

CBOE BZX EXCHANGE, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140412617-01

TO: Cboe BZX Exchange, Inc.
c/o Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Wedbush Securities Inc., Respondent
Broker-Dealer
CRD No. 877

Pursuant to Rule 8.3 of the Rules of Cboe BZX Exchange, Inc. ("BZX"), Wedbush Securities Inc. ("Wedbush" or the "firm") 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, BZX will not bring any future actions against the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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 BZX, or to which BZX 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 BZX:

BACKGROUND

Wedbush Securities Inc. is a broker-dealer headquartered in Los Angeles, California. Wedbush registered with FINRA as a broker-dealer in 1955, with the Securities and Exchange Commission in 1966, and as a member of BZX on August 18, 2008.

RELEVANT PRIOR DISCIPLINARY HISTORY

In 2014 and 2015, Wedbush entered into settlement agreements with the United States Securities and Exchange Commission, BZX, FINRA, NASDAQ Stock Market LLC, and NYSE Arca, Inc.¹ In the agreements, Wedbush consented to findings that, among other things, from 2011 through at least 2013 it had violated Section 15(c)(3) of the Securities Exchange Act of 1934, Rule 15c3-5 thereunder, and the rules of the self-regulatory

¹ *Wedbush Securities Inc.*, Exchange Act Rel. No. 73652 (Nov. 20, 2014); Decision Accepting Offer of Settlement, *Dep't of Market Regulation v. Wedbush Securities Inc.*, No. 20110263118-04 (BZX Dec. 1, 2015); Order Accepting Offer of Settlement, *Dep't of Market Regulation v. Wedbush Securities Inc.*, No. 2009020634401 (Dec. 1, 2015); Order Accepting Offer of Settlement, *Dep't of Market Regulation v. Wedbush Securities Inc.*, No. 20110263118-02 (Nasdaq Dec. 1, 2015); and *Dep't of Market Regulation v. Wedbush Securities Inc.*, No. 20110263118-03 (Dec. 1, 2015).

organizations by failing to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to systematically manage the regulatory and other risks of providing market access. In the SEC matter, it consented to findings that it willfully violated Rule 611(c) of Regulation NMS, 17 C.F.R. § 242.611(c), because it allowed sponsored access customers to submit intermarket sweep orders (“ISOs”) without taking reasonable steps to ensure that it satisfied the requirements for sending ISOs. In the Arca matter, Wedbush consented to findings that, among other things, it violated Rule 611(c) and NYSE Arca Equities Rule 7.37(e)(2) by failing to take reasonable steps to avoid its market access customers’ submission of orders that resulted in locked and crossed markets. Wedbush agreed to a total of \$4,247,043.38 in fines as follows:

SEC	\$ 2,447,043.38
NYSE Arca Inc.,	\$566,666
NASDAQ Stock Market, LLC	566,666
BZX	566,666
FINRA	100,002
Total	<u>\$ 4,247,043.38</u>

FACTS AND VIOLATIVE CONDUCT

1. In Matter No. 20140412617, the staff in the Quality of Markets Section of FINRA’s Department of Market Regulation received a referral from BZX and reviewed, among other things, Wedbush’s compliance with respect to BZX Rule 11.20 and related supervision in March 2011 and in September and October 2014.
2. Wedbush failed to implement policies and procedures to reasonably avoid displaying, or engaging in a pattern or practice of displaying, any quotations that locked or crossed a protected quotation, and any manual quotations that locked or crossed a quotation previously disseminated pursuant to an effective national market system plan. The conduct described in this paragraph constitutes a violation of BZX Rule 11.20(b).
3. Wedbush’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations and BZX rules concerning locking or crossing protected quotations. Specifically, with respect to its direct market access clients, the firm’s system did not include written supervisory procedures providing for the following: (1) the identification of the persons responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory steps to be taken by the persons identified as responsible for ensuring compliance with the applicable rules; (3) a statement of the frequency with which such person should take such steps; and (4) a statement as to how the completion of the steps included in the written supervisory procedures should be documented. The conducted described in this paragraph constitutes a violation of

BZX Rules 5.1 and 3.1.

- B. The firm also consents to the imposition of a sanction of a censure and a fine of \$5,000.

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

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

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under BZX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 Appeals Committee of the BZX's Board of Directors and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Regulatory Officer ("CRO"), in connection with the CRO'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.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of BZX Rule 8.16, 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

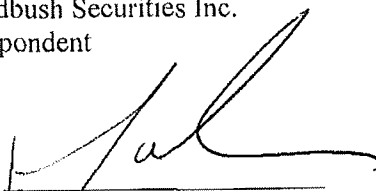
The firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to BZX Rule 8.3;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; 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 BZX or any other regulator against the firm;
 - 2. this AWC will be published on a website maintained by BZX in accordance with BZX Rule 8.18. In addition, this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's disciplinary record; and
 - 3. The firm 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. The firm may not take any position in any proceeding brought by or on behalf of BZX, or to which BZX 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 BZX is not a party.
- D. The firm 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 BZX, nor does it reflect the views of BZX or its staff.

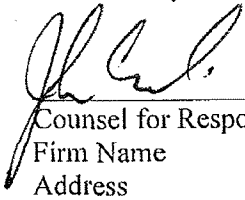
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on the firm's behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, 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.

2-23-18
Date

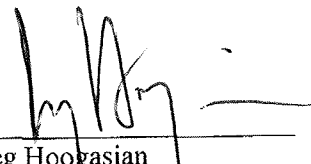
Wedbush Securities Inc.
Respondent

By: 
Name: G. WEDBUSH
Title: EVP

Reviewed by:


Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

3/9/2018
Date


Greg Hoogasian
Senior Vice President & Chief Regulatory Officer
Cboe BZX Exchange, Inc.

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A firm check or bank check for the full amount; or
- Wire transfer.

Respectfully submitted,

2-23-18

Date

Respondent

Wedbush Securities Inc.

By: 

Name: G. WEDBUSH

Title: EVP