



CIRCULAR 112-23

September 7, 2023

**DISCIPLINARY DECISION — SETTLEMENT AGREEMENT
WEDBUSH SECURITIES INC.**

Bourse de Montréal Inc. (the “**Bourse**”) filed the following complaint against Wedbush Securities Inc. (“**Wedbush**”), a foreign approved participant of the Bourse:

1. During the period from December 16, 2014 to December 31, 2016, Wedbush contravened articles 3011 - “Surveillance and Compliance” and 6366 B) - “Access to Electronic Trading” of the Rules of the Bourse (the “Rules”), as Wedbush failed to establish and maintain controls, policies and procedures that are reasonably designed to manage the regulatory risks associated with providing its clients with electronic access to the trading system of the Bourse, in particular as Wedbush had no post-trade monitoring nor any controls, policies and procedures in place to specifically monitor all orders from such clients to detect potential manipulative or deceptive methods of trading;
2. During the period from January 1, 2017 to November 30, 2018, Wedbush contravened articles 3011 - “Surveillance and Compliance” and 6366 B) - “Access to Electronic Trading” of the Rules, as Wedbush failed to provide adequate evidence of certain follow-ups, documentation of certain results or explanations on how certain alerts were resolved as part of its management of the alerts generated by its post-trade monitoring for potential manipulative or deceptive method of trading from its clients with electronic access to the trading system of the Bourse;
3. For the years 2015, 2016 and 2017, Wedbush contravened subsection 2.3 of paragraph B) of article 6366 - “Access to Electronic Trading” of the Rules, as Wedbush failed to assess, confirm and document, for each of these years, that its clients which were authorized to transmit electronically orders to the Bourse through the systems of Wedbush continued to meet the standards established by Wedbush pursuant to the Rules;
4. During the period from August 31, 2017 to June 14, 2019, Wedbush contravened article 14102 (article 6.500 as of January 1, 2019) - “Reports Pertaining to the Accumulation of Positions for Derivative Instruments” of the Rules, more specifically:
 - 4.1. paragraph 1) of article 14102 of the Rules, as Wedbush failed to file for 16 days in 2018, in the prescribed manner, reports detailing all gross positions held for a group of accounts which were all owned by one of the corporate clients of Wedbush in the BAX (for 13 days) and the CGB (for 3 days) when these gross positions exceeded the reporting thresholds prescribed by the Bourse for each of these derivative instruments;



- 4.2. subparagraph c) iii) of paragraph 4) of article 14102 of the Rules, as Wedbush failed to provide the Legal Entity Identifier for a group of accounts which were all owned by one of the corporate clients of Wedbush that had a Legal Entity Identifier;
- 4.3. paragraph 5) of article 14102 of the Rules, as Wedbush failed to aggregate positions held by one of its corporate clients;
- 4.4. subparagraph v) of paragraph 9) of article 14102 of the Rules, as Wedbush failed to ensure that all the information transmitted to the Bourse by the third party to whom it had delegated the transmission of position report was complete and accurate;
5. From August 31, 2017 to June 14, 2019, Wedbush contravened article 3011 (article 3.100 as of January 1, 2019) - "Surveillance and Compliance" of the Rules, as Wedbush failed to establish and maintain a system to supervise the activities of each employee that is reasonably designed to achieve compliance with the requirements of article 14102 (article 6.500 as of January 1, 2019) of the Rules; the whole, rendering Wedbush subject to a disciplinary complaint pursuant to article 4.200 of the Rules and to the sanctions listed in article 4.400.

Following a hearing held on August 16, 2023, the Disciplinary Committee of the Bourse accepted the settlement agreement negotiated between the staff of the Regulatory Division of the Bourse and Wedbush, which includes the imposition of a fine totalling \$290,000, as well as the payment of an additional amount of \$10,000 for the related costs.

To access the full text version of the Disciplinary Committee's decision, please refer to the following link: (https://www.m-x.ca/f_publications_en/disciplinary_decision_wedbush_20230825_en.pdf).

For further information, please contact Jean-Pierre St-Cyr, Senior Legal Officer, Legal and Regulatory Affairs at (514) 829-4034 or by e-mail at jean-pierre.st-cyr@tmx.com.

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