

Commodity Futures Trading Commission Rule 1.55(k): FCM-Specific Disclosure Document

The Commodity Futures Trading Commission (“CFTC”) requires each Futures Commission Merchant (“FCM”), including Wedbush Securities Inc. (“Wedbush”), to provide the following information to a client(s) prior to the time the client(s) 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.

1. THE FIRM:

Wedbush Securities, Inc. – Corporate Headquarters

1000 Wilshire Blvd., Los Angeles, CA 90017

Telephone Number: 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

2. PRINCIPALS OF THE FIRM:

- **Bob Fitzsimmons**

Managing Director – Head of Futures

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.

- **Kevin Wirth**

Senior Vice President, Director of Finance

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

Business Background

Mr. Wirth is the Senior Vice President, Director of Finance of Wedbush Futures. Mr. Wirth brings more than 25 years of experience in FCM, Investment Banking, Agency Execution and Prop Trading, to his role at the firm, where he is responsible for managing accounting, treasury, regulatory reporting and financial planning and analysis for the FCM.

Before joining Wedbush Futures, Mr. Wirth served as the Director of Finance with ITG where he supported the efforts of the US Execution Services Division. He was also the Director of Finance at IMC Chicago and Senior Vice President of Accounting at ABN AMRO Bank for their Wholesale Banking Division, where he was tasked with technical accounting, M&A and regulatory reporting. Additionally, Mr. Wirth worked at First Options of Chicago as Futures Controller for the FCM's Introducing Broker business. He began his career in finance as a staff auditor at the Chicago Mercantile Exchange before becoming a colleague at Ernst & Young.

Mr. Wirth received his Bachelor's degree in Accounting from Butler University, and is a Certified Public Accountant in the State of Illinois. Mr. Wirth also holds his Series 7 and 27 licenses. In his spare time, he serves as a Board Member for Lisle Baseball Softball and is an avid supporter of Butler University's School of Business and Athletics.

- **James F. Kearney III**

Chief Risk Officer

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

Business Background

James F. Kearney III Chief Risk Officer. 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 Futures Commission Merchant 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 2015. Mr. Kearney is a member of the Securities Industry and Financial Markets Association's Chief Risk Officer Roundtable. 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 Parkway, Suite 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**

Chief Executive Officer / Executive Vice President

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**

Chief 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.

- **Dan E. Billings**

Executive Vice President & Chief Financial Officer
1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Dan Billings is the Executive Vice President and Chief Financial Officer at Wedbush Securities. With an extensive background in financial services and experience with FINRA and SEC filings, his previous roles include public accounting, treasury, financial statements preparation, and regulatory reporting. Prior to joining Wedbush, Dan served as Vice President, Treasury, and Senior Vice President, Legal Entity Controller and Product Controller at Jefferies high yield

trading division, before eventually becoming their Senior Vice President, General Ledger Controller. Preceding this, Dan served as Audit Manager at KPMG US, where he managed all aspects of audit engagements for SEC registrants, asset managers, registered broker dealers, and precious metal brokers.

Dan is a Certified Public Accountant and currently holds his Series 27, Financial & Operations Principal, license. He earned his Bachelor's Degree in Accounting from Pepperdine University.

- **Donald W. Hultgren, CFA**
Executive Vice President & Chief Administrative Officer
1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Donald W. Hultgren is an Executive Vice President and Chief Administrative Officer ("CAO") at Wedbush Securities. With over 35 years of experience in the financial industry, Don joins Wedbush after being President of Three Part Advisors, LLC, a Texas-based, capital markets advisory firm. Previously, he was President and Chief Executive Officer of SWS Group, the New York Stock Exchange listed holding company of Southwest Securities. Don began his career in 1981 as an equity research analyst and was Director of Equity Research at Raymond James and Associates before moving on to SWS. Prior to joining Wedbush Securities as CAO, Don has served on the Board of Directors of Wedbush Securities since 2013, and is a current director.

Mr. Hultgren earned his Bachelor of Arts in Accounting and Business/Management from Augustana College in Rock Island, IL, and then went on to complete his MBA with a concentration in Finance, from the University of Texas at Austin.

- **R. James Richards**
Executive Vice President & Head of Client Services
1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Jim is Executive Vice President of Client Financial Services and is a member of the Wedbush Executive Management Committee. He has been with Wedbush Securities for 27 years and is currently responsible for Information Technology, Human Resources, merger and acquisition activity as well as management of Client Financial Services. Jim was previously the Head of Private Client Services, Clearing & Technology, and Operations.

He received his Bachelor of Science degree in Business Administration from California State University, Los Angeles.

- **Gary L. Wedbush**
Executive Vice President & Head of Capital Markets
1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Gary Wedbush is Executive Vice President and Head of Capital Markets and Correspondent Services for Wedbush Securities. He has been with Wedbush since February 1998 and is responsible for all Capital Markets functions, including investment banking, equities, fixed income, and clearing and execution services.

Gary is a member of the Wedbush Securities President's Executive and Executive Management Committees, and a Board Member of LimeBrokerage. Prior to joining the firm, Gary was Principal and Director of Convertible Securities of the former Montgomery Securities (now Bank of America Merrill Lynch Securities) in San Francisco. He also served as an institutional trader in the Convertible Securities departments at Lehman Brothers and S.G. Warburg in New York.

He received his Bachelor of Science from the University of California, Los Angeles, and an MBA from the Kellogg School of Management, Northwestern University.

- **Edward W. Wedbush**

Founder & President
1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Edward W. Wedbush is Founder and President of Wedbush Securities. From first year revenues of \$659, Wedbush has grown to become the largest, full-service financial investment services and investment bank firm headquartered in the western USA serving clients through over 100 registered offices nationwide.

In addition to his tenure at Wedbush Securities, Ed currently serves as Chairman of the Board of WEDBUSH, Inc.; a Founding Board Member of the Fink Center for Finance and Investments at the University of California, Los Angeles; and a Board Member of the University of Cincinnati Foundation. He previously served as Chairman of the Board of The Pacific Stock Exchange (1976-1978); Director of the National Securities Clearing Corporation (1979-1982); Board Member of the Great American Bank (1987-1992); Chairman of the NYSE Regional Firms Advisory Committee (1987-1988); and Member of the Securities Industry and Financial Markets Association (formerly Securities Industry Association), Regional Firms Committee (1985-1995), as well as its Board of Directors (1988-1990).

Ed was the recipient of the Lifetime Achievement in Entrepreneurship Award from the University of Cincinnati (2010) as well as the Ernst & Young's Entrepreneur of the Year Award, Greater Los Angeles (2006). He was honored as one of the University of California, Los Angeles' "100 Inspirational Alumni" (2011) and one the "Most Admired CEOs" by the Los Angeles Business Journal (2010).

Ed holds a Bachelor of Science (B.S.) degree in Mechanical Engineering from the University of Cincinnati and a Masters of Business Administration from the University of California, Los Angeles. Originally from St. Louis, Missouri, Ed currently resides in Southern California with his wife Jean. In his spare time, he enjoys tennis, swimming and spending time with his three children and ten grandchildren.

- **Eric D. Wedbush**

Chairman
1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Eric has been investing in and advising private and public middle market companies for over twenty years. Currently, he directs WEDBUSH's investment activities, oversees its strategic initiatives, and serves on the Board of Directors. His investment experience includes leveraged buyouts, recapitalizations, growth equity, negotiated investments into public companies, and venture capital. His specific industry experience and focus includes consumer products and services, basic manufacturing, financial services, environmental and specialty retailing.

Prior to joining WEDBUSH in 2000, Eric spent ten years as an executive with Wedbush Securities in the Equity Capital Markets Group, most recently as the Director of Equity Research. Prior to his role as Director of Research, Eric was a Managing Director of Investment Banking where he advised middle market companies and institutional investors on equity financings, mergers and acquisitions, and leveraged buyouts.

Eric began his private equity career with Wedbush Capital Partners, an institutional investment partnership where he completed several management buyouts and growth financings for lower middle market companies.

Eric currently serves on the Boards of WEDBUSH, Inc., Wedbush Securities, Lime Brokerage, and The UCLA Anderson School of Management Price Center Board of Advisors. Additionally, he serves as a Managing Director of both Wedbush Capital Partners and is the President of Wedbush Asset Management.

Eric holds an M.B.A. from The Anderson School at University of California, Los Angeles. He received his Bachelor of Science in Finance from San Diego State University.

- **John P. Schauerman**

Board of Directors
1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

John P. Schauerman, age 59, served as Executive Vice President of Corporate Development of Primoris Services Corporation (NASDAQ:PRIM), a specialty construction and infrastructure company (“Primoris”), from February 2009 to May 2013, where he was responsible for developing and integrating Primoris’ overall strategic plan, including the evaluation and structuring of new business opportunities and acquisitions. Prior to that, Mr. Schauerman served as Primoris’ Chief Financial Officer from February 2008 to February 2009, during which time Primoris went public through a merger with Rhapsody Acquisition Corp. He also served as a director of Primoris from July 2008 to May 2013 and as a director of its predecessor entity, ARB, Inc. (“ARB”) from 1993 to July 2008. Mr. Schauerman joined ARB in 1993 as Senior Vice President.

Previously, he served as Senior Vice President of Wedbush Morgan Securities, Inc., a regional investment bank focused on financing activities for middle market companies (n/k/a Wedbush Securities, Inc.). Mr. Schauerman has served on the Boards of Directors of MYR Group (NASDAQ: MYRG), a leading electrical infrastructure firm since March 2016; Harmony Merger Corp. (NASDAQ:HRMNU), a blank check investment company, since March 2015 and Wedbush Securities, Inc., a leading financial services and investment firm, since August 2014.

Mr. Schauerman holds an M.B.A. in Finance from Columbia University, New York, and a B.S. in Electrical Engineering from the University of California, Los Angeles.

- **Harry Langdon**

Board of Directors
1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Harry L. Langdon has been the Chief Financial Officer of Fitweiser Holdings, Inc., since November 2013 and serves as its Secretary, Treasurer and Director. Mr. Langdon spent most of his career in the oil industry serving as an executive with Exxon and later as the Senior Operating Officer of Tosco, an oil company that was acquired by Conoco Phillips in 2003. Over the past 20 plus years, Mr. Langdon served as a Board Member of Wedbush Securities, and more recently, has served on the Board of Directors of Wedbush Inc.; both companies are in the financial services industry.

He holds BS in Chemical Engineering from Virginia Tech and an MBA from Harvard University.

3. 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 ("CME"), 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 September 2017, Wedbush has further allocated the estimated \$145 Million of excess net capital as follows, 35% to Advanced Clearing Services (formerly CDS), 20% to Futures Division, 5% to Capital Markets, 12% to Wealth Management (formerly PCS), 8% to Prime Brokerage Division and 10% to Stock Loan/Repos. 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:

INTL FC Stone
CIBC World Markets Inc.
Phillip Futures Pte Ltd
Nissan Century Securities Co Ltd.
G.H. Financials Ltd
Phillip Capital USA

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

* Represents Self-Clearing Member

** Represents Non-Clearing Member ("NCM")

*** Trading Participant

- Chicago Board of Trade*
- Chicago Mercantile Exchange*
- COMEX*
- ICE – US*
- ICE Canada**
- Minneapolis Grain Exchange*
- New York Mercantile Exchange*
- NYSE Liffe** (now ICE EU)
- EUREX**
- Euronext Amsterdam** (Inactive NCM)
- Euronext Paris** (Inactive NCM)
- LFOX (now ICE EU)
- ICE – Europe*
- London Metals Exchange
- SIMEX
- TSE
- Sydney Futures Exchange

- Montreal Exchange** & ***
- OneChicago* (clearing membership with OCC)
- CBOE Futures Exchange* (clearing membership with OCC)
- NASDAQ (NFX)* (clearing membership with OCC)

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 CME 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, 2017, Wedbush maintains equity capital of approximately \$265 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 customers 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 CME. All investments maintain a weighted average maturity of less than 24 months. These investments include:

- Approved Money Markets
- Short-Term US 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.

4. 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

Commodity Futures Trading Commission (“CFTC”) Regulation 1.55(k)(7) requires Wedbush Futures to disclose 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 Futures is a division of Wedbush Securities Inc. Wedbush Securities Inc. is also a broker-dealer registered with FINRA and the SEC.

Such issues and actions may be found at the following websites:

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

Recent Regulatory Actions:

Pursuant to an offer of settlement in which Wedbush Securities, Inc. neither admitted nor denied the rule violations upon which the penalty is based, on December 10, 2015, the Clearing House Risk Committee found that Wedbush Securities, Inc. violated CBOT Rules 970.C.2 and 971.A. In accordance with the settlement offer, the Clearing House Risk Committee fined Wedbush Securities, Inc. \$75,000.

A subcommittee of the ICE Exchange’s Business Conduct Committee determined that Wedbush Securities Inc. (“Wedbush”) may have violated Exchange Rule 6.15(a) by failing to report large trader positions in multiple instances during the following two time periods: January 2015 through April 2015 and September 2015 through October 2015. The subcommittee further determined that Wedbush may have violated Exchange Rule 4.01 by failing to have an adequate process or procedure in place to discover errors in reporting large trader positions to the Exchange. The Committee fined Wedbush Securities \$20,000.

Pursuant to an offer of settlement in which Wedbush Securities Inc. (“Wedbush”) neither admitted nor denied the rule violations upon which the penalty is based, on March 28, 2017, a Panel of the Chicago Mercantile Exchange Business Conduct Committee (“Panel”) found that between March 2015 and January 2016, Market Regulation staff issued requests to Wedbush for the production of records, documents and information related to regulatory inquiries. Wedbush, acting principally through its former Chief Compliance Officer, failed to respond in a timely manner to numerous requests. The Panel concluded that Wedbush thereby violated CME Rules 432.L.3 and 432.W. In accordance with the settlement offer, the Panel ordered Wedbush to pay a fine of \$55,000

Pursuant to an offer of settlement in which Wedbush Securities Inc. neither admitted nor denied the rule violations upon which the penalty is based, on March 30, 2017, the Clearing House Risk Committee found that Wedbush Securities Inc. violated CBOT Rules 951., 958.C., 970.A., 970.A.1., 970.A.3.d., 970.C.2., 971.A., 980.B.3. and 980.C. In accordance with the settlement offer, the Committee imposed a \$500,000 fine. In accepting this offer, the Committee agreed to waive \$250,000 of the fine based on the firm’s compliance with industry rules, regulations and requirements through the completion of the next risk based examination.

A Subcommittee of the ICE US Business Conduct Committee (“BCC Subcommittee”) determined on May 21, 2017 that Wedbush Securities Inc. (“Wedbush”) may have violated Exchange Rule 2.21(a) by failing to submit a copy of the firm’s financial statement

certified by an independent Certified Public account within the requisite time period. In accordance with the settlement offer, the Subcommittee ordered Wedbush to pay a fine of \$10,000

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. This action names Wedbush, along with numerous other defendants, for direct and indirect infringement of certain U.S. patents allegedly owned by plaintiff. Litigation in the case has been stayed pending the outcome of a review by the US Patent and Trademark Office of the applicability of the relevant patents. It is not possible presently to estimate the potential for injunctive relief or loss, if any. We believe we have meritorious defenses to the allegations made and intend to defend the firm vigorously.

ION Trading Ireland, Limited v. Wedbush Securities Inc. in the U.S. Southern District Court of New York Case No. 1:17-cv-01793. This is an action filed by ION for damages and declaratory relief arising from the alleged breach by Wedbush of its software license and application service provider agreement with ION. Ion alleges that Wedbush currently owes more than \$600,000 to Ion in connection with the above noted agreements but Wedbush does not believe any amounts are owed to Ion in respect thereof. Wedbush believes it has meritorious defenses to the allegations and intends to defend the firm vigorously.

Thomas Feigner v. Wedbush Securities filed with FINRA, Case No. 16-00504. This action was filed by a former Capital Markets Division employee who alleges unlawful withholding of earned income and interference with his ability to meet certain targets necessary to trigger additional incentive compensation. It is anticipated that the substantive arbitration hearing will occur in June 2017. It is not possible presently to estimate the potential for any loss, if any. The firm believes it has meritorious defenses to the allegations made and intends to defend the firm vigorously.

Edward C. Hugler, Acting Secretary of the United States Department of Labor v. Wedbush Securities Inc. et al in the U.S. District Court for the Central District of California, Case No. 2:17-CV-02471. This is an action filed by the acting Secretary of the U.S. Department of Labor alleging violations of ERISA for allegedly using retirement plan assets to pay commissions and transaction fees, investing plan assets in firm-affiliated hedge funds, and failure to fulfill distribution requests. It is not possible presently to estimate the potential for any loss, if any. The firm believes it has meritorious defenses to the allegations made and intends to defend the firm vigorously.

Joseph Semprini vs. Wedbush Securities Inc. filed with the Orange County California Superior Court, Case No. 30-2015-00776114-CU-OE-CXC. This is a Class Action Complaint for Damages, Injunctive Relief and Restitution by former Newport Beach F.A., Joseph Semprini. The Class is generally all current and former Wedbush California employees who, in the period within four years of the filing of the complaint, were subject to the same allegedly unlawful conduct as Semprini. The motion for class certification has been filed and briefed, and will be heard on June 2, 2017. The outcome of that motion will determine the future of this case. It is not possible presently to estimate the potential for any loss, if any. The firm believes it has meritorious defenses to the allegations made and intends to defend the firm vigorously.

Bright Harry vs. KCG Americas LLC filed with the Northern California District Court Case No. C17-2385. Mr. Harry filed this action seeking to recover more than \$45 Million in damages and other relief arising from alleged misconduct of the above-named defendants for the period November 2013 to April 2015. Wedbush is indemnified by the prior clearing firm ("KCG") for this claim and will seek to coordinate a response working with counsel at KCG.

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.

5. **FINANCIAL DATA:** (as of: September 30, 2017)

- Wedbush proprietary margin requirements as a percentage of total margin.
- Smallest number of customers = 50% of Seg Funds = 4 (This is estimated as Wedbush has been an active FCM since July 1st, 2014)
- Smallest number of customer = 50% of Secured Funds = 4 (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 Securities Inc. currently has in excess of \$390M Secured and \$65M Unsecured formal lines of credits, consisting of \$55M of committed lines and \$10M of uncommitted lines. These are derived from general bank lines of credit and are periodically used as business needs dictate.
- 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 .0662%
- 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 September 30, 2017 (rounded value represented)

Tentative Net Capital	\$181,500,000
Net Capital	\$174,200,000
Excess Net Capital	\$143,800,000

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>

6. **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.