

FINANCIAL INDUSTRY REGULATORY AUTHORITY

In the Matter of the
Continued Membership
of
Wedbush Securities Inc.
(CRD No. 877)

Notice Pursuant to
Rule 19h-1
Securities Exchange Act
of 1934

SD-2363

May 30, 2024

I. Introduction

On August 24, 2023, Wedbush Securities Inc. (“Wedbush” or “Firm”) submitted a Membership Continuance Application (“MC-400A” or “Application”) to FINRA’s Credentialing, Registration, Education, and Disclosure (“CRED”) Department.¹ The Application seeks to permit the Firm, a FINRA member, to continue its membership with FINRA notwithstanding its statutory disqualification. A hearing was not held in this matter; rather, pursuant to FINRA Rule 9523(b), FINRA’s Department of Member Supervision (“FINRA,” “Member Supervision,” or “Department”) approves the Application and is filing this Notice pursuant to Rule 19h-1 of the Securities Exchange Act of 1934 (“Exchange Act” or “SEA”).

II. The Statutorily Disqualifying Event

The Firm is subject to statutory disqualification, as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Sections 15(b)(4)(D) and (E), as a result of an August 2023 order issued by the Securities and Exchange Commission (“SEC” or “Commission”) finding that Wedbush willfully violated Section 17(a) of the Exchange Act and Rule 17a-4(b)(4), as well as Section 204 of the Investment Advisers Act of 1940 (“Advisers Act”) and Rule 204-2(a)(7), and failed reasonably to supervise its employees with a view to preventing or detecting certain of its employees’ aiding and abetting violations of Section 17(a) of the Exchange Act and Rule 17a-4(b)(4), as well as Section 204 of the Advisers Act and Rule 204-2(a)(7) (“SEC Order”).² According to the

¹ See MC-400A Application and related attachments compiled by CRED, with a cover memorandum dated August 29, 2023, attached as Exhibit 1.

² See SEC Order, *In re Wedbush Securities Inc.*, Exchange Act Release No. 98074 (Aug. 8, 2023), attached as Exhibit 2.

The SEC Order also triggered disqualification under Rules 262(a)(4), 506(d)(1)(iv), and 602(c)(3) of the Securities Act of 1933 and Rule 503(a)(4)(ii) of Regulation Crowdfunding. On August 8, 2023, the SEC

SEC Order, from at least January 2019, Wedbush employees sent and received off-channel communications that related to the Firm's business, and a majority of these written communications was not maintained or preserved by the Firm.³ Further, supervisors who were responsible for preventing this misconduct among junior employees routinely communicated off-channel using their personal devices, and, in so doing, failed to comply with Firm policies by communicating using non-Firm approved methods on their personal devices about the Firm's broker-dealer business.⁴

The Firm was censured, ordered to cease and desist from committing or causing any future violations, ordered to pay a civil money penalty of \$10,000,000, and ordered to comply with certain undertakings.⁵

III. Remedial Measures

In its Application, the Firm represented that beginning in January 2021 and moving forward, the Firm has undertaken significant remedial measures in response to the SEC's investigation and findings, including introducing new technology that Firm employees are required to install on their device if they wish to use their personal device for business-related text message communications, making updates to the Firm's policies and procedures paired with communications to employees to remind them of the Firm's off-channel communications policies, and enhancing email surveillance processes.⁶ According to the SEC Order, the Commission considered the Firm's prompt remedial actions and cooperation with the SEC when determining to accept the Offer of Settlement.⁷

IV. Firm Background

The Firm has been a FINRA member since July 1955.⁸ It is headquartered in Los Angeles, California, with 67 branches (17 of which are Offices of Supervisory Jurisdiction).⁹ The

granted a waiver from the application of the disqualification provisions of these Rules. *See In re Certain Broker-Dealer Practices*, Securities Act Release No. 11221 (Aug. 8, 2023), attached as Exhibit 3.

³ See Exhibit 2 at p. 2, para. 3.

⁴ *Id.* at p. 2, para. 4-5.

⁵ *Id.* at pp. 6-10. The Firm has paid the money penalty. *See* Wedbush response to FINRA discovery demand, dated February 29, 2024, attached as Exhibit 4 at FINRA p. 2 Response 3, p. 4. The Firm has represented that it is in compliance with the ordered undertakings in that it has paid the required fine, retained an independent compliance consultant, and is working to implement the consultant's recommendations. *See* Exhibit 4 at FINRA pp. 1-2.

⁶ *See* Exhibit 1 at FINRA p. 17.

⁷ *See* Exhibit 2 at p. 6, para. 29.

⁸ *See* Central Registration Depository ("CRD") Excerpt: Organization Registration Status, attached as Exhibit 5.

⁹ FINRA confirmed this through analysis of the Firm's information contained in CRD, last performed on April 22, 2024.

Firm employs approximately 519 of registered representatives (186 of which are registered principals), 18 operations professionals, and 415 non-registered fingerprint employees.¹⁰ The Firm employs three statutorily disqualified individuals.¹¹

Wedbush is approved to engage in the following lines of business: exchange member engaged in exchange commission business other than floor activities; exchange member engaged in floor activities; broker or dealer making inter-dealer markets in corporate securities over-the-counter; broker or dealer retailing corporate equity securities over-the-counter; broker or dealer selling corporate debt securities; underwriter or selling group participant (corporate securities other than mutual funds); mutual fund retailer; U.S. government securities dealer; U.S. government securities broker; municipal securities dealer; municipal securities broker; broker or dealer selling variable life insurance or annuities; broker or dealer selling gas or oil interests; put and call broker or dealer or option writer; investment advisory services; trading securities for own account; private placement of securities; effects transactions in commodity futures, commodities, commodity option as broker for others or dealer for own account; and engages in other securities business, specifically municipal finance and investment banking.¹²

The Firm is a member of the following self-regulatory organizations (“SROs”): BOX Exchange LLC (“BOX”); Cboe BYX Exchange, Inc. (“BYX”); Cboe BZX Exchange, Inc. (“BZX”); Cboe C2 Exchange, Inc. (“C2”); Cboe EDGA Exchange, Inc. (“EDGA”); Cboe EDGX Exchange, Inc. (“EDGX”); Cboe Exchange, Inc. (“Cboe”); Investors Exchange LLC (“IEX”); MIAX PEARL, LLC (“MIAX PEARL”); Miami International Securities Exchange, LLC (“MIAX”); NYSE American LLC (“NYSE American”); NYSE Arca, Inc. (“NYSE Arca”); NYSE Chicago, Inc. (“NYSE Chicago”); NYSE National, Inc. (“NYSE National”); Nasdaq BX, Inc. (“BX”); Nasdaq GEMX, LLC (“GEMX”); Nasdaq ISE, LLC (“ISE”); Nasdaq MRX, LLC (“MRX”); Nasdaq PHLX LLC (“PHLX”); The Nasdaq Stock Market LLC (“Nasdaq”); New York Stock Exchange LLC (“NYSE”);¹³ Municipal Securities Rulemaking Board (“MSRB”); Fixed Income Clearing Corporation-Government Securities Division (“FICC-GOV”); Fixed Income Clearing Corporation-Mortgage-Backed Securities Division (“FICC-MBS”); National Securities Clearing Corporation (“NSCC”); and The Depository Trust Company (“DTC”).¹⁴

¹⁰ FINRA confirmed this through analysis of the Firm’s information contained in FINRA internal systems and CRD, last performed on April 22, 2024.

¹¹ *Id.* Stephen John Massocca (CRD No. 724782), Shiva Naby (CRD No. 5634974), and Kevin Donald White (CRD No. 1600041). *See* Appendix A.

¹² *See* CRD Excerpts: Types of Business and Other Business Descriptions, attached as Exhibit 6.

¹³ *See* Exhibit 5.

¹⁴ Membership in these organizations was verified by FINRA staff through a search of public member directories, last performed on April 22, 2024.

Recent Examinations

In the past two years, FINRA completed one routine examination resulting in a Cautionary Action Letter (“CAL”), and five non-routine examinations of the Firm which resulted in a CAL. The SEC also completed one examination that resulted in a deficiency letter.

A. FINRA Routine Examinations

In June 2022, the Firm was cautioned based on exceptions related to the Firm’s failures to: maintain documentation evidencing updates pertaining to increases in liquidity usage and the resolution of target limit exceptions related to the Firm’s margin requirements as noted in Firm written supervisory procedures (“WSPs”); conduct a full failover test as the Firm transitions its Disaster Recovery Site; properly configure the Firm’s back-office system to associate related accounts when calculating securities in excess of 140% of customers’ margin debits; establish a process and WSPs to identify, age, and escheat abandoned properties; and address an issue in the logic for populating the concentration report used to calculate margin debts exceeding 25% of the Firm’s tentative net capital.¹⁵ In response to FINRA, the Firm committed to updating its procedures and instituted a manual check process, while addressing the logic for populating the concentration report used to calculate margin debits that exceed 25% of the Firm’s tentative net capital through a technology fix, to immediately address the issue.¹⁶

B. FINRA Non-Routine Examinations

In December 2023, FINRA issued a CAL to the Firm pertaining to Regulation SHO violations.¹⁷ Specifically, the Firm accepted short sale orders in equity securities or effected a short sale in an equity security for its own account without borrowing or entering into a bona-fide arrangement to borrow the security, without having reasonable grounds to believe that the security could be borrowed so that it could be delivered on the delivery due date; failed to accurately document its compliance with Rule 203(b)(1) of Regulation SHO; and failed to establish and maintain a supervisory system reasonably designed to achieve compliance with Rule 203(b)(1) of Regulation SHO.¹⁸ In its response to FINRA, the Firm outlined enhancements made to the Firm’s supervisory controls beginning in June 2021, which included a new Regulation SHO written policy that introduced enhanced supervisory controls to be performed by line of business supervisors and vetting exception reports from

¹⁵ See Disposition Letter for Examination No. 20210693179 dated June 2, 2022, Examination Report dated April 12, 2022, and the Firm’s Response dated May 6, 2022, collectively attached as Exhibit 7. The 20210693179 Examination also concluded with two areas of review separated for further investigation; those investigations are still ongoing as of April 24, 2024.

¹⁶ *Id.* at FINRA pp. 8-12.

¹⁷ See Cautionary Action Letter for Examination No. 20220746869 dated December 12, 2023 and the Firm’s Response dated January 16, 2024, collectively attached as Exhibit 8.

¹⁸ *Id.* at FINRA pp. 1-2.

the Firm's new order management system.¹⁹

In September 2023, FINRA issued a CAL to the Firm pertaining to violations of MSRB Rules G-14 and G-27.²⁰ Specifically, the Firm failed to report the Non-Transaction Based Compensation ("NTBC") indicator to the MSRB's Real-time Transacting Reporting System ("RTRS") with respect to certain customer municipal securities transactions, and the Firm's supervisory system was not reasonably designed to achieve compliance with respect to rules governing accurate reporting of NTBC indicator.²¹ In its response to FINRA, the Firm indicated that it has educated its trading staff on the circumstances in which the NTBC indicator is required to be reported to the RTRS for customer transactions, that the municipal trade desk supervisor reviews the daily trade blotter for NTBC and zero commission trades, and that the Firm updated the trade reporting function on its retail trading system to consistently report the NTBC when required.²²

In August 2023, FINRA issued a CAL to the Firm pertaining to its failures to maintain reasonable procedures to monitor credit risk exposure from portfolio margin accounts on an intra-day and end-of-day basis and reflect the appropriate response by management when dealing with breaches of limits on credit extensions related to portfolio margin accounts.²³ The Firm was also cautioned based on its failure to conduct audits within the time frames outlined in Firm procedures.²⁴ FINRA recognized corrective actions taken by the Firm, including daily alert log implementation, quarterly reviews of default risk settings, and implementation of a process for early warning notifications on a daily basis of all credit limit utilizations over 70 percent.²⁵

In June 2023, FINRA issued a CAL to the Firm pertaining to the Firm's failures to issue trade confirmations with accurate capacity codes and to issue trade confirmations with required disclosures indicating the Firm's market maker status.²⁶

¹⁹ *Id.* at FINRA pp. 7-8.

²⁰ *See* Cautionary Action Letter for Examination No. 20220762689 dated September 15, 2023 and the Firm's Response dated October 6, 2023 (without exhibits), collectively attached as Exhibit 9.

²¹ *Id.* at FINRA p. 1.

²² *Id.* at FINRA p. 3.

²³ *See* Cautionary Action Letter for Examination No. 20190635984 dated August 31, 2023, attached as Exhibit 10. The Firm was not required to provide a response.

²⁴ *Id.*

²⁵ *Id.*

²⁶ *See* Cautionary Action Letter for Examination No. 20220740824 dated June 7, 2023, attached as Exhibit 11. The Firm was not required to provide a response.

In July 2022, FINRA issued a CAL to the Firm pertaining to the Firm's Order Audit Trail System ("OATS") violations.²⁷ Specifically, the Firm was cautioned based on the Firm's failures to transmit accurate information to OATS in various fields and to maintain a supervisory system reasonably designed to ensure the submission of accurate OATS data in compliance with applicable OATS related rules.²⁸

C. SEC Examination

In November 2022, the SEC issued a deficiency letter finding that the Firm violated Exchange Act Rule 15c2-11, FINRA Rule 3110(b), and Exchange Act Rule 17a-14(b) regarding Form CRS.²⁹ Specifically, the Commission found that the Firm failed to: provide documentation evidencing that it received a written representation that a customer was not an insider or affiliate prior to publishing a quote based on the Unsolicited Customer Order Exception; preserve required records in its reliance on a public determination made by a Qualified Interdealer Quotation System ("QIDQS"); establish, maintain, and enforce WSPs reasonably designed to achieve compliance with Exchange Act Rules 15c2-11 and 17a-14; and include certain information in the Firm's Form CRS.³⁰ The SEC further identified two areas of consideration for the Firm pertaining to the Firm's processes to monitor compliance with Rule 15c2-11.³¹ The Firm, in its written responses to the SEC, stated that it updated its policies regarding compliance with Exchange Act Rule 15c2-11, including enhancing procedures and supervision for its OTC Market Making business³² and updated its policy governing Regulation BI to include enhanced procedures for reviewing, updating, and ensuring timely delivery of Form CRS and Regulation BI disclosures.³³

Regulatory Actions

Wedbush has been the subject of recent disciplinary matters resulting in two Letters of Acceptance, Waiver, and Consent ("AWCs") entered into with FINRA; a disciplinary notice issued by Intercontinental Exchange ("ICE") Futures U.S.; parallel actions with FINRA, BYX, BZX, EDGA, EDGX, IEX, BX, PHLX, Nasdaq, NYSE Arca, and NYSE; parallel actions with FINRA, NYSE, NYSE National, NYSE American, and NYSE

²⁷ See Cautionary Action Letter for Examination No. 20190642860 dated July 6, 2022, attached as Exhibit 12. The Firm was not required to provide a response.

²⁸ *Id.* at p. 2.

²⁹ See SEC Examination Letter for SEC File No. 008-12987 dated November 1, 2022, and the Firm's Responses dated December 13, 2022 and December 23, 2022 (without corresponding exhibits), collectively attached as Exhibit 13.

³⁰ *Id.* at FINRA pp. 3-6.

³¹ *Id.* at FINRA pp. 6-7.

³² *Id.* at FINRA p. 11.

³³ *Id.* at FINRA p. 16.

Chicago; one order issued by the Commodity Futures Trading Commission (“CFTC”); six actions issued by the CME Group; three state actions; one international order; and three additional disqualifying orders issued by the SEC.

A. FINRA Actions

On November 15, 2023, the Firm entered into an AWC with FINRA based on the Firm’s failure to establish and maintain a supervisory system reasonably designed to achieve compliance with the Firm’s obligations to monitor transmittals of customer funds to third parties.³⁴ From June 2020 through February 2021, the Firm’s WSPs required that, prior to any transfer of customer funds to a third party through a letter of authorization (“LOA”), the LOA needed to be approved for processing without specification as to the steps that the reviewer should take to evaluate whether the LOA was genuine.³⁵ From January through February 2021, the Firm approved four fraudulent wire transfer requests from a hacker without taking reasonable steps to confirm whether the requests were genuine, which resulted in the Firm sending more than \$6.6 million from an account to two third parties.³⁶ Consequently, the Firm was censured, issued a \$350,000 fine, and ordered to certify to FINRA that the Firm remediated the issues identified in the AWC and implemented a supervisory system reasonably designed to achieve compliance with FINRA Rule 3110 regarding those issues.³⁷

On November 3, 2022 the Firm entered into an AWC with FINRA.³⁸ The Firm consented to sanctions and an entry of findings that from January 2013 through December 2018, the Firm made negligent misrepresentations regarding the default status of bonds on monthly account statements of approximately 610 customers.³⁹ The AWC also included findings that the Firm failed to deliver more than 400,000 annual privacy notices, margin disclosures and order execution disclosures with customer account statements to 14,900 customers.⁴⁰ Lastly, the Firm did not have a supervisory system reasonably designed to achieve compliance with its obligations to deliver the aforementioned notices and disclosures.⁴¹ For these violations, the Firm was censured and agreed to pay a \$850,000 fine (\$300,00 of

³⁴ See FINRA AWC Matter No. 2021070332301 (Nov. 15, 2023), attached as Exhibit 14, at p. 1.

³⁵ *Id.* at p. 2.

³⁶ *Id.* at pp. 2-3.

³⁷ *Id.* at p. 3. FINRA confirmed that the Firm paid its fine on January 3, 2024 and submitted its required certification to FINRA on January 12, 2024. See Wedbush Certification Letter dated January 12, 2024 (without exhibits), and Form U6, collectively attached as Exhibit 15.

³⁸ See FINRA AWC Matter No. 2019062118301 (Nov. 3, 2022), attached as Exhibit 16.

³⁹ *Id.* at FINRA pp. 2-3.

⁴⁰ *Id.*

⁴¹ *Id.*

which pertains to violations of MSRB Rules), and to certify in writing, within 90 days of the issuance of the AWC, that the Firm's WSPs and supervisory systems are reasonably designed to review the accuracy of account statements sent to customers and to achieve compliance with its obligation to deliver to customers annual privacy notices, margin disclosures, and order execution disclosures.⁴²

B. ICE Futures U.S. Action

In September 2023, the Firm became subject, via a settlement of charges, to a disciplinary notice issued by ICE Futures U.S. ("ICE Notice").⁴³ Per the ICE Notice, the Firm may have violated ICE Exchange Rules by misreporting large trader positions in multiple instances; failing to establish, administer, and enforce effective supervisory systems, policies and procedures to ensure accurate reporting of large trader positions to ICE; and failing to respond to ICE inquiries in a timely and sufficient manner.⁴⁴ Without admitting or denying the allegations, Wedbush agreed to settle the matter with a \$110,000 fine.⁴⁵

C. FINRA, BYX, BZX, EDGA, EDGX, IEX, BX, PHLX, Nasdaq, NYSE Arca, and NYSE Parallel Actions

In January 2023, the Firm was the subject of parallel actions via an AWC with FINRA; Disciplinary Decisions incorporating Letters of Consent with BYX, BZX, EDGA, EDGX; and AWCs with IEX, BX, PHLX, Nasdaq, NYSE Arca, and NYSE (collectively "January 2023 Actions").⁴⁶ According to the January 2023 Actions, Wedbush provided certain customers access to third-party electronic trading platforms, which allowed those customers to enter orders for execution using one of the Firm's market participant

⁴² *Id.* at pp. 5-6. FINRA confirmed that the Firm paid its fine in full on November 15, 2022. *See* Wedbush correspondence containing wire details dated November 15, 2022 (with redactions by FINRA), attached as Exhibit 17. On February 15, 2023, the Firm submitted its written certification to FINRA, attached as Exhibit 18.

⁴³ *See* ICE Disciplinary Notice, Case No. 2022-024 (Sept. 20, 2023), attached as Exhibit 19.

⁴⁴ *Id.*

⁴⁵ *Id.* at p. 2. The Firm represented that it paid the fine on October 6, 2023. *See* CRD Disclosure Occurrence Composite for Occurrence No. 2304150 dated October 20, 2023, attached as Exhibit 20, at p. 3, para. 12-13.

⁴⁶ *See* FINRA AWC Matter No. 20170544910-01 (Jan. 19, 2023), BYX Disciplinary Decision and Letter of Consent Matter No. 20170544910-02/USRI-9023-06/URE-19-06 (Jan. 5, 2023), BZX Disciplinary Decision and Letter of Consent Matter No. 20170544910-03/USRI-9023-05/URE-19-05 (Jan. 5, 2023), EDGA Disciplinary Decision and Letter of Consent Matter No. 20170544910-04/USRI-9023-08/URE-19-08 (Jan. 5, 2023), EDGX Disciplinary Decision and Letter of Consent Matter No. 20170544910-05/USRI-9023-07/URE-19-07 (Jan. 5, 2023), IEX AWC Matter No. 20170544910-06 (Jan. 18, 2023), BX AWC Matter No. 20170544910-07 (Jan. 19, 2023), PHLX AWC Matter No. 20170544910-08 (Jan. 19, 2023), Nasdaq AWC Matter No. 20170544910-09 (Jan. 19, 2023), NYSE Arca AWC Matter No. 20170544910-10 (Jan. 5, 2023), and NYSE AWC Matter No. 20170544910-11 (Jan. 5, 2023), collectively attached as Exhibit 21.

identifiers (MPIDs).⁴⁷ Those customer orders were transmitted to other broker-dealers that were able to route them to various exchanges for execution using the executing broker-dealer's MPID.⁴⁸ Wedbush failed to conduct supervisory reviews of its electronic customers' trading activity for potentially manipulative trading and instead relied on third-party broker-dealers to conduct such reviews.⁴⁹ The January 2023 Actions further found that the Firm failed to supervise trading activities of its proprietary traders and other Firm customers for potential layering and spoofing.⁵⁰ For these violations, the Firm was subject to censures by the issuing entities, \$975,000 total in fines,⁵¹ and required to submit a written representation attesting that the Firm has corrected certain supervisory deficiencies.⁵²

D. FINRA, NYSE, NYSE National, NYSE American, and NYSE Chicago Parallel Actions

In September 2022, the Firm entered into a joint settlement, comprised of AWCs with FINRA, NYSE, NYSE National, and NYSE American, and an Order Instituting Proceedings, Accepting Settlement, Making Findings, and Imposing Sanctions with NYSE Chicago (collectively "September 2022 Actions").⁵³ The September 2022 Actions pertained to violations of Regulation SHO. The Firm consented to findings that it failed to timely close out fail-to-deliver positions in short sales and failed to borrow or arrange to borrow securities prior to accepting additional short sale orders (commonly referred to as the "penalty box"), and failed to comply with Regulation SHO's notice requirements under Rule 240(c).⁵⁴ The September 2022 Actions further state that the Firm failed to establish and maintain a supervisory system reasonably designed to achieve compliance with Regulation SHO.⁵⁵ The Firm was censured and was subject to a \$900,000 fine (\$450,000

⁴⁷ *Id.* at FINRA pp. 4, 12, 18, 24, 30, 38, 48, 58, 68, 76, and 84.

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *Id.*

⁵¹ FINRA Member Supervision staff received confirmation from FINRA Enforcement staff that the Firm has paid all its required fines.

⁵² *Id.* at FINRA Exhibit pp. 6, 11, 17, 23, 29, 40, 50, 60, 70, 79, and 86. The Firm submitted its certification to FINRA along with relevant exhibits on April 25, 2023. *See* Wedbush Certification Letter to FINRA dated April 25, 2023 (without exhibits), attached as Exhibit 22.

⁵³ *See* FINRA AWC Matter No. 2019061872201 (Sept. 27, 2022), NYSE AWC Matter No. 2018059467801 (Sept. 15, 2022), NYSE American AWC Matter No. 2018059467802 (Sept. 15, 2022), NYSE National AWC Matter No. 2018059467803 (Sept. 15, 2022), and NYSE Chicago Order Instituting Proceedings, Accepting Settlement, Making Findings, and Imposing Sanctions for Proceeding No. 2018059467804 (Sept. 27, 2022), collectively attached as Exhibit 23.

⁵⁴ *Id.* at FINRA pp. 1-3, 11, 19, 27, and 34.

⁵⁵ *Id.* at FINRA pp. 3-4, 11, 19-20, 27, and 35-36.

was payable to FINRA).⁵⁶ The Firm also agreed to an undertaking requiring it to certify in writing, within 90 days of issuance of the actions, that as of the date of the Firm's certification the Firm's WSPs and supervisory systems were reasonably designed to achieve compliance with Regulation SHO.⁵⁷

E. CFTC Action

On August 8, 2023, the CFTC issued an order parallel to the August 8, 2023 disqualifying SEC Order regarding the Firm's failure to supervise the widespread practice of associated persons utilizing methods of communication not captured by Firm systems.⁵⁸ The CFTC found that the Firm violated Section 4g of the Commodity Exchange Act (7 U.S.C. § 6g) and Commission Regulations 1.31, 1.35, and 166.3 (17 C.F.R. §§ 1.31, 1.35, 166.3 (2021)).⁵⁹ The Firm was ordered to cease and desist from violating the cited sections of the Commodity Exchange Act and Commission Regulations, to pay a \$6,000,000 civil penalty, and to comply with various undertakings related to the Firm's preservation of records related to electronic communications.⁶⁰

F. CME Group Actions

On November 17, 2023, the CME Group issued four notices of disciplinary action as part of a joint settlement finding that 1) the Firm's back-office accounting platform failed to maintain records of cleared trades after its settlement platform reached an upper limit of traded contracts due to extremely high trading volume causing the Firm to submit inaccurate large trader position reports to the exchanges, 2) the Firm failed to submit position change data to the clearing house in a timely manner, and 3) the Firm failed to accurately report concurrent long and short positions as open positions and/or accurately report reductions to the positions.⁶¹ The Firm agreed to pay \$175,000 total in fines (\$30,000 to COMEX, \$75,000 to CBOT, \$40,000 to CME, and \$30,000 to NYMEX).⁶²

⁵⁶ *Id.* at FINRA p. 4. The Firm represented that the fine was paid on October 12, 2022. *See* CRD Disclosure Occurrence Composite for Occurrence No. 2231047, attached as Exhibit 24 at p. 2, para. 13. C.

⁵⁷ *See* Exhibit 23 at FINRA p. 4. The Firm completed this undertaking on January 31, 2023. *See* Wedbush Certification Letter dated January 31, 2023, attached as Exhibit 25.

⁵⁸ *See* CFTC Order, *In re Wedbush Securities, Inc.*, CFTC Docket No. 23-37 (Aug. 8, 2023), attached as Exhibit 26. FINRA has determined that this is not a disqualifying event.

⁵⁹ *Id.* at p. 1.

⁶⁰ *Id.* at pp. 7-11. The Firm paid its fine on August 21, 2023. *See* Exhibit 4 at FINRA p. 2 Response 2, p. 35.

⁶¹ *See* CME Group Notices of Disciplinary Actions, File Nos. CBOT 22-1591-BC, CME 22-1591-BC, COMEX 22-1591-BC, NYMEX 22-1591-BC (Nov. 17, 2023), collectively attached as Exhibit 27.

⁶² *Id.* at FINRA pp. 3, 7, 9, 12. The Firm paid its fines to the CME Group on December 4, 2023. *See* Exhibit 4 at FINRA p. 2 Response 3, pp. 39-40.

On February 24, 2023, the CME Group issued a notice of summary action finding that the Firm failed to maintain a complete electronic audit trail for certain dates in September 2021 and February 2023.⁶³ The Firm was ordered to pay a \$1,000 fine.⁶⁴

On August 19, 2022, the CME Group issued a notice of disciplinary action finding that the Firm violated a Chicago Board of Trade (“CBOT”) rule regarding the requirement to maintain and keep current certain books and records.⁶⁵ The Firm agreed to settle the matter with a \$50,000 fine.⁶⁶

G. State Actions

On June 8, 2023, the Firm became subject to an order issued by the Massachusetts Securities Division finding that the Firm failed to ensure that one of its agents was properly registered prior to transacting business in the state.⁶⁷ The Firm was ordered to pay a \$5,000 administrative fine and restitution.⁶⁸

In February and April of 2023, the Firm became subject to two orders issued by the State of Delaware Insurance Department based on the Firm’s failure to notify the Delaware Insurance Commissioner of a FINRA settlement.⁶⁹ In both matters, the Firm was ordered to pay a \$500 fine.⁷⁰

⁶³ See CME Group Notice of Summary Action, File No. CME DQA-23-1118 (Feb. 24, 2023), attached as Exhibit 28.

⁶⁴ *Id.* at p. 2. FINRA staff confirmed that the Firm paid the fine. See CME Group Auto-Debit Invoice for File No. CME DQA-23-1118, attached as Exhibit 29.

⁶⁵ See CME Group Notice of Disciplinary Action, File No. 22-CH-2204 (Aug. 19, 2022), attached as Exhibit 30.

⁶⁶ *Id.* FINRA staff confirmed that the Firm paid the fine. See CME Group Auto-Debit Invoice for File No. 22-CH-2204, attached as Exhibit 31.

⁶⁷ See *In re Wedbush Securities, Inc.*, Docket No. R-2023-0045 (Mass. June 8, 2023), attached as Exhibit 32.

⁶⁸ *Id.* at pp. 5-7. FINRA staff confirmed that the Firm paid the amounts owed. See Proof of payment of restitution made on August 1, 2023, and proof of payment made on June 12, 2023, with redactions by FINRA, collectively attached as Exhibit 33.

⁶⁹ See State of Delaware Department of Insurance Stipulation and Consent Order, Docket No. 5109-2023 (April 5, 2023), attached as Exhibit 34, and State of Delaware Department of Insurance Stipulation and Consent Order Docket No. 5085-2022 (Feb. 22, 2023), attached as Exhibit 35.

⁷⁰ See Exhibit 34 at p. 1 and Exhibit 35 at p. 1. See also Proof of fine payments made to the State of Delaware on March 30, 2023 and February 15, 2023, with redactions by FINRA, collectively attached as Exhibit 36.

H. International Order

In August 2023, Bourse de Montréal Inc. (“Bourse”) issued an order, following a settlement with the Firm, finding that the Firm failed to: establish and maintain controls, policies, and procedures reasonably designed to manage risks associated with providing its clients with electronic access to the trading system of the Bourse; provide adequate documentation evidencing results or explanations on how certain alerts were resolved as part of the management of post-trade monitoring for manipulative or deceptive trading; assess, confirm, and document that its clients continued to meet established standards pursuant to the Rules of the Bourse; file reports detailing gross positions held for two specific accounts when the gross positions exceeded reporting thresholds set by the Bourse; provide a Legal Entity Identifier for a group of accounts as required; aggregate positions held by a corporate client; ensure that information transmitted to the Bourse by a delegated third party was complete and accurate; and establish and maintain a system reasonably designed to achieve compliance with Rules of the Bourse specific to reporting obligations pertaining to the accumulation of positions for derivative instruments.⁷¹ The Firm was ordered to pay a \$300,000 CAD fine.⁷²

I. SEC Actions and Other Statutory Disqualification Matters

In addition to the above, the Firm was also the subject of three recent SEC orders, which also subjected the Firm to statutory disqualification but did not require the filing of a SEA Rule 19h-1 Notice with the Commission.

On September 30, 2019, the SEC issued an Order finding the Firm breached its fiduciary duty and made inadequate disclosures in connection with mutual fund share class selection practices and fees.⁷³ The Firm was found to have willfully violated Section 206(2) of the Investment Advisers Act of 1940.⁷⁴ The Firm self-reported its violations to the Commission pursuant to the SEC Division of Enforcement’s Share Class Selection Disclosure Initiative (“SCSD Initiate”).⁷⁵ The Firm was ordered to cease and desist from committing or causing any violations and any future violations of Section 206(2), censured, and ordered to pay disgorgement and prejudgment interest to affected investors totaling \$1,852,540.97.⁷⁶

⁷¹ See Bourse Disciplinary Committee Decision, *In re Bourse de Montréal Inc. and Wedbush Securities Inc.*, Docket No. EN-DC-21001 (Aug. 25, 2023), attached as Exhibit 37, at pp. 6-7, 11-12.

⁷² *Id.* at p. 15. The Firm represented that it paid the required fine on August 25, 2023. See Form BD Amendment filed September 19, 2023, attached as Exhibit 38, at p. 3, para. 12 C.

⁷³ See SEC Order, *In re Wedbush Securities, Inc.*, Advisers Act Release No. 5386 (Sept. 30, 2019), attached as Exhibit 39.

⁷⁴ *Id.* at pp. 3-4. This order subjects the Firm to a statutory disqualification as defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(D).

⁷⁵ *Id.* at p. 2.

⁷⁶ *Id.* at pp. 5-7. On November 18, 2019, the Firm submitted an affirmation that the sanctions were no

On June 18, 2019, the SEC issued an Order finding that the Firm engaged in improper issue of pre-released American Depositary Receipts (“ADRs”), and failed to maintain adequate procedures and to supervise the Firm’s obligations in connection with pre-release transactions.⁷⁷ The Firm also failed reasonably to supervise, with a view to preventing and detecting violations of the federal securities laws, persons subject to their supervision within the meaning of Section 15(b)(4)(E) of the Exchange Act.⁷⁸ The Firm was ordered to cease and desist from committing or causing any violations and any future violations of Section 17(a)(3) of the Securities Act, censured, ordered to pay disgorgement of \$4,869,072, and ordered to pay a civil monetary penalty of \$2,434,536.⁷⁹

On March 13, 2019, the SEC issued an Order finding the Firm failed reasonably to supervise one of its registered representatives who engaged in manipulative trading activity of penny stocks over multiple years.⁸⁰ The Firm failed reasonably to supervise another, with a view to preventing and detecting that individual’s violations of Sections 17(a)(1) and (3) of the Securities Act, Sections 9(a)(2) and 10(b) of the Exchange Act and Rule 10b-5(a) and (c) thereunder.⁸¹ The Firm was censured and ordered to pay a civil monetary penalty in the amount of \$250,000.⁸²

V. Prior SEA Rule 19h-1 Notices

FINRA previously filed one Rule 19h-1 Notice approving the Firm’s continued membership notwithstanding the existence of its statutory disqualification.

longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership is no longer required under FINRA rules. *See also* [FINRA Regulatory Notice 09-19](#) (June 15, 2009). As such, a 19h-1 Notice was not filed in connection with this matter.

⁷⁷ *See* SEC Order, *In re Wedbush Securities, Inc.*, Exchange Act Release No. 86133 (June 18, 2019), attached as Exhibit 40.

⁷⁸ *Id.* at p. 3. This order subjects the Firm to a statutory disqualification as defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(E).

⁷⁹ *See* Exhibit 40 at p. 9. On August 8, 2019, the Firm submitted an affirmation that the sanctions were no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership is no longer required under FINRA rules. As such, a 19h-1 Notice was not filed in connection with this matter.

⁸⁰ *See* SEC Order, *In re Wedbush Securities, Inc.*, Exchange Act Release No. 85309 (March 13, 2019), attached as Exhibit 41.

⁸¹ *Id.* at p. 6. This order subjects the Firm to a statutory disqualification as that term is defined in Section 3(a)(39)(F) of the Exchange Act, incorporating by reference Section 15(b)(4)(E).

⁸² *See* Exhibit 41 at p. 7. On April 8, 2019, the Firm submitted an affirmation that the sanctions were no longer in effect. Since there are no sanctions in effect for statutory disqualification purposes, an application to continue in membership is no longer required under FINRA rules. As such, a 19h-1 Notice was not filed in connection with this matter.

On December 20, 2023, FINRA filed a Rule 19h-1 Notice approving the Firm's continued membership notwithstanding the existence of its statutory disqualification stemming from a December 15, 2021 SEC order.⁸³ The Commission acknowledged FINRA's Notice on January 18, 2024.⁸⁴

VI. The Firm's Proposed Continued Membership with FINRA and Plan of Heightened Supervision

The Firm seeks to continue its membership with FINRA notwithstanding its status as a disqualified member. The Firm has agreed to the following Plan of Heightened Supervision ("Supervision Plan" or "Plan") as a condition of its continued membership with FINRA:⁸⁵

Wedbush Securities Inc. (the "Firm") is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission ("SEC" or "Commission") dated August 8, 2023, which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder ("SEC Order"). The SEC Order also found that the Firm failed to reasonably supervise its employees within the meaning of Section 15(b)(4)(E).

For the purpose of this Supervision Plan, the term "Digital Communication Channels" means all written electronic methods of communication used to conduct Firm business, including but not limited to, text messaging platforms, whether via SMS messaging, iMessage, or other messaging services such as WhatsApp; direct messaging platforms including X f/k/a Twitter, Instagram, LinkedIn, Slack, or Bloomberg Messaging; non-firm domain email accounts; and any other written electronic business-related correspondence. "Digital Communication Channels" encompass platforms used to exchange messages with internal or external stakeholders using either a personal or Firm-provided device.

For the purpose of this Supervision Plan, the term "Off-Channel Communications" means all business-related written electronic messages sent on Digital Communication Channels that are not captured by Firm surveillance and record-keeping systems.

In consenting to this Supervision Plan, the Firm agrees to the following:

1. The Firm shall comply with all of the undertakings outlined in the SEC Order.
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission

⁸³ See *In re the Continued Membership of Wedbush Securities Inc.*, SD-2314 (FINRA Dec. 20, 2023), without exhibits, and the SEC's Letter of Acknowledgement dated January 18, 2024, collectively attached as Exhibit 42.

⁸⁴ *Id.* at FINRA p. 30.

⁸⁵ See Executed Consent to Plan of Heightened Supervision dated April 5, 2024, attached as Exhibit 43.

staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.

3. The Firm shall provide FINRA's Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified in the SEC Order. The Firm shall maintain copies of all certifications in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
5. Within six months of the SEC's Letter of Acknowledgement in this matter ("LOA"), to the extent that it has not already done so within the past six months, and on at least an annual basis thereafter, for a term of six years from the date of the LOA, the Firm shall conduct training for all associated persons regarding the Digital Communication Channels that the Firm has approved for business communication, along with the Firm's current policies regarding retention of business-related electronic communications. The Firm shall maintain a record of individual completion of said training and a copy of said training materials in a readily accessible place for ease of review by FINRA staff.
6. The Firm shall conduct the training described in item number 5 above for all new hires, within 65 days from the date of commencement of new hire training, for a term of six years from the date of the LOA. The Firm shall retain a record of all new hire training, including a copy of all written training materials, and keep said record(s) in a readily accessible place for ease of review by FINRA staff.
7. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, establish and maintain a written list(s) of all Digital Communication Channels that its associated persons are permitted to use to communicate about Firm business. The list(s) shall be circulated to all of the Firm's associated persons at least on a semi-annual basis, for a term of six years from the date of the LOA. The Firm shall require that all associated persons obtain written approval for use of any Digital Communication Channels to communicate about Firm business that are not already on the approved list(s) maintained by the Firm. The Firm shall maintain a record of all requests and approvals or rejections of each request, including the date of the requests and the Firm's decision. The Firm shall maintain copies of such requests and decisions in a readily accessible place for ease of review by FINRA staff.
8. The Firm shall require all associated persons to disclose on at least a semi-annual basis, for a term of six years from the date of the LOA, any unapproved Digital Communication Channels he/she is using to communicate about Firm business. The

Firm shall retain records of such disclosures in a readily accessible place for ease of review by FINRA staff.

9. Subject to Paragraph 7 above, the Firm shall prohibit associated persons from using Off-Channel Communications.
10. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop a process whereby, in the event that an associated person sends or receives an Off-Channel Communication, the Off-Channel Communication is submitted to the Firm and retained in compliance with relevant securities laws and regulations. For a term of six years from the date of the LOA, the Firm shall maintain a record of all such Off-Channel Communications, including a record of the Firm's receipt of the communication, in a readily accessible place for ease of review by FINRA staff.
11. Within 90 days of the LOA, the Firm shall, to the extent that it has not already done so, develop and maintain written policies and procedures detailing the Firm's processes for disciplining associated persons who use Off-Channel Communications to communicate about Firm business. When the Firm uses the disciplinary process, the Firm shall document each instance. The Firm shall retain records of such written policies and procedures and records of the disciplinary processes and each outcome. The Firm's written policies and procedures concerning these disciplinary processes will be owned by the Firm's Human Resources department.
12. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.
13. The Firm shall obtain written approval from FINRA's Statutory Disqualification Group prior to changing any provision of the Supervision Plan.
14. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.

VII. Discussion

After carefully reviewing the entire record in this matter, FINRA approves the Firm's request to continue its membership with FINRA, subject to the terms and conditions set forth herein. In evaluating the Firm's Application, FINRA assessed whether the Firm has demonstrated that its continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. *See* FINRA By-Laws, Art. III, Sec. 3(d); *cf. Frank Kufrovich*, 55 S.E.C. 616, 624 (2002) (holding that FINRA "may deny an application by a firm for association with a statutorily-disqualified individual if it determines that employment under the proposed plan would not be consistent with the public interest and the protection of investors"). Typically, factors that bear on FINRA's assessment include, among other things, the nature and gravity of the statutorily disqualifying misconduct, the time elapsed since its occurrence, the restrictions imposed, the Firm's regulatory history, and whether there has been any intervening misconduct.

As of the date of this Notice, FINRA has determined that the Firm's continued membership is consistent with the public interest and does not create an unreasonable risk of harm to investors or the markets. While the SEC Order identified serious violations of securities laws, the Firm was not expelled or suspended, nor were any limitations placed on Wedbush's securities activities. Although the SEC Order triggered certain disqualifications from exemptions from registration available under the Securities Act of 1933 ("Securities Act"), specifically Regulations A, D and E of the Securities Act and Regulation Crowdfunding, the SEC granted the Firm a waiver from the application of the disqualification provisions of Rules 262(a)(4)(ii), 506(d)(1)(iv)(B), and 602(c)(3) of the Securities Act and Rule 503(a)(4)(ii) of Regulation Crowdfunding.⁸⁶ Moreover, the full amount of the civil monetary penalty was promptly paid, and the Firm promptly paid the sums owed to the CFTC based on an order with similar findings as the disqualifying one. Additionally, the Firm represented that it is in compliance with the ordered undertakings.⁸⁷

Member Supervision also acknowledges that within the SEC Order the Commission considered the Firm's prompt remedial actions and cooperation with the Commission when determining to accept the Offer of Settlement.⁸⁸ The Department is further reassured by the progress the Firm has made on the undertakings required by the SEC. Specifically, the Firm promptly paid its required fine, hired an independent compliance consultant, and represents that it is in the process of implementing changes at the recommendation of the consultant.⁸⁹

It is well settled that a firm's regulatory history bears upon the assessment of its ability to comply with securities law and regulations. *See In the Matter of the Continued Association of Craig Scott Taddonio with Meyers Associate, L.P.*, SD-2117, slip op. at 24-25 (FINRA NAC Mar. 8, 2017). However, the corrective measures taken by firms to address deficiencies are weighed in determining whether to approve applications. *See In the Matter of the Association of X with the Sponsoring Firm*, SD11007 (FINRA NAC Jan. 1, 2011) (where a firm's corrective actions negated Member Regulation's assertion that the firm failed to appreciate or respect securities rules and regulations). FINRA has also previously approved applications for continued membership where the firms had extensive regulatory history, including disqualifying events. *See In the Matter of the Continued Membership of Deutsche Bank Securities, Inc.*, SD-2190 (FINRA Jan. 14, 2020) and *In the Matter of the Continued Membership of Citigroup Global Markets, Inc.*, SD-2082 (FINRA May 2, 2017) (approving continued membership where the firms had extensive regulatory history, including recent disqualifying events).

In its evaluation of the Firm's Application, FINRA acknowledges the Firm's recent regulatory and disciplinary history, including its additional statutory disqualifying events.

⁸⁶ See Exhibit 3.

⁸⁷ See Exhibit 4 at FINRA pp. 1-2.

⁸⁸ See Exhibit 2 at p. 6.

⁸⁹ See Exhibit 4 at FINRA pp. 1-2.

Member Supervision also notes that, as of the date of this Notice, the Firm has paid all fines and complied with all undertakings ordered by regulators. None of these matters would prevent the continuance of the Firm as a FINRA member. With respect to the Firm's recent examination exceptions, the Firm has demonstrated its commitment to future compliance through changes to its policies and procedures as well as relevant technological changes.

FINRA is further reassured by the controls set in place by the Firm's Supervision Plan which bolster the undertakings outlined in the SEC Order and will continue to provide oversight of the Firm and compliance with its remaining undertakings. In accordance with the Plan, the Firm agreed to conduct annual training for all associated persons, including new hires, regarding the Firm's approved digital communication methods and record retention policies for electronic communications. Further, the Plan calls for the Firm to maintain a list of approved digital communication methods that associated persons are permitted to use for Firm business and to circulate that list to its associated persons semi-annually. The Plan requires the Firm's associated persons to obtain written approval to use digital communication channels not already approved. The Plan prohibits the use of off-channel communications and requires associated persons to semi-annually disclose any unapproved digital communication methods they are using for Firm business; they must also forward any off-channel communications that may have taken place to the Firm for retention purposes. These provisions will help to ensure that the Firm is aware of the communication methods being used by associated persons so that it can appropriately monitor, capture, and retain those communications. Additionally, the Plan mandates that the Firm develop policies and procedures for disciplining associated persons who use unapproved communication methods for Firm business and segregate all certifications, reports, and supporting documentation submitted to the SEC regarding compliance with the undertakings, for ease of review by FINRA staff to ensure ongoing compliance.

Following the approval of the Firm's continued membership in FINRA, FINRA intends to utilize its examination and surveillance processes to monitor the Firm's continued compliance with the standards prescribed by Exchange Act Rule 19h-1 and FINRA Rule 9523.

Thus, FINRA is satisfied, based on the foregoing and on the Firm's representations made pursuant to the Supervision Plan, that the Firm's continued membership in FINRA is consistent with the public interest and does not create an unreasonable risk of harm to the market or investors. Accordingly, FINRA approves Wedbush's Application to continue its membership with FINRA.

FINRA certifies that the Firm meets all qualification requirements and represents that the Firm is registered with several other SROs including BOX; Cboe; C2; BYX; EDGA; EDGX; BZX; IEX; MIAX; MIAX PEARL; Nasdaq; BX; GEMX; ISE; MRX; PHLX; NYSE; NYSE American; NYSE Arca; NYSE Chicago; NYSE National; DTC; NSCC; FICC-GOV; FICC-MBS. The SROs have been provided with the terms and conditions of the Firm's continued membership and concur with FINRA.

In conformity with the provisions of Rule 19h-1 of the Exchange Act, the continued membership of the Firm will become effective within 30 days of the receipt of this notice by the Commission, unless otherwise notified by the SEC.

On Behalf of FINRA,

A handwritten signature in black ink, appearing to read "Marcia E. Asquith".

Marcia E. Asquith
Executive Vice President & Corporate Secretary

Appendix A

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EXHIBITS

SD-2363

1. MC-400A Application and related attachments compiled by CRED, with a cover memorandum dated August 29, 2023.
2. SEC Order, *In re Wedbush Securities Inc.*, Exchange Act Release No. 98074 (Aug. 8, 2023).
3. *In re Certain Broker-Dealer Practices*, Securities Act Release No. 11221 (Aug. 8, 2023).
4. Wedbush response to FINRA discovery demand, dated February 29, 2024.
5. CRD Excerpt: Organization Registration Status.
6. CRD Excerpts: Types of Business and Other Business Descriptions.
7. Disposition Letter for Examination No. 20210693179 dated June 2, 2022, Examination Report dated April 12, 2022, and the Firm's Response dated May 6, 2022.
8. Cautionary Action Letter for Examination No. 20220746869 dated December 12, 2023 and the Firm's Response dated January 16, 2024.
9. Cautionary Action Letter for Examination No. 20220762689 dated September 15, 2023 and the Firm's Response dated October 6, 2023 (without exhibits).
10. Cautionary Action Letter for Examination No. 20190635984 dated August 31, 2023.
11. Cautionary Action Letter for Examination No. 20220740824 dated June 7, 2023.
12. Cautionary Action Letter for Examination No. 20190642860 dated July 6, 2022.
13. SEC Examination Letter for SEC File No. 008-12987 dated November 1, 2022, and the Firm's Responses dated December 13, 2022 and December 23, 2022 (without corresponding exhibits).
14. FINRA AWC Matter No. 2021070332301 (Nov. 15, 2023).
15. Wedbush Certification Letter dated January 12, 2024 (without exhibits) and Form U6.
16. FINRA AWC Matter No. 2019062118301 (Nov. 3, 2022).
17. Wedbush correspondence containing wire details dated November 15, 2022 (with redactions by FINRA).
18. Wedbush Certification Letter dated February 15, 2023.
19. ICE Disciplinary Notice, Case No. 2022-024 (Sept. 20, 2023).
20. CRD Disclosure Occurrence Composite for Occurrence No. 2304150 dated October 20, 2023.

21. FINRA AWC Matter No. 20170544910-01 (Jan. 19, 2023), BYX Disciplinary Decision and Letter of Consent Matter No. 20170544910-02/USRI-9023-06/URE-19-06 (Jan. 5, 2023), BZX Disciplinary Decision and Letter of Consent Matter No. 20170544910-03/USRI-9023-05/URE-19-05 (Jan. 5, 2023), EDGA Disciplinary Decision and Letter of Consent Matter No. 20170544910-04/USRI-9023-08/URE-19-08 (Jan. 5, 2023), EDGX Disciplinary Decision and Letter of Consent Matter No. 20170544910-05/USRI-9023-07/URE-19-07 (Jan. 5, 2023), IEX AWC Matter No. 20170544910-06 (Jan. 18, 2023), BX AWC Matter No. 20170544910-07 (Jan. 19, 2023), PHLX AWC Matter No. 20170544910-08 (Jan. 19, 2023), Nasdaq AWC Matter No. 20170544910-09 (Jan. 19, 2023), NYSE Arca AWC Matter No. 20170544910-10 (Jan. 5, 2023), and NYSE AWC Matter No. 20170544910-11 (Jan. 5, 2023).
22. Wedbush Certification Letter to FINRA dated April 25, 2023 (without exhibits).
23. FINRA AWC Matter No. 2019061872201 (Sept. 27, 2022), NYSE AWC Matter No. 2018059467801 (Sept. 15, 2022), NYSE American AWC Matter No. 2018059467802 (Sept. 15, 2022), NYSE National AWC Matter No. 2018059467803 (Sept. 15, 2022), and NYSE Chicago Order Instituting Proceedings, Accepting Settlement, Making Findings, and Imposing Sanctions for Proceeding No. 2018059467804 (Sept. 27, 2022).
24. CRD Disclosure Occurrence Composite for Occurrence No. 2231047.
25. Wedbush Certification Letter dated January 31, 2023.
26. CFTC Order, *In re Wedbush Securities, Inc.*, CFTC Docket No. 23-37 (Aug. 8, 2023).
27. CME Group Notices of Disciplinary Actions, File Nos. CBOT 22-1591-BC, CME 22-1591-BC, COMEX 22-1591-BC, NYMEX 22-1591-BC (Nov. 17, 2023).
28. CME Group Notice of Summary Action, File No. CME DQA-23-1118 (Feb. 24, 2023).
29. CME Group Auto-Debit Invoice for File No. CME DQA-23-1118.
30. CME Group Notice of Disciplinary Action, File No. 22-CH-2204 (Aug. 19, 2022).
31. CME Group Auto-Debit Invoice for File No. 22-CH-2204.
32. *In re Wedbush Securities, Inc.*, Docket No. R-2023-0045 (Mass. June 8, 2023).
33. Proof of payment of restitution made on August 1, 2023, and proof of payment made on June 12, 2023, with redactions by FINRA.
34. State of Delaware Department of Insurance Stipulation and Consent Order, Docket No. 5109-2023 (April 5, 2023).
35. State of Delaware Department of Insurance Stipulation and Consent Order, Docket No. 5085 2022 (Feb. 22, 2023).
36. Proof of fine payments made to the state of Delaware on March 30, 2023 and February 15, 2023, with redactions by FINRA.

37. Bourse Disciplinary Committee Decision, *In re Bourse de Montréal Inc. and Wedbush Securities Inc.*, Docket No. EN-DC-21001 (Aug. 25, 2023).
38. Form BD Amendment filed September 19, 2023.
39. SEC Order, *In re Wedbush Securities, Inc.*, Advisers Act Release No. 5386 (Sept. 30, 2019).
40. SEC Order, *In re Wedbush Securities, Inc.*, Exchange Act Release No. 86133 (June 18, 2019).
41. SEC Order, *In re Wedbush Securities, Inc.*, Exchange Act Release No. 85309 (March 13, 2019).
42. *In re the Continued Membership of Wedbush Securities Inc.*, SD-2314 (FINRA Dec. 20, 2023), without exhibits, and the SEC's Letter of Acknowledgement dated January 18, 2024.
43. Executed Consent to Plan of Heightened Supervision dated April 5, 2024.

Exhibit A

Plan of Heightened Supervision

Wedbush Securities Inc. (the “Firm”) is subject to statutory disqualification pursuant to Section 3(a)(39)(F) of the Securities Exchange Act of 1934, which incorporates by reference Sections 15(b)(4)(D) & (E), as a result of an order issued by the U.S. Securities and Exchange Commission (“SEC” or “Commission”) dated August 8, 2023, which found that the Firm willfully violated Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4(b)(4) thereunder (“SEC Order”). The SEC Order also found that the Firm failed reasonably to supervise its employees within the meaning of Section 15(b)(4)(E).

In consenting to this Supervision Plan¹ (“Supervision Plan”), the Firm agrees to the following:

1. The Firm shall comply with all the undertakings outlined in the SEC Order.
2. The Firm shall maintain copies of all correspondence between the Firm and Commission staff relating to the SEC Order, including documenting when Commission staff grants extensions to the deadlines set forth in the SEC Order. The Firm shall maintain copies of all such correspondence in a readily accessible place for ease of review by FINRA staff.
3. The Firm shall maintain copies of all reports and supporting documentation submitted to SEC staff in accordance with the SEC Order, as well as any other documentation needed to evidence the status and completion of each of the undertakings outlined in the SEC Order. The Firm shall maintain copies of such documentation in a readily accessible place for ease of review by FINRA staff.
4. The Firm shall provide FINRA’s Statutory Disqualification Group with copies of all certifications submitted to the SEC upon completion of the undertakings as specified under paragraph 37 of the SEC Order.
5. This Supervision Plan shall take effect on the date the Firm executes its consent to this Supervision Plan. The Supervision Plan shall be in effect until FINRA’s receipt of the Firm’s final certifications required by the SEC Order, after which time the Supervision Plan and its provisions thereto will expire.
6. All requested documents and certifications under this Supervision Plan shall be sent directly to FINRA’s Statutory Disqualification Group at SDMailbox@FINRA.org.
7. The Firm shall obtain written approval from FINRA’s Statutory Disqualification Group prior to changing any provision of the Supervision Plan.

¹ This Supervision Plan supersedes the Firm’s previous Supervision Plan executed on April 5, 2024.

Wedbush Securities Inc. (CRD No. 877)

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8. The Firm shall submit any proposed changes or other requested information under this Supervision Plan to FINRA's Statutory Disqualification Group at SDMailbox@FINRA.org.