

WEBBUSH RESPONSE TO FINRA COMPLAINT REGARDING MARKET ACCESS

August 19, 2014 – The Financial Industry Regulatory Authority (“FINRA”), through its Department of Market Regulation and Department of Enforcement, filed a complaint against Wedbush Securities alleging deficiencies in its policies, procedures and controls related to its market access operations from January 2008 until August 2013. Wedbush Securities respectfully disagrees with the assertions in FINRA’s complaint.

The firm believes that its risk management controls and supervisory procedures in the area of market access were reasonably designed to achieve compliance with evolving regulatory requirements, and that they were consistent with the rules and guidance provided by FINRA. As this case demonstrates, regulatory guidance on the market access rule continues to evolve. In fact, the most notable guidance issued by the Securities and Exchange Commission (“SEC”) in this area, entitled [Responses to Frequently Asked Questions Concerning Risk Management Controls for Brokers or Dealers with Market Access](#), was not issued until April 15, 2014. Wedbush continues to monitor for changes to the rule and actively modifies its procedures as appropriate.

Wedbush Securities discussed its processes and controls with multiple regulators before the market access rule became effective and implemented regulatory recommendations when offered. More specifically, in 2011, the firm discussed its processes and controls with SEC staff and promptly implemented the SEC staff’s recommendations at the time. The firm also proactively contributed to the process through a constructive comment letter to the SEC in March 2010, and the SEC favorably cited the firm’s comments several times when it adopted its market access rule in November 2010. In several respects, however, regulators, including FINRA and the SEC, now seek to impose additional regulatory requirements retroactively through enforcement proceedings without giving fair notice of their expectations in advance. Wedbush Securities believes this approach is unfair and fails to serve the goals of securities regulation.

This dispute largely arises from trading activity by certain correspondent firms and clients that held market access accounts through Wedbush Securities’ Advanced Clearing Services business. Wedbush Securities terminated many of these accounts nearly two years ago. To our knowledge, the trading activity at issue did not result in any losses to any other market participants, to Wedbush Securities or to its clients. FINRA’s allegations are wholly unrelated to the firm’s Capital Markets and Private Client groups and have no bearing on client financial safety.

Wedbush Securities stands behind its compliance and risk management record in its sponsored and direct market access business, and has a strong record of supporting clear and effective regulation in this area.

#

About Wedbush Securities

Founded in 1955, Wedbush Securities is a leading financial firm that provides brokerage, clearing, investment banking, equity research, public finance, fixed income sales and trading, and asset management to individual, institutional and issuing clients. Headquartered in Los Angeles, with over 100 registered offices, the firm focuses on relentless service, client financial safety, continuity and advanced technology.