

Wedbush Securities Inc.
FCM Disclosure Document
January 3, 2017

The Commodity Futures Trading Commission (“CFTC”) requires each futures commission merchant (“FCM”), including Wedbush Securities Inc. (“Wedbush”), to provide the following information to a customer prior to the time the customer first enters into an account agreement with the FCM or deposits money or securities (funds) with the FCM. Except as otherwise noted the information set out is as of the date listed above. Wedbush will update this information annually and as necessary to take account of any material change to its business operations, financial condition or other factors that the company believes may be material to a customer’s decision to do business with Wedbush. Nonetheless, business activities and financial data are not static and will change throughout any 12-month period.

Wedbush also operates as a broker-dealer registered with the U.S. Securities and Exchange Commission (“SEC”). Information that may be material with respect to Wedbush for purposes of the CFTC’s disclosure requirements may not be material for purposes of applicable securities laws and vice versa.

Wedbush Securities, Inc. – Corporate Headquarters

1000 Wilshire Blvd
Los Angeles, CA 90017
213-688-8000

Wedbush Futures Division – Principal Place of Business

141 West Jackson Blvd. Suite 1710A
Chicago, IL 60604

Telephone Number 312-786-1930
FAX Number 312-786-0189
Email FuturesInfo@Wedbush.com

Principals of the Firm

- **William N. Goodwin**

Senior Advisor
141 West Jackson Blvd. Suite 1710A
Chicago, IL 60604

Business Background

Having co-founded Crossland Trading, a predecessor company to Wedbush Futures, Mr. Goodwin now serves as a Senior Advisor to the company.

Mr. Goodwin has over forty years of experience in the futures industry, both as a floor trader and as an owner and manager of Crossland Trading, which was purchased by Wedbush Securities in 2014. This experience gives Mr. Goodwin not only an extensive knowledge of what it takes to run a successful clearing firm, but also gives him a keen understanding as to what our trading customers need and want in terms of service and products.

Mr. Goodwin has been a full member of the Chicago Board of Trade since 1976, and is a former member of the Chicago Board Options Exchange. He graduated from Bradley University with a Bachelor's of Science degree in 1973.

- **Kim Swahlstedt**

Senior Advisor
141 West Jackson Blvd. Suite 1710A
Chicago, IL 60604

Business Background

Mr. Swahlstedt is a co-founder of Crossland Trading, a predecessor company to Wedbush Futures, and now serves as a Senior Advisor to the company.

Mr. Swahlstedt has been in the futures industry for over 35 years, trading on the Chicago Board of Trade floor since 1980 and founding Crossland in 1984. He has traded both financial and agricultural products, and has served as a Pit Committee Member. Mr. Swahlstedt is also a former member of the Chicago Board Option Exchange. Since the sale of Crossland to Wedbush in 2014, Mr. Swahlstedt has served as a Senior Vice President and Senior Advisor for Wedbush Futures. His experience as a trader and in running Crossland gives him keen dual insight into the management of our company, as well as the needs of our trading customers.

Mr. Swahlstedt is a 1974 graduate of Bradley University, with a Bachelor's of Science degree in Mechanical Engineering. He worked as an engineer with Central Illinois Light Co., and was a Registered Professional Engineer with the State of Illinois until 1985.

- **Bob Fitzsimmons**

Managing Director
141 West Jackson Blvd. Suite 1710A
Chicago, IL 60604

Business Background

Mr. Fitzsimmons has over 30 years of experience in the financial industry. Mr. Fitzsimmons was a broker in the 30 year bond options pit on the floor of the CBOT from 1986 until 1990. In 1990 Mr. Fitzsimmons was hired to start and run Nomura Securities International's Futures Commission Merchant. During that time period, he was a full member of the CBOT and a CME member. He ran that business until 1999 when he was asked by NASDAQ to spearhead an effort for Nasdaq to enter the derivatives business. Mr. Fitzsimmons formed a joint venture between NASDAQ and the Liffe Exchange. Mr. Fitzsimmons was part of the senior leadership from 1999 until December of 2005. After taking some time off, Mr. Fitzsimmons took the position of CEO of RedSky Derivatives. RedSky was a low- latency, multi- asset class broker dealer and FCM. ITG purchased RedSky in 2007 and Mr. Fitzsimmons went on to run ITG Derivatives as CEO until 2011.

Mr. Fitzsimmons then went to run Optionshop LLC which was a startup that focused on retail, futures options. After Optionshop, in 2013 Mr. Fitzsimmons created Coveney Trading LLC. Coveney was a small proprietary trading firm. But in addition to trading, Mr. Fitzsimmons consulted for various firms. Mr. Fitzsimmons joined Wedbush in December of 2016 to run the FCM.

- **M. Patricia (Patti) Kane**

Senior Vice President, Chief Financial Officer and Chief Compliance Officer (Futures Division)
141 West Jackson Blvd. Suite 1710A
Chicago, IL 60604

Business Background

Ms. Kane is the Chief Financial Officer of Wedbush Futures. She manages finance, treasury and clearing operations of the FCM. She sits on the Futures Division Executive Committee as well as the FCM Credit and Risk Committee.

Ms. Kane has over 30 years' experience in management and strategic leadership of various financial services and technology companies. Specializing in finance and operations, Ms. Kane previously managed accounting, clearing, IT and treasury operations for Broker Dealers and FCM's on a global basis with emphasis placed on innovation and efficiencies. She is a Full member of the Chicago Board of Trade, a member of the Board of Trustees for Spring Hill College and remains active in the community.

- **Joseph M Signorelli**

Managing Director
141 West Jackson Blvd. Suite 1710A
Chicago, IL 60604

Business Background

Mr. Signorelli is the Head of Wedbush Futures, a Managing Director of Wedbush Securities Inc. and is on the Board of Directors at Lime Brokerage, LLC which is wholly owned by Wedbush Inc. Mr. Signorelli sits on the FCM's Credit and Risk Committee and is the Chairman of the Futures Division's Executive Committee.

Mr. Signorelli has 30 years of experience in the industry and has served as Managing Director of Wedbush Securities Inc. and its subsidiary Lime Brokerage, LLC since 2011 when Lime Brokerage purchased the assets

of Cactus Trading Systems, LLC where Mr. Signorelli was the CEO and Co-Founder. From 2002 to 2008, Mr. Signorelli was a Managing Director at TD Securities, Quantitative Trading Division. Mr. Signorelli was a member of the Chicago Board Options and the Midwest Stock Exchange, currently known as the Chicago Stock Exchange. Mr. Signorelli currently holds his Series 4 and Series 7 licenses. He also sits on the Board of Directors of the Good Neighbors of Lincoln Way Non-For Profit Foundation.

- **Thomas P. Anderson**

Senior Vice President and Head of Sales
141 West Jackson Blvd. Suite 1710A
Chicago, IL 60604

Business Background

Mr. Anderson is Head of Sales of Wedbush Futures. Mr. Anderson is a 35-year veteran of the listed exchange derivatives business specializing in the development and clearing of professional traders in futures, equities and equity options. He sits on both the company's Credit and Risk Committee and the Futures Division's Executive Committee.

Previously Mr. Anderson was Chief Commercial Officer of ABN AMRO Clearing Chicago (AACC), beginning in 2007. Mr. Anderson was responsible for all customer revenue generated at AACC and was a part of senior management. Previous to AACC Mr. Anderson has held management, brokerage and sales positions at ABN AMRO Inc., Daiwa Securities America and O'Connor and Company. Mr. Anderson holds Series 3, 7, 24, and 63 licenses. He has recently served on the NYSE Arca Equities, Inc. Board and the Chicago Police Foundation Board.

Mr. Anderson is a native Chicagoan, who loves the City and the financial industry the city supports. He has eight children and three grandchildren. Mr. Anderson is an avid boater and rugby enthusiast. He enjoys cooking, reading and biking the beautiful Chicago lakefront.

- **James F. Kearney III**

Chief Risk Officer
141 West Jackson Blvd. Suite 1710A
Chicago, IL 60604

Business Background

Mr. Kearney is the Chief Risk Officer of Wedbush Securities Inc. He leads the Risk and Credit Team and is the Chairman of the Credit and Risk Committee. Mr. Kearney is also a member of the FCM Executive Management Committee. In his capacity as Chief Risk Officer, Mr. Kearney has team members in Los Angeles, Chicago and New York.

Mr. Kearney has 30 years of experience in the financial industry. Mr. Kearney has been a member of the Chicago Board of Trade since 1990. He joined Wedbush Securities Inc. in 2014 as Senior Vice President of Risk Management and was appointed Chief Risk Officer in June of 2015. Mr. Kearney graduated from the University Of Iowa College Of Business with a Finance degree. He currently holds his Series 3, 7 and 63 securities licenses.

- **John D Streich**

Special Advisor
147 Keystone Pkwy, Ste 109
Platteville, WI 53818

Business Background

Mr. Streich is a Special Advisor to Wedbush Futures. Drawing from over 30 years of experience, Mr. Streich offers a supporting role to the Wedbush Executive Team, assisting and advising in various aspects of the futures industry.

Mr. Streich began his career in the futures industry starting as a runner, broker and floor trader at the Chicago Board of Trade. He later founded an agricultural hedging firm and one of the first online trading brokerages. Additionally, Mr. Streich developed a systematic trading program which became a hedge fund. The conglomerate of successful businesses grew to become a FCM, which was featured in Futures Magazine Top 50 Broker list. Mr. Streich also served three terms on the National Futures Association Board of Directors, and was appointed to the NFA Appeals Committee for final dispute resolution. He also was a full member of the Chicago Board of Trade.

Mr. Streich has served on several community organizations including Chairman of the Board for Southwest Health Center and Chairman of the Platteville Airport Commission. He is an IFR rated pilot and is also an avid runner and skier. He enjoys spending time with his wife and three daughters.

- **Richard Jablonski**

Executive Vice President and Head of Treasury and Chief Financial Officer
1000 Wilshire Blvd
Los Angeles, CA 90017

Business Background

Mr. Jablonski is Executive Vice President of Treasury and is a member of the Wedbush Executive Management Committee. In this capacity, he oversees the firm's securities lending / borrow, prime brokerage and cash management groups. Additionally, he is the Chief Executive Officer of Lime Brokerage and sits on Lime Brokerage's Board of Directors. Mr. Jablonski has over 20 years of financial experience. He began his career at Wedbush in October 2012 as Senior Vice President, Correspondent Services.

Mr. Jablonski graduated from the University of Rhode Island with a Bachelor of Science in Business Administration with High Distinction. He currently holds his CPA as well as Series 4, 7, 24, 27 and 63 licenses.

- **Vincent Moy**

Co-Chief Compliance Officer (Wedbush Securities, Inc)
1000 Wilshire Blvd
Los Angeles, CA 90017

Business Background

Mr. Moy is Senior Vice President, Co-Chief Compliance Officer, and Business Conduct ("Compliance") Manager of Wedbush Securities Inc. He joined Wedbush in September 1995 and has over 22 years of experience in the securities industry including in the Credit area and in Equity Research as Supervisory Analyst and managing research operations. Mr. Moy received his Bachelor of Arts in Economics and a Master of Business Administration at the University of Southern California. Prior to Wedbush he was at T. Rowe Price as Investor Representative.

- **Terry Scott**

Compliance Officer (Futures Division)
141 W Jackson Blvd, Suite 1710A
Chicago, IL 60604

Business Background

Mr. Scott is a compliance officer for Wedbush Futures. He sits on the FCM's Credit and Risk, Compliance, Operations, and Trade Surveillance committees.

Mr. Scott has over 35 years' experience in the futures and securities industry, having joined Wedbush in April 2016. Prior to joining Wedbush Mr. Scott worked at such firms as Citicorp, ABN AMRO, and UBS, in various management, administrative, and compliance roles. Most recently he served as COO and CCO of Uhlmann Price Securities, a FINRA registered broker/dealer. Mr. Scott is a graduate of the School of Fine Arts at the

University of Arizona. He is a former member of the Chicago Board of Trade, and holds Series 3, 4, 7, 9, 10, 23, 30, 34, and 63 licenses.

- **Eric Segall**

Co-Chief Compliance Officer (Wedbush Securities, Inc)
1000 Wilshire Blvd
Los Angeles, CA 90017

Business Background

Mr. Segall is Senior Vice President and Co-Chief Compliance Officer of Wedbush Securities Inc. He joined Wedbush in October 2007 and has 35 years of experience in the securities industry. He attended California State University, Northridge and obtained his J.D. from the University of La Verne College of Law in 1994. Prior to Wedbush he held positions as Vice President and Trading Manager at Pacific Brokerage Services, Vice President and Director of Operations at Dreyfus Brokerage Services and COO, CCO and CFO at Magna Securities and American Home Securities. He also previously maintained his own law practice in Wills, Trusts and Estates.

- **James Zellinger**

Senior Vice President
141 W Jackson Blvd, Suite 1710A
Chicago, IL 60604

Business Background

Mr. Zellinger has worked in the futures industry since 1964 managing clearing and settlement operations while holding various ownership and executive positions. Mr. Zellinger maintains significant experience in the commodity futures industry which includes running the Globex operations from inception to 1994, teaching market operations seminars internationally, and implementing new products / exchanges and associated technologies for markets both international and domestic. An active member of the Chicago Board of Trade, Mr. Zellinger has served on several exchange committees including the Business Conduct Committee, the Operations Committee and the Clearing Committee.

- **Birju Patel**

Compliance Officer (Futures Division)
141 W Jackson Blvd, Suite 1710A
Chicago, IL 60604

Business Background

Mr. Patel is a Compliance Officer for Wedbush Futures. He sits on the FCM's Compliance, Operations, and Trade Surveillance committees. In addition to being a Compliance Officer, Mr. Patel serves as the firm's co-Anti-Money Laundering Officer ("AMLCO"). Mr. Patel has 10 years' experience in the futures and securities industry, having joined Wedbush in August 2016. Prior to joining Wedbush, Birju work experience includes working on both sides of the industry; he was a Regulatory Compliance examiner with the National Futures Association ("NFA") and FINRA and at such firms as Alaron Trading, optionsXpress, Inc (now Charles Schwab) in Compliance roles. Most recently he was a Senior Auditor at RSM US, LLP within their Financial Services Group. Mr. Patel holds a BBA in Finance and MBA in International Business.

Business Activities

Wedbush Securities Inc.

Wedbush Securities is the largest holding of parent company WEDBUSH, Inc. The combined strength and resources of WEDBUSH, Inc.'s subsidiaries provides a full line of banking and investment services for individual, institution or issuing clients.

Wedbush provides innovative financial solutions through our Private Client Services, Capital Markets, Clearing & Execution and Futures divisions. Wedbush limits proprietary futures trading to hedging the firm's interest rate exposure; there is no speculative proprietary futures trading.

Wedbush's Designated Self-Regulatory Organizations ("DSRO") are the following:

Broker Dealer - Financial Industry Regulatory Authority ("FINRA"), www.finra.org

FCM – The CME Group, www.cmegroup.com

Asset and Capital Usage

In general, Wedbush Securities Inc.'s capital and assets are dedicated to all of the Broker-Dealer and Futures Commission Merchant activities since it is all part of one entity. As of June 2016, Wedbush has further allocated the estimated \$100 Million of excess capital as follows, 15% to the Private Wealth Division, 8% to Capital Markets Division, 19% to the Correspondent Services Division, 10% to the Prime Brokerage Division, and 19% to the Futures Division. Please note that this is subject to change at any time and may fluctuate as customer activity and market conditions require.

Futures & Commodities

The Futures Division is engaged in the business of execution and clearing for exchange traded commodity futures and options.

The business is broken down into three categories:

1. Professional Traders
2. Wholesale (Introducing Brokers, CTA's, Foreign Brokers, Omnibus Accounts... etc.)
3. Retail Customers

Carrying Brokers Used:

BMO Capital Markets
CIBC World Markets Inc.
Phillip Futures PTE LTD
Nissan Century Securities Co Ltd.
GH Financials Ltd

Wedbush customers are both foreign and domestic and trade on the following markets:

* Represents Self-Clearing Member

** Represents Non-Clearing Member

- Chicago Board of Trade *
- Chicago Mercantile Exchange *
- COMEX *
- ICE – US*
- ICE Canada
- Minneapolis Grain Exchange *
- New York Mercantile Exchange *
- NYSE Liffe **
- EUREX **
- Euronext Amsterdam **
- Euronext Paris **
- LFOX
- ICE – Europe*
- London Metals Exchange

- SIMEX
- TSE
- Sydney Futures Exchange
- Montreal Exchange

Wedbush's current Credit Policy for firm Counterparties are as follows:

- To obtain and utilize the services of Carrying Brokers who are well capitalized and in good standing with the exchanges for which they provide services to Wedbush. Such firms shall be capable of and deliver superior customer service to Wedbush.
- To obtain and utilize services of Banks that is well capitalized and approved by the Chicago Mercantile Exchange as settlement banks.
 - Wedbush reserves the right to utilize other banking relationships on a case-by-case basis. All such banks shall be approved by the Wedbush Steering Committee.

Wedbush Securities, Inc. - Creditworthiness and Leverage

As of September 30, 2016, Wedbush maintains equity capital of approximately \$250 Million and no long term debt.

Proprietary and Affiliate Activities

WEDBUSH, Inc., the parent company of Wedbush Securities, Inc. is a global financial services firm that, through its holdings, provides private and institutional brokerage, investment banking, research, securities trading technologies, private capital, commercial banking, and asset management services. Below please find reference to the Wedbush Securities, Inc. audited financial statements, which notes affiliated activities. Wedbush Securities, Inc. does maintain proprietary trading accounts.

Investments

Wedbush maintains customer segregated and secured 30.7 funds in accounts designated as such. All customer related accounts maintain acknowledgement from the depository that the funds are segregated or secured in accordance with CFTC Regulations. It is Wedbush's policy to insure all depositories maintain such acknowledgements prior to funds being deposited.

Wedbush's current Investment Policy for Futures Segregated and Secured Funds are to invest in vehicles approved by its DSRO, the Chicago Mercantile Exchange. All investments maintain a weighted average maturity of less than 24 months. These investments include:

- Approved Money Markets
- Short term U.S. Treasuries
- Cash
- Foreign Currency – Major Currencies only – to accommodate foreign currency expenses, etc.

On the Broker-Dealer side of the business, The Company segregates cash, certificates of deposit, short-term investments purchased under an agreement to resell, and securities owned according to the regulatory standards of 15c3-3 of the Securities and Exchange Act of 1934. These assets are held in segregated accounts exclusively for the benefit of clients. Cash is held in money market deposit accounts at banks. Short-term investments are purchased under agreements to resell and are carried at the amounts at which the securities will subsequently be resold, as specified in the related agreements and consist of U.S. treasuries and securities guaranteed by the U.S. government. Securities segregated consist of securities guaranteed by the U.S. government.

Important Risk Disclosures

See our website (www.wedbush.com/regulatorydisclosures) for important disclosures regarding risk and conflicts of interest, please read them carefully.

- [Risk Disclosure Document](#)
- [Conflict of Interest Disclosure](#)

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS. TRADING COMMODITY FUTURES AND OPTIONS IS SPECULATIVE AND INCLUDES LEVERAGED TRANSACTIONS. TRADING COMMODITY FUTURES AND OPTIONS INVOLVES RISK OF LOSS (WHICH MAY INCLUDE MORE THAN YOUR INITIAL INVESTMENT), AND IS NOT SUITABLE FOR ALL INVESTORS

In the event of insolvency of Wedbush or the insolvency of a foreign broker or foreign depository that is holding customer funds, customer funds in foreign jurisdictions may be subject to a different bankruptcy regime and legal system than if funds were held in the U.S. A customer is also subject to fellow customer risk in foreign jurisdictions and that, for purposes of bankruptcy protection, a customer that trades in only one country or in one market is also exposed to fellow customer risk from losses that may be incurred in other countries and other markets.

Outstanding Litigation

1.55(k)(7) Any material administrative, civil, enforcement or criminal complaints or actions filed against FCM where such complaints or actions have not concluded, and any enforcement complaints or actions filed against FCM during the last three years.

- Wedbush Securities Inc. – Find actions at <http://www.finra.org>. This link will take you to the FINRA homepage. At this page, there is a box on the right-side where you can enter “Wedbush Securities Inc.” and click “Firm” and then click on the first option. You will be transferred to FINRA’s information specific to Wedbush Securities Inc. Click on “Get Detailed Report” and scroll down the report to the section entitled “Disclosure Events” (the page # is listed on the first page of this report) for the full list of regulatory, criminal and judicial proceedings. Additional actions can be found at <http://www.nfa.futures.org/basicnet/welcome.aspx>. This link will take you to the Welcome Page of the NFA’s Background Affiliation Status Information Center (“BASIC”). At this page, there is a box where you can enter the NFA ID of Wedbush Securities Inc. (86156) and then click “Go”. You will be transferred to the NFA’s information specific to Wedbush Securities Inc. Under the heading “Regulatory Actions”, click “details” and you will be directed to the full list of regulatory actions brought by the CFTC and exchanges. Also see the following link for additional information: https://www.wedbush.com/sites/default/files/WS_%20Fincond_2016-06-30.pdf

- Wedbush Securities Inc. – Potentially material actions that have not been concluded and are not noted above:

Chart Trading Development LLC v. Trade Station Group, Inc., et al. in the U.S. District Court for the Eastern Division of Texas, Tyler Division, Case No. 6:15-CV-1136-JDL.

Customer Complaints

Contact the Compliance Department at 312-786-1930 or email: futurescompliance@wedbush.com

A customer that wishes to file a complaint about Wedbush or one of its employees with the Commission can contact the Division of Enforcement either electronically at <http://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm> or by calling the Division of Enforcement toll-free at 866-FON-CFTC (866-366-2382).

A customer that wishes to file a complaint about Wedbush or one of its employees with the CME can contact CME either electronically at <http://www.cmegroup.com/market-regulation/file-complaint.html> or by calling CME directly at 312-341-7970.

Financial Data

a/o November 30, 2016

- Wedbush proprietary margin requirements as a percentage of total margin.

- Smallest number of customers = 50% of Seg Funds = 2 (This is estimated as Wedbush has been an active FCM since July 1st, 2014)
- Smallest number of customer = 50% of Secured Funds = 3 (This is estimated as Wedbush has been an active FCM since July 1st, 2014)
- Aggregate notional value by asset class of all non-hedged, principal OTC transactions the firm has entered in to is zero, there are no non-hedge principal OTC positions.
- Wedbush has no committed unsecured lines of credit or similar short-term funding
- Wedbush does not provide financing for customer transactions involving illiquid financial products.
- Wedbush has not written-off any Futures Division customer receivables determined as uncollectable, therefore 0% as a percentage of customer funds.

Proprietary Margin Requirements as a percentage of the aggregate margin for:

- Futures Customers .000552725%
- Cleared Swaps Customers: N/A
- 30.7 Customers N/A

The following additional financial data may be found on the Wedbush website:

<http://www.wedbush.com/aboutus/financialStatements>

Daily Segregation Statements – Rolling 12 months
 Daily Statement of Secured Funds – Rolling 12 months
 Monthly Focus
 Annual Audit, including Segregation and Secured Statements
 Monthly
 Tentative Net Capital
 Net Capital
 Excess Net Capital

Please note the following balances as of November 30, 2016 (rounded value represented)

Tentative Net Capital	\$173,000,000
Net Capital	\$160,000,000
Excess Net Capital	\$123,000,000

Further information as to how Wedbush Securities, Inc. invests and holds customer funds can be found on the NFA website.

<http://www.nfa.futures.org/NFA-investor-information/fcm-financial-information.HTML>

<http://www.nfa.futures.org/basicnet/welcome.aspx>

Further information regarding FCM financial information can be found on the CFTC website,

<http://www.cftc.gov/MarketReports/financialcmdata/index.htm>

Risk Practices, Controls and Procedures

The risk management policies and procedures of Wedbush are designed to identify, measure, and manage risks associated with the operations of the FCM. The following is intended to summarize risk management policies and procedures of Wedbush as they relate to the futures and options on futures trading activities of customers and affiliated entities.

Margin Requirement

Margin deposits are good faith deposit posted by each client to collateralize their obligation to the Company under open futures and options on futures positions. Generally, all futures clients are required to pre-fund their accounts

with adequate margin to collateralize the risk associated with such clients' positions prior to establishing such positions. Margin requirements established by the Company may not be less than those mandated by the relevant exchange and/or clearinghouse and in certain circumstances such margin requirements may be increased above the exchange minimums at the sole discretion of the Company. The Risk Management Department of Wedbush monitors margin levels and compliance with funding requirements throughout all trading hours. Margin calls are issued daily and in certain circumstances intra-day. Under-margined accounts that fail to meet a margin call may be subject to a reduction of open positions or immediate liquidation.

New Accounts

Prior to opening of a futures account, the clients must complete relevant new account documents, which include certain information about the client. Such documents may include, without limitation:

- The Futures Division Customer Agreement
- CFTC Regulation 1.55 Risk Disclosure Statement
- Consent to Jurisdiction
- Electronic Trading Disclosure Form
- Identity Verification Document/Corporate Documents
- Financial Information

Additionally, a potential client must disclose certain information about his financial status, yearly income, and trading experience. Wedbush reserves the right to decline accounts that do not meet our standards for credit worthiness, financial resources, and/or trading experience.

Trading Limits

Pursuant to CFTC Regulation 1.73(a)(1) and (2) et al, each electronic trading system must maintain pre-execution credit and risk control features. Such features must allow Wedbush Risk Management personnel to set and maintain the following:

- Maximum order size
- Maximum theoretical position limits, or
- buying power/margin

The Wedbush Risk Management Department sets credit limits and risk controls for each electronic trader prior to enabling such trader's access to The Wedbush Futures Electronic Access Point. Determinations regarding the level of maximum order size, maximum position limit, and maximum dollar loss are set based on the review of relevant information for the client. Factors affecting risk management decisions in this area may include:

- Amount of funds on deposit
- Contemplated activity
- Trading experience
- Creditworthiness – as determined by the criteria set forth herein
- External market condition
- Client's historical activity with Wedbush

As part of its risk management program, Wedbush utilizes risk management tools provided by futures exchanges and/or futures clearing houses to the extent that such tools are available. Such tools shall be utilized in conjunction with other relevant tools and procedures as set forth herein.

Post Execution Risk Management

The Risk Management Department maintains ongoing post-execution surveillance of the trading activity in the accounts. Trading activity is captured by our risk management systems on a virtual real-time basis. Our post-execution surveillance contains, but is not limited to, the following:

a. Stress Testing

Pursuant to CFTC Regulation 1.73(a)(4), it is the policy of Wedbush to stress-test all futures client positions. Such stress-testing shall be conducted daily. Further, the Risk Management Department may stress-test futures positions held by clients and affiliates at more frequent intervals. Stress-testing shall include, but is not limited to, the following types of risk:

- Adverse price movement
- Adverse changes in volatility

b. Estimation of Liquidation Costs

Pursuant to CFTC Regulation 1.73(a)(7), Wedbush Risk Management Department evaluates periodically the ability to liquidate positions in an orderly manner. Further, the costs of such liquidation are also evaluated. The evaluation may include, but is not limited to:

- A review of positions and stress-testing of positions
- A review of internal calculation of “max risk” reports designed to estimate the effect of extreme movements on the value of open positions and subsequent account value.