STATE OF TENNESSEE
BEFORE THE COMMISSIONER OF COMMERCE AND INSURANCE

TENNESSEE SECURITIES DIVISION **Petitioner,**	)	
v.	)	**Order No.: 16-017**
WEDBUSH SECURITIES, INC. **Respondent.**	)	

CONSENT ORDER

The Tennessee Securities Division (the "Division") and Wedbush Securities, Inc. ("Wedbush") agree to the entry of this Consent Order in accordance with Tenn. Code Ann. § 48-1-116 of the Tennessee Securities Act of 1980, as amended, Tenn. Code Ann. §§ 48-1-101 to 48-1-201 (2012) ("Act"), which states that the Commissioner of the Department of Commerce and Insurance ("Commissioner") from time to time may make such orders as are necessary to carry out the provisions of the Act.

Respondent, Wedbush, hereby stipulates and agrees to the entry of this Consent Order, subject to the approval of the Commissioner, as follows:

GENERAL STIPULATIONS

1. It is understood that this Consent Order is subject to the Commissioner's acceptance.

2. This Consent Order is executed by Wedbush for the purpose of facilitating the registration of Wedbush as a broker-dealer in Tennessee. Should this Consent Order not be accepted by the Commissioner, it is agreed that presentation to and consideration of this Consent Order by the Commissioner shall not unfairly or illegally prejudice the Commissioner or Wedbush from further participation in or resolution of these proceedings.

3. Wedbush fully understands that this Consent Order will in no way preclude additional proceedings by the Commissioner against Wedbush for acts or omissions not specifically addressed in this Consent Order, or for acts or omissions that do not arise from the facts or transactions addressed herein.

4. Wedbush waives all further procedural steps, and waives all rights to seek judicial review of or to otherwise challenge or contest the validity of this Consent Order, the stipulations and imposition of discipline contained herein, and the consideration and entry of this Consent Order by the Commissioner.

FINDINGS OF FACT

1. The Act places the responsibility for the administration of the Act on the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility. Tenn. Code Ann. § 48-1-115.

2. Wedbush (CRD# 50052) is a California corporation with its principal place of business at 1000 Wilshire Blvd., Suite 900, Los Angeles, CA 90017.

3. Wedbush is licensed as a broker-dealer in every state of the United States (as well as Puerto Rico) except Tennessee. Wedbush's affiliate Wedbush Europe Ltd. is registered in Poland and Great Britain and is a member of the London and Warsaw stock exchanges. Wedbush

will be permitted to open an office(s) in Tennessee after approval of its application for registration.

4. In the past, Wedbush, in reliance upon various exemptions from broker-dealer registration requirements or definitional exclusions under various state securities laws[1], acted as a clearing broker without registration in states in which it had no place of business.

5. By letter dated January 27, 1986, the Division notified Wedbush (then known as Wedbush, Noble, Cooke, Inc.) that the Tennessee Securities Rules required any out-of-state clearing services firms doing business with correspondent firms who had Tennessee residents as clients to register as a broker-dealer with the Division. Based on that notification, Wedbush first filed an application for broker-dealer registration with the Division on March 3, 1986.

6. On August 22, 1986, prior to completing the registration process, Wedbush notified the Division that it desired to withdraw its application for broker- dealer registration, having determined after evaluating its operating needs and other business considerations that it did not desire to pursue registration in Tennessee at that time. In such letter, Wedbush stated that it was not at that time clearing transactions for brokers on behalf of Tennessee residents, and therefore registration was not economically justified.

7. From January 1986 through June 1987, Wedbush cleared approximately 290 trades for correspondent broker-dealers for their Tennessee clients without being registered as a

[1] In wording substantially identical to Section 401(c)(4) of the Uniform Securities Act of 1956, the Tennessee Securities Act of 1980 excludes from the definition of 'broker-dealer "[a] person who has no place of business in [Tennessee] and who is registered as a broker-dealer with the securities and exchange commission [sic] or the National Association of Securities Dealers if: (i) The person effects transactions in [Tennessee] exclusively with or through: ... (b) Other broker-dealers ...." See Tenn. Code Ann. § 48-1-102(4)(D). Tennessee Securities Rule 0780-4-3.01(1)(e), however, requires a clearing firm to register as a broker-dealer in Tennessee to the extent doing business as such in Tennessee.

broker-dealer in Tennessee. From 1983 to 1988 Wedbush effected 27 retail trades for Tennessee clients without being registered as a broker-dealer in Tennessee.

8. Wedbush will file with the Division an application for broker-dealer registration to provide its services to clients in Tennessee (both directly to retail clients who reside in Tennessee and indirectly through correspondent firms with Tennessee clients).

CONCLUSIONS OF LAW

1. Pursuant to Tenn. Code Ann. § 48-1-115(a), the responsibility for the administration of the Act is vested in the Commissioner. The Division is the lawful agent through which the Commissioner discharges this responsibility.

2. Tenn. Code Ann. § 48-1-116 provides that the Commissioner may make, promulgate, amend, and rescind such orders as are necessary to carry out the provisions of the Act upon a finding that such order is in the public interest, necessary for the protection of investors, and consistent with the purposes fairly intended by the policy and provisions of the Act.

3. Tenn. Comp. R. & Regs. 0780-4-3.01(1)(e) states that a clearing firm is required to register as a broker-dealer in Tennessee to the extent that it is doing business as such in Tennessee.

4. Tenn. Code Ann. § 48-1-109(a) states, in pertinent part, that it is unlawful for any person to transact business from or in this state as a broker-dealer unless the person is registered as a broker-dealer under this part.

5. Pursuant to Tenn. Code Ann.§ 48-1-109(e) the Commissioner may, after notice and an opportunity for a hearing, under the Uniform Administrative Procedures Act, impose a civil penalty against any person found to be in violation of this section.

6. Tenn. Code Ann. § 48-1-112(a)(1) and 2(a) states, in pertinent part, that the Commissioner by order may deny, suspend, or revoke any registration under this part if she finds that the order is in the public interest, necessary for the protection of investors, and if the applicant or registrant has filed an application for registration which as of its effective date, or as of any date after filing in the case of an order denying effectiveness, includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

7. Based upon the facts detailed above, Wedbush violated Tenn. Code Ann. § 48-1-109(a) by transacting business in Tennessee without being registered as a broker-dealer.

8. Pursuant to Tenn. Code Ann. § 48-1-109(e), the violations described above constitute a basis for the assessment of civil penalties against Wedbush.

9. The Division finds the following relief appropriate, in the public interest and necessary for the protection of investors.

ORDER

NOW, THEREFORE, on the basis of the foregoing, and Wedbush's waiver of its rights to a hearing and appeal under the Tennessee Securities Act and Tennessee's Uniform Administrative Procedures Act, Tenn. Code Ann. §§ 4-5-101 to 4-5-404 and Wedbush's admission of jurisdiction of the Commissioner, the Commissioner finds that Wedbush, for the

purpose of settling this matter, has agreed to the entry of this Order and that the following order is appropriate, in the public interest and necessary for the protection of investors.

IT IS ORDERED, pursuant to § 48-1-116(a) of the Tennessee Securities Act that:

1. Wedbush shall fully comply with the Tennessee Securities Act, as amended, and all rules promulgated thereunder;

2. Wedbush shall be on probation for a period of two years commencing on the date of registration as a broker-dealer.

3. Wedbush must fulfill the following conditions during the two-year probationary period:

   a. Within two business days of the firm's receipt of any written complaint of a client who is a Tennessee resident, Wedbush will transmit such written complaint to the Division;

   b. Within two business days of the firm's receipt of a federal or state securities regulator or self-regulatory organization's written inquiry directly and specifically pertaining to Wedbush's business in securities in Tennessee, Wedbush will transmit such written inquiry to the Division; and

   c. Within two business days of the firm's receipt of a SEC cease-and-desist order for violations of Section 17(a)(1) of the Securities Act, Section 10(b) of the Securities Exchange Act and Rule 10b-5, section 15(c)(1) of the Securities Exchange Act, and Section 5 of the Securities Act, Wedbush will transmit such cease and desist order to the Division.

4. Wedbush's registration will be automatically suspended during the probationary period without notice upon the occurrence of the following events:

   a. A final order issued by a state regulator of securities, insurance, banking, savings associations or credit unions, federal banking agencies, the Commodity Futures Trading Commission, and the National Credit Union Administration that bars you from engaging in the business of securities, insurance or banking, or is based on fraudulent, manipulative, or deceptive conduct;

b. A disciplinary order under Section 15(b) or 15B(c) of the Securities Exchange Act that suspends or revokes Wedbush's registration;

c. A criminal conviction in connection with the purchase or sale of a security or making a false filing with the United States Securities and Exchange Commission ("SEC") by Wedbush or any of its control persons;

d. An order, judgment, or decree of any court of competent jurisdiction that restrains or enjoins Wedbush from engaging or continuing to engage in any conduct or practice in connection with the purchase or sale of any security or involving the making of any false filing with the SEC; or

e. Suspension or expulsion from membership in a registered national securities exchange or a registered national or affiliated securities association for any act or omission to act constituting conduct inconsistent with just and equitable principles of trade.

5. Wedbush shall be assessed a civil penalty in the amount of thirty thousand dollars ($30,000). The payment of such civil penalty shall be made by check payable to the Tennessee Department of Commerce and Insurance, paid within 30 days after entry of this Consent Order and mailed to the attention of:

State of Tennessee
Department of Commerce and Insurance
Legal Division
Attn: Kaycee Wolf
8th Floor, Davy Crockett Tower
500 James Robertson Parkway
Nashville, Tennessee 37243

6. Wedbush's broker-dealer registration application shall be made effective by the Division upon confirmed receipt of payment of the civil penalty and satisfaction of the broker-dealer registration requirements of the Act.

IT IS ORDERED, that this Consent Order represents the complete and final resolution of, and discharge with respect to, all administrative and civil claims, demands, actions and causes

of action by the Commissioner against Wedbush for all violations of the Act alleged by the Division to have occurred with respect to the transactions and the facts contained herein.

This Consent Order is in the public interest and in the best interest of the parties, and represents a compromise and settlement of the controversy between the parties. By the signatures affixed below, Wedbush affirmatively states that it has freely agreed to the entry of this Consent Order and to a review of the Findings of Fact and Conclusions of Law contained herein, and that no threats or promises of any kind have been made by the Commissioner, the Division, or any agent or representative thereof. The parties, by signing this Consent Order, affirmatively state their agreement to be bound by the terms of this Consent Order and aver that no promises or offers relating to the circumstances described herein, other than the terms of settlement set forth in this Consent Order, are binding upon them.

ENTERED this 29 day of September, 2016.

BY ORDER OF:

Julie Mix McPeak

Julie Mix McPeak, Commissioner
Tennessee Department of Commerce and Insurance

APPROVED FOR ENTRY:

Frank Borger-Gilligan
Assistant Commissioner for Securities
Tennessee Department of Commerce and Insurance

Kaycee L. Wolf (BPR# 34562)
Chief Counsel for Securities
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway, 8th Floor
Nashville, Tennessee 37243
(615) 253-1821

CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY WEDBUSH

Wedbush Securities, Inc. ("Wedbush") hereby acknowledges that it has been served with a copy of this Consent Order ("Order"), has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Wedbush admits jurisdiction of the Tennessee Department of Commerce and Insurance, Securities Division ("Division"), neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to the entry of this Order by the Division as settlement of the issues contained in this Order.

Wedbush agrees that it shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal, or local tax for any administrative monetary penalty that Wedbush shall pay pursuant to this Order.

Wedbush states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Rob Paset represents that he is a Senior Vice President of Wedbush and that, as such, has been authorized by Wedbush to enter into this Order for and on behalf of Wedbush.

Dated this 7th day of September, 2016.

WEDBUSH SECURITIES, INC.

By: _____

Title: Senior VP

SUBSCRIBED AND SWORN TO before me this ___ day of September, 2016.
[Affix seal]

_____
Notary Public in and for the
State of _____

My Commission Expires: _____

See attached form

CALIFORNIA JURAT WITH AFFIANT STATEMENT **GOVERNMENT CODE § 8202**

☑ See Attached Document (Notary to cross out lines 1–6 below)
☐ See Statement Below (Lines 1–6 to be completed only by document signer[s], *not* Notary)

Signature of Document Signer No. 1 *Signature of Document Signer No. 2 (if any)*

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California
County of Los Angeles

Subscribed and sworn to (~~or affirmed~~) before me on this 7th day of September, 2016, by
Date *Month* *Year*
(1) Robert Paset
(and (2) _____),
Name(s) of Signer(s)

proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

MAGALY IGLESIAS
Commission # 1997678
Notary Public - California
Los Angeles County
My Comm. Expires Nov 10, 2016

Signature Magaly Iglesias
Signature of Notary Public

Seal
Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: _____ **Document Date:** _____

Number of Pages: _____ **Signer(s) Other Than Named Above:** _____

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