel failing to timely enter PMP into the firm's order management system.

Therefore, Wedbush violated MSRB Rule G-15 and FINRA Rules 2232 and 2010.

Wedbush failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with MSRB Rule G-15 and FINRA Rule 2232.

MSRB Rule G-27 requires brokers, dealers, and municipal securities dealers to establish and maintain a supervisory system, including written procedures, to supervise the conduct of their municipal securities activities to ensure compliance with MSRB rules and applicable provisions of the Exchange Act and Exchange Act rules.

As noted above, FINRA Rule 3110 requires FINRA members to establish, maintain, and enforce a supervisory system, including WSPs, to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws, regulations, and FINRA rules. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010.

Between August 2022 and August 2023, Wedbush failed to establish and maintain a supervisory system, including WSPs, reasonably designed to achieve compliance with MSRB Rule G-15 and FINRA Rule 2232. Wedbush's WSPs contained no procedures regarding when firm personnel were required to enter the PMP for applicable transactions into Wedbush's order management system, and the firm did not provide any training or guidance to supervisors regarding when the PMP should be entered into that system.³

By failing to establish and maintain a supervisory system reasonably designed to achieve compliance with applicable disclosure obligations of MSRB Rule G-15 and FINRA Rule 2232, Wedbush violated MSRB Rule G-27 and FINRA Rules 3110 and 2010.

³ The firm has since amended its WSPs concerning supervision of customer confirmations.

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

- a censure and
- a \$150,000 fine (\$16,250 of which pertains to the violations of MSRB Rules).

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 the method by which it proposes to pay the fine imposed.

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

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 National Adjudicatory Council (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 its acceptance or rejection.

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 its subject matter 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent understands and acknowledges that it is permitted to retain an attorney at its expense to review and provide legal advice regarding the AWC before agreeing to the language and signing the AWC; that FINRA

does not represent or advise it and Respondent cannot rely on FINRA for legal advice; that Respondent 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 in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

October 14, 2025

Date

Donald Hultgren

Wedbush Securities Inc.
Respondent

Print Name: Donald Hultgren

Title: Executive Chairman

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

Accepted by FINRA:

November 7, 2025

Date

N. A. Jablonski

Nicholas Jablonski
Principal Counsel
FINRA
Department of Enforcement
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