

# WEDBUSH SECURITIES INC. CUSTOMER RELATIONSHIP SUMMARY FORM CRS

## **Item 1 – Introduction**

Wedbush Securities Inc. (“Wedbush”) is a full-service broker-dealer and investment adviser registered with the Securities and Exchange Commission (the “SEC”), and the Financial Industry Regulatory Authority (“FINRA”), as well as a member of the Securities Investor Protection Corporation (“SIPC”). We offer broker-dealer and investment advisory services and the fees we charge for them, differ, and it is important for you to understand these differences. ***There are free and simple tools to research firms and financial professionals at [www.investor.gov/CRS](http://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.***

## **Item 2 – Relationship and Services: What Investment Services and Advice Can You Provide Me?** **Broker-Dealer Services**

As a broker-dealer, our services include: making recommendations for you to buy, sell, or hold securities and holding your securities for safekeeping (known as having “custody” of your securities). We offer both taxable and retirement brokerage accounts. In addition, our brokerage accounts offer the option to hold cash in either money market funds or a bank account insured by the FDIC (a “cash sweep vehicle”). More information about our broker-dealer services is available in our *Regulation Best Interest Disclosure* document.

**Account Monitoring:** We do not provide ongoing account monitoring in your brokerage account; however, we may voluntarily review your account holdings for the purpose of making a buy, sell, or hold recommendation. In addition, your financial professional may use a number of electronic tools to aid in their periodic review.

**Investment Authority:** We do not have discretionary investment authority on any retail brokerage account, which means that we cannot buy or sell investments in your account without first obtaining your consent. We may recommend investments to you, but you are responsible for making the decision whether to buy or sell investments.

**Limits on Investment Offerings:** We offer a wide range of investment products, including both affiliated products that are managed by Wedbush, and unaffiliated investment products that are managed by independent third parties; however, our offerings may be subject to limitations. Not all of our financial professionals can offer the full range of broker-dealer investments and services we offer.

In addition, as a result of a settlement agreement with the SEC, the Firm’s ability to participate in certain unregistered offerings of securities is limited.

### **Account Minimums and Other Requirements:**

We do not have any minimum account requirements for our brokerage accounts, but some of the investments you can purchase from us have minimum investment requirements. There is an inactivity fee which can be charged to non-qualified accounts when there is no investment activity in the account for an extended period of time.

### **Investment Advisory Services**

As an investment adviser, we provide investment advice and portfolio management services to you on a discretionary and non-discretionary basis for a fee.

**Account Monitoring:** Your investment advisory accounts will be monitored on an ongoing basis by your financial professional as part of our advisory services. The frequency and limitations of this account monitoring depend on the

## CONVERSATION STARTER – ASK YOUR FINANCIAL PROFESSIONAL

- *Given my financial situation, should I choose an investment advisory service? Should I choose a brokerage service? Should I choose both types of services? Why or why not?*
- *How will you choose investments to recommend to me?*
- *What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean?*

advisory program that you select and on your financial needs. We do not monitor any other accounts (besides your advisory account) as part of our advisory services.

**Investment Authority:** Wedbush offers investment advice and portfolio management services to retail investors on a discretionary and non-discretionary basis. You can grant us the authority to buy or sell securities in your account (consistent with your investment objectives and subject to any restrictions on authority to which we agree) without asking for your consent in advance (also known as discretion), or you may choose an arrangement in which we provide you with investment advice and you decide whether or not to accept or reject the advice

**Limits on Investment Offerings:** We offer a wide range of investments; however, our offerings may be subject to limitations. Not all of our financial professionals can offer the full range of broker-dealer investments and services we offer. In addition, as a result of a settlement agreement with the SEC, the Firm's ability to participate in certain unregistered offerings of securities is limited.

**Account Minimums and Other Requirements:** Account minimums for our advisory programs vary. Currently, our advisory program minimum requirements range from \$10,000 to \$100,000 in assets.

### **Additional Resources**

Additional details on the broker-dealer services we offer, including the fees and costs associated with your brokerage account, can be found on our *Regulation Best Interest Disclosure* document. For more information on our investment advisory services, and the fees associated with your advisory account, please refer to our Firm's Form ADV Part 2A Disclosure Brochure (including Items 4 and 7) and Form ADV Part 2A Appendix 1 (Items 4A and 5).

## **Item 3 – Fees, Costs, Conflicts and Standards of Conduct**

### **What Fees Will I Pay?**

#### **Broker-Dealer Fees**

In brokerage accounts, you will pay Wedbush Securities a "commission" or other "transaction based" fee for each transaction that is executed. Some investments, such as mutual funds, may include compensation to us in the form of an upfront fee (commonly called a "load") and/or a continuing fee that is charged as long as you hold the investment (commonly called a "trail"). When we purchase a security or sell a security to you from our inventory we are acting as a "principal" and mark up or mark down the price you receive, which benefits us. We are compensated for each investment transaction in a brokerage account. This arrangement provides an incentive for us to make more recommendations for you to trade more frequently. Please refer to the [Reg BI Disclosure](#) Form for more details on Brokerage account compensation.

#### **Investment Advisory Fees**

For our investment advisory services, instead of transaction-based fees, you will typically pay Wedbush Securities an "asset-based" fee at the beginning of each quarter. Asset-based fees are calculated as a percentage of the assets (including cash) in your advisory account. The more assets you have in your advisory account the more you will pay us in fees. We have an incentive to recommend that you increase the assets in your account. We also offer wrap fee accounts. A wrap fee generally includes transaction costs and custody services; as a result, the fee can be higher than accounts that do not include transaction costs and custody fees. **You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments**

#### **CONVERSATION STARTER – ASK YOUR FINANCIAL PROFESSIONAL**

*Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

*How do you determine the fees you will charge me?*

over time. Please make sure you understand what fees and costs you are paying. For additional information, please refer to the [Form ADV Part 2A Disclosure Brochure for Investment Advisory services](#) and the [Regulation Best Interest Disclosure Document for Broker-Dealer services](#).

## What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser?

When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we are required to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice, we provide to you. The following are examples to help you understand what this means.

## How else does the firm make money and what conflicts of interest do you have?

**Proprietary Products:** We earn greater fees, compensation, and other benefits if you invest in a product that we or our affiliates advise, manage, sponsor, underwrite, or otherwise provide services to, such as mutual funds, exchange traded funds, unit investment trusts, private funds (such as hedge funds and private equity funds), structured products, separately managed accounts, and cash sweep or similar products. We have an incentive to offer or recommend these products because of the compensation we and our affiliates receive.

**Third-Party Payments:** When we sell investment products or funds to you as a broker-dealer, we receive payments from the issuer (such as a mutual fund or insurance company) and their sponsors or managers, and we may also receive ongoing payments, such as 12b-1 fees, from them. More specifically, we receive additional fees from product sponsors for products such as mutual funds, variable insurance/annuity products and alternative investments such as REITs, hedge funds, etc., as well as marketing fees from some product sponsors to advertise their products in our internal communications. These payments create an incentive for us to sell you investments that entail such payments and to maintain our relationships with the issuer and their affiliates. Since the amount of compensation, we receive varies among and between the issuers and the different investments and types of investments that we offer as a broker-dealer, we have an incentive to sell you those investments that pay us more compensation.

**Revenue Sharing:** In addition to the third-party payments discussed above, many issuers and fund sponsors or managers make payments to us that are sometimes called “revenue sharing” payments because they share with us a part of the revenue that they earn on your investments in their funds or products. These payments are an incentive for us to offer or continue offering investments and services that entail such payments, and to encourage you to increase the amount of assets in those investments. ***Specifically, Wedbush has such a revenue sharing agreement with ETFMG, a third-party affiliate in which Wedbush owns a minority interest, as a result of which Wedbush has a financial incentive to recommend ETFMG’s investment products.***

**Principal Trading:** We can buy investments from you, and sell investments to you, from our own accounts. Because we earn compensation (such as commissions, markups, and markdowns) and can receive other benefits in principal transactions, we have an incentive to trade securities that we hold in our own accounts with you on a principal basis.

**Bank Sweep Program:** Our cash sweep programs create a conflict of interest for us because we have an incentive for you to maintain and direct otherwise uninvested cash in your account to deposits of our affiliated banks, which they can use to generate additional revenue. We also receive revenue for sending your cash deposits to third-party banks that participate in our sweep programs. This creates an incentive for us to recommend or direct investments that result in cash being invested through our sweep programs. For additional information, please see the [Reg BI Disclosure](#)

**Buying Investments on Margin:** If your account has been approved for margin privileges, you may choose to borrow money from us to pay for a portion of the price of securities that you purchase. We have an incentive to recommend that you purchase securities on margin because we charge you interest on the amount of money you borrow from us, and loans permit you to purchase additional investments, increasing our commissions and transaction-based compensation.

### CONVERSATION STARTER – ASK YOUR FINANCIAL PROFESSIONAL

- *How might your conflicts of interest affect me and how will you address them?*

## How do your financial professionals make money?

### Broker-Dealer Financial Professional Compensation

Our Broker-Dealer financial professionals receive a percentage of commissions generated by the products they sell. Some products may pay a commission higher than others. As such, financial professionals have an incentive to sell higher commission products. In addition, certain products, such as mutual funds and variable annuities, pay additional compensation on a periodic basis based on fees paid by the retail investor. Financial professionals are eligible to receive compensation based on factors not directly related to product sales, such as accumulation of assets, length of service, recruiting or other factors.

### Investment Adviser Financial Advisor Compensation

Our Investment Adviser financial professionals receive a percentage of the management or advisory fees collected from your account. Different product strategies and/or managers may charge higher fees than others, and your financial professional has an incentive therefore to place you in higher fee strategies. Financial professionals are eligible to receive compensation based on factors not directly related to advisory fees collected, such as accumulation of assets, length of service, recruiting or other factors. Financial professionals on our independent contractor platform are also eligible to receive an additional award of 1% of their production if a substantial majority of their annual production derives from fee-based advisory accounts, and they are subject to a minimum quarterly production requirement and associated offsets, which create a strong incentive to recommend fee-based investment advisory account services as compared to brokerage products.

Financial professionals may also earn recognition and certain titles, based largely on their personal production and client assets, making them eligible for increased compensation and non-cash awards, as applicable. As an inducement to join our Firm, we also grant forgivable loans to financial professional recruits. These arrangements create incentives for our financial professionals to encourage clients to move assets to Wedbush, to recommend more frequent trading, larger investments and additional services, and to remain registered with Wedbush. **Wedbush does not hold or offer sales contests. Wedbush does not have or offer sales quotas, bonuses, and non-cash compensation that are based on the sale of specific securities or specific types of securities** Additional information regarding financial professional compensation and conflicts of interest, please refer to Wedbush's [Regulation Best Interest Disclosure Document](#) and/or the Form ADV Part 2A Disclosure Brochure and Form ADV Part 2A Appendix 1.

### Item 4 – Disciplinary History: Do you or your financial professionals have legal or disciplinary history?

Yes. Investors are encouraged to visit the Investment Adviser Public Disclosure website at <https://adviserinfo.sec.gov/> as well as the FINRA BrokerCheck website at <https://brokercheck.finra.org/> for publicly available information about Wedbush and its registered representatives. Additionally, investors should visit [www.investor.gov/CRS](http://www.investor.gov/CRS) for a free and simple search tool to research you and your financial professionals.

### Item 5 – Contact Information

**Additional information:** For additional information about our Firm, including information on our broker-dealer services and investment advisory services, please visit [www.wedbush.com/disclosures](http://www.wedbush.com/disclosures). You can request a copy of our current Form CRS Client Relationship Summary at any time by contacting your financial advisor. You can also call us at 213.688.8000 or e-mail us at [compliance@wedbush.com](mailto:compliance@wedbush.com) to request up-to-date information and request a copy of this Form CRS Client Relationship Summary.

#### CONVERSATION STARTER – ASK YOUR FINANCIAL PROFESSIONAL

- *As a financial professional do you have any disciplinary history?*
- *Who is my primary Contact person?*
- *Is he or she a representative of an investment advisor or broker dealer?*
- *Who can I talk to if I have concerns about how this person is treating me?*