

October 18, 2022

Commodity Futures Trading Commission Rule 1.55(k): FCM-Specific Disclosure Document - 2022

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**

Executive Vice President; Fixed Income, Commodities, and Stock Loan 141 West Jackson Blvd., Suite 1710A, Chicago, IL 60604

Business Background

Robert Fitzsimmons is Executive Vice President at Wedbush Securities with oversight of futures, securities lending, and the fixed income groups. Bob also serves on the Presidents’ Executive Committee and Management Committee. Bob joined Wedbush Securities in 2016 as its Managing Director and Head of Wedbush Futures, where he oversaw the business within the Futures Commission Merchant (“FCM”), with a focus on developing and defining the strategic direction for the Futures and Treasury Division.

Bob has over 30 years of experience in the financial industry, with extensive experience in the fixed income, futures, equities and technology space. He also held CEO tenures with several other financial services organizations including ITG Derivatives and NQLX.

Bob graduated from Harvard University with a Bachelor's Degree in Economics and earned his MBA from the Booth School of Business at the University of Chicago.

- **Kevin Wirth**

Senior Vice President, Head of Futures, Director of Finance
141 West Jackson Blvd., Suite 1710A, Chicago, IL 60604

Business Background

Mr. Wirth is the Senior Vice President, Head of Futures, and Director of Finance for the FICS Division. He brings more than 30 years of experience in FCM, Investment Banking, Agency Execution and Prop Trading, to his role at the firm, where he is responsible for managing the FCM including accounting, treasury, regulatory reporting, operations and data management. He is also responsible for the financial planning and analysis for the FICS Division.

Before joining Wedbush Futures, Kevin 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 is an avid supporter of Butler University's School of Business and Athletics.

- **Terry Scott**

Senior Vice President, FICS Head of Business Supervision
141 W Jackson Blvd, Suite 1710A, Chicago, IL 60604

Business Background

Mr. Scott is the Head of Business Supervision for the FICS Division of Wedbush Securities. Since joining Wedbush in 2106, Mr. Scott has served as SVP Chief Compliance Officer for the Futures Division. He has over 40 years' experience in the futures and securities industry. Prior to joining Wedbush, Terry 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.

- **Patrick Spiroff**

Vice President, Chief Compliance Officer – Futures Division

Business Background

Mr. Spiroff is the Chief Compliance Officer for the Futures Division of Wedbush Securities. He has over 30 years' experience in the futures and securities industries. Prior to joining Wedbush, Mr. Spiroff was the CCO for four Chicago-based FINRA registered broker-dealers and/or proprietary trading firms, including; Blue Capital Group LLC, Chopper Trading LLC, C&H Options Trading Inc., and DV Trading LLC. Mr. Spiroff began his career as a floor trader on the Chicago Mercantile Exchange and then transitioned to the Department of Market Regulation at the Chicago Board Options Exchange. He is a graduate of Grand Valley University with a Bachelor of Business Science. He currently holds the Series 3, 4, 7 & 24 licenses and the CRCP designation from the FINRA Institute at Wharton Certificate Program

- **Gary L. Wedbush**

President

1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Gary Wedbush is President of Wedbush Securities, overseeing day-to-day management, strategic direction, development, and growth of all Wedbush Securities client and corporate services. Gary is a member of the Wedbush Securities Board of Directors, the Presidents' Executive Committee and Management Committee. Having been at Wedbush Securities for over 20 years, Gary served as Executive Vice President and Head of Capital Markets and Correspondent Services responsible for all Capital Markets Correspondent functions, including investment banking, equities, fixed income, and clearing and execution services. Gary joined the Firm in February 1998 as Senior Vice President and Head of the Trading Division. Previously, he was a 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 and Trading Manager in the Convertible Securities Department at Lehman Brothers and S.G. Warburg in New York.

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

- **Erin Preston**

Senior Vice President, Chief Compliance Officer

1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Erin is the Chief Compliance Officer of Wedbush Securities Inc. Prior to joining Wedbush, Erin served as CCO at Nabsecurities, as CCO, AMLCO, and Associate General Counsel at Dash Financial, and Director of Compliance at Verition Fund Management. She graduated with Honors from The Ohio State University and holds a degree from Pace University School of Law, and is admitted to practice in New York and Connecticut. Erin holds Series 7, 24, and 63 licenses, and is a Certified Anti- Money Laundering Specialist.

- **Andrew Druch**

Executive Vice President, General Counsel & Chief Administrative Officer

1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Andrew Druch, Executive Vice President and General Counsel & Chief Administrative Officer, is responsible for firm-wide oversight of legal, compliance, surveillance, and regulatory matters, as well as human resources and corporate governance. He also serves as a member of the Presidents' Executive Committee.

Andrew has over 30 years of broad-reaching legal experience in securities and banking. Throughout his career he has played a pivotal role in building and mentoring legal and compliance departments to better serve companies' business lines. He held the role of General Counsel for ING Bank, Rabobank, and most recently, DNB. Andrew began his legal career at the New York Stock Exchange, where he was held in high regard for his deep regulatory knowledge, drawing attention from firms, including Lehman Brothers and Drexel Burnham Lambert, where he played an integral role during both of the firms' periods of success.

Andrew received his Bachelor's degree in Political Science from State University of New York at Albany and his J.D. from Rutgers University School of Law.

- **Dan E. Billings**

Executive Vice President & Chief Financial Officer

1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Daniel Billings is Executive Vice President and Chief Financial Officer at Wedbush Securities. Dan also serves on the Presidents' Executive Committee and Management Committee. He joined Wedbush in 2015 as Senior Vice President and Controller and was appointed to Chief Financial Officer in 2017. During his tenure at Wedbush, he also served as Chief Financial Officer of Lime Brokerage from January 2016 to April 2018. With over two decades of experience within financial services, his extensive background has included roles within accounting, treasury, financial reporting and regulatory accounting. Prior to joining Wedbush, Dan served in multiple positions during 15 years at Jefferies: Vice President, Treasury; Senior Vice President, High Yield Trading Controller; and Senior Vice President, General Ledger Controller. Dan began his career as Audit Manager at KPMG US, where his clients included SEC registrants, asset managers, registered broker dealers, and precious metals brokers.

Dan currently holds his CPA and Series 27 licenses. He earned his Bachelor of Science Degree in Accounting from Pepperdine University.

- **Donald W. Hultgren**

Executive Chairman of the Board

1142 W. 57th Street, 12th Floor, New York City NY, 10019

Business Background

Donald Hultgren is Executive Chairman of the Board of Wedbush Securities Inc. Don also chairs the President's Executive Committee.

With over 41 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 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.

Don earned his bachelor's degrees in Accounting and Business/Management from Augustana College in Rock Island, IL, and then went on to complete his Master of Business Administration with a concentration in Finance from the University of Texas at Austin. He holds his Series 7, 16, 24, and 63 licenses.

- **Geoff Bland**

Chief Investment Officer of Wedbush Capital

1000 Wilshire Blvd., Los Angeles, CA 90017

Business Background

Geoff is Chief Investment Officer of Wedbush Capital having joined the firm in 2000. He has led the firm's private equity initiatives.

He is a board member of Wedbush Financial Services and Wedbush Securities, a board advisor to Wedbush Ventures and a board observer at ETFMG and VCC. He is a member of the Kellogg Finance Network and on the Advisory Council for USC's Marshall School of Business Entrepreneurial Studies Program. Former board positions include Passport Food Group, CriterionBrock, ExtruMed, G&H Technologies and ShareWave as well as the Stanford Athletic Board, Mayfield Senior School and Mayfield Junior School.

Geoff received his B.A. from Stanford University and his M.B.A. from the J.L. Kellogg Graduate School of Management at Northwestern University.

3. **BUSINESS ACTIVITIES:** **Wedbush Securities Inc.**

Wedbush Securities is the largest holding of parent company Wedbush Capital. 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 and foreign exchange 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 June 30, 2022, Wedbush has further allocated the estimated \$155.5 Million of excess net capital as follows: 40% to Advanced Clearing Services, 40% to Futures Division, 5% to Capital Markets, 5% to Wealth Management, and 10% to Stock Loan/Repos. Remaining capital is allocated to the corporate divisions. 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 on futures.

The business is broken down into four categories:

1. Professional Traders
2. Wholesale (Introducing Brokers, CTA's, Foreign Brokers, Omnibus Accounts... etc.)
3. Retail Customers
4. Commercial Hedgers

Carrying Brokers Used:

StoneX Group
CIBC World Markets Inc.
Phillip Capital USA

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

- * Represents Self-Clearing Member
- ** Represents Non-Clearing Member ("NCM")
- *** Trading Participant

- CME Group*
 - Chicago Mercantile Exchange (CME)
 - Chicago Board of Trade (CBOT)
 - New York Commodity Exchange (COMEX)
 - New York Mercantile Exchange (NYMEX)
 - Kansas City Board of Trade (KCBT)
- MIAX Company**
 - Minneapolis Grain Exchange (MGEX)
- Cboe Global Markets**
 - Cboe Futures Exchange (CFE) (clearing member with OCC)
- Intercontinental Exchange Inc.*
 - ICE Futures U.S. (IFUS)
 - ICE Futures Europe (ICEU)
 - ICE Futures Abu Dhabi (IFAD)

- Euronext LIFFE (XLDN)
- NYSE LIFFE US (XNYS)
- Deutsche Börse Group**
 - EUREX (XEUR)
- Bourse de Montréal Inc.** (TMX)
- The Options Clearing Corporation* (OCC)
- LCH Ltd.* (LCH)
- Nodal Exchange* (NODX)
- The Small Exchange* (SMFE)
- Coinbase Derivatives Exchange* FKA FAIRX

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 June 30, 2022, Wedbush maintains equity capital of approximately \$312MM and subordinated debt of \$45M.

Proprietary and Affiliate Activities

Wedbush Financial Services, 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 not maintain speculative proprietary trading accounts.

4. IMPORTANT RISK DISCLOSURES:

See our website (www.wedbush.com/disclosures) for important disclosures regarding risk and conflicts of interest, please read them carefully.

Risk Disclosure Document

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

Foreign Futures

Foreign futures transactions involve executing and clearing trades on a foreign exchange. Customers who trade on foreign exchanges may not be afforded certain protections which apply to domestic transactions; including, the right to use domestic alternative dispute resolution procedures. In particular, funds received from customers to margin foreign futures transactions may not be provided the same protections as funds received to margin futures transactions on domestic exchanges. Before you trade, you should familiarize yourself with the foreign rules which will apply to your particular transaction.

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 the top center-right of the page, click on BROKERCHECK. There are boxes on the top of the next page for INDIVIDUAL and FIRM. Click on FIRM, and type in “Wedbush Securities”. On the resulting page, click on MORE DETAILS to access Wedbush’s posted regulatory history.

Additional actions can be found at <http://www.nfa.futures.org/basicnet/welcome.aspx>. This link will take you to the NFA homepage. Click on the BASIC box of the top-right of the page. Click on FIRM, and type in “Wedbush Securities”. Choose WEDBUSH SECURITIES INC, with NFA ID: 0086156. On the resulting page, click on VIEW ALL ACTIONS to access Wedbush’s posted regulatory history.

Also see the following link for additional financial information: <https://www.wedbush.com/financial-statements/>.

Recent Regulatory Actions:

Pursuant to an offer of settlement in which Wedbush Securities Inc. neither admitted nor denied the rule violation upon which the penalty is based, on August 19, 2022, the Clearing House Risk Committee found that Wedbush Securities Inc. violated CBOT Rule 980.A. In accordance with the settlement offer, the Committee imposed a \$50,000 fine.

Pursuant to an offer of settlement in which Wedbush Securities Inc. neither admitted nor denied the rule violation upon which the penalty is based, on October 15, 2020, the Clearing House Risk Committee found that Wedbush Securities Inc. violated CBOT Rule 982. In accordance with the settlement offer, the Committee imposed a \$50,000 fine

Pursuant to an offer of settlement in which Wedbush Securities Inc. neither admitted nor denied the rule violation upon which the penalty is based, on January 23, 2020, the Clearing House Risk Committee found that Wedbush Securities Inc. violated CBOT Rule 980.B.3. In accordance with the settlement offer, the Committee imposed a \$150,000 fine.

Pursuant to an offer of settlement in which Wedbush Securities Inc. neither admitted nor denied the rule violation upon which the penalty is based, on November 29, 2018, the Clearing House Risk Committee found that Wedbush Securities Inc. violated CBOT Rule 980.B.3. In accordance with the settlement offer, the Committee imposed a \$100,000 fine.

Pursuant to an offer of settlement in which Wedbush Securities Inc. neither admitted nor denied the rule violations upon which the penalty is based, in June 2018, the Clearing House Risk Committee found that Wedbush Securities Inc. violated CBOT Rules 951., 970.A., 971.A., 971.A.1. and 980.B. In accordance with the settlement offer, the Clearing House Risk Committee imposed a \$100,000 fine.

Potentially material actions that have not been concluded and are not noted above:

Bourse de Montréal Inc. - In the matter of Wedbush Securities Inc. a foreign approved participant of Bourse de Montréal Inc. - File number: EN-DC-21001 Wedbush Securities was served on January 6, 2021 with a Disciplinary Complaint from the Bourse. Following an investigation and transfer of the file to enforcement, the Bourse de Montréal Inc. was of the opinion that Wedbush Securities Inc. did not respect specific Rules of the Bourse and planned to move forward with a Disciplinary hearing. Wedbush and the Bourse are in settlement negotiations.

Live Well Financial vs, Wedbush. US Bankruptcy Court District of Delaware 19-11317 (LSS) -Chapter 7-Adv.Proc.No. 21-50989
06/26/21 A two-count complaint was filed against Wedbush Securities Inc., and John Does 1- 50, by the Chapter 7Trustee,
David W. Carickhoff of Live Well Financial: Count 1 Avoidance of Actual Intent Fraudulent Transfer pursuant to 11U.S.C. §
548(a)(1)(A); and Count 2 Recovery of Avoidable Transfer 11 U.S.C. § 550(a).

The Motion to Dismiss (MTD) was filed on September 10, 2021. Counsel expects the US Bankruptcy Court Judge to make her
decision on Wedbush's MTD by May 2022. If successful, plaintiff will likely be afforded the opportunity to submit an amended
complaint. The Trustees' Response in Opposition to the MTD was filed on October 22, 2021 and The Reply in Support of the MTD
was filed on November 5, 2021. Counsel requested oral argument and is waiting for the Bankruptcy Judge to advise whether she will
take oral argument or if she will take the matter under advisement and rule on the papers.

Arlington Commodities - The CFTC Arbitration claim is for an alleged breach of Wedbush's obligations to provide promised services
as a futures commission merchant (FCM) in the ERCOT (Electric Reliability Council of Texas) market on the Intercontinental
Exchange, resulting in alleged losses to Arlington of over \$1 million in February 2021. Arlington further alleges that Wedbush acted
with gross negligence and/or intentional misconduct towards Arlington and materially breached the Customer Agreement between
Wedbush and Arlington. A complaint was docketed and filed March 2, 2022 and assigned CFTC Docket no. 22-R010. The
Statement of Answer to the Reparations Complaint was filed July 8, 2022. Discovery was exchanged on September 26, 2022. The
hearing has been set for July 16, 2023

5. CUSTOMER COMPLIANTS

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.

6. CUSTOMER FUNDS SEGREGATION

Customer Accounts:

FCMs may maintain up to three different types of accounts for customers, depending on the products a customer trades:

- (i) Customer Segregated Account for customers who trade futures and options on futures listed on U.S. futures exchanges;
- (ii) 30.7 Account for customers who trade futures and options on futures listed on foreign boards of trade; and
- (iii) Cleared Swaps Customer Account for customers trading swaps that are cleared on a DCO registered with the Commission.

The requirement to maintain these separate accounts reflects the different risks posed by the different products. Cash, securities
and other collateral (collectively, Customer Funds) required to be held in one type of account, e.g., the Customer Segregated
Account, may not be commingled with funds required to be held in another type of account, e.g., the 30.7 Account, except as the
Commission may permit by order. For example, the Commission has issued orders authorizing ICE Clear Europe Limited, which is
registered with the Commission as a DCO, and its FCM clearing members: (i) to hold in Cleared Swaps Customer Accounts
Customer Funds used to margin both (a) Cleared Swaps and (b) foreign futures and foreign options traded on ICE Futures Europe,
and to provide for portfolio margining of such Cleared Swaps and foreign futures and foreign options; and (ii) to hold in Customer
Segregated Accounts Customer Funds used to margin both (c) futures and options on futures traded on ICE Futures US and (d)
foreign futures and foreign options traded on ICE Futures Europe, and to provide for portfolio margining of such transactions.

Customer Segregated Account. Funds that customers deposit with an FCM, or that are otherwise required to be held for the benefit
of customers, to margin futures and options on futures contracts traded on futures exchanges located in the U.S., i.e., designated
contract markets, are held in a Customer Segregated Account in accordance with section 4d(a)(2) of the Commodity Exchange Act
and Commission Rule 1.20. Customer Segregated Funds held in the Customer Segregated Account may not be used to meet the
obligations of the FCM or any other person, including another customer.

All Customer Segregated Funds may be commingled in a single account, i.e., a customer omnibus account, and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside of the U.S. that has in excess of \$1 billion of regulatory capital; (iii) an FCM; or (iv) a DCO. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's customers. Unless a customer provides instructions to the contrary, an FCM may hold Customer Segregated Funds only: (i) in the U.S.; (ii) in a money center country; or (iii) in the country of origin of the currency.

An FCM must hold sufficient U.S. dollars in the United States to meet all U.S. dollar obligations and sufficient funds in each other currency to meet obligations in such currency. Notwithstanding the foregoing, assets denominated in a currency may be held to meet obligations denominated in another currency (other than the U.S. dollar) as follows: (i) U.S. dollars may be held in the U.S. or in money center countries to meet obligations denominated in any other currency; and (ii) funds in money center currencies may be held in the U.S. or in money center countries to meet obligations denominated in currencies other than the U.S. dollar.

30.7 Account. Funds that 30.7 Customers deposit with an FCM, or that are otherwise required to be held for the benefit of customers, to margin futures and options on futures contracts traded on foreign boards of trade, i.e., 30.7 Customer Funds, and sometimes referred to as the foreign futures and foreign options secured amount, are held in a 30.7 Account in accordance with Commission Rule 30.7.

Funds required to be held in the 30.7 Account for or on behalf of 30.7 Customers may be commingled in an omnibus account and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside the U.S. that has in excess of \$1 billion in regulatory capital; (iii) an FCM; (iv) a DCO; (v) the clearing organization of any foreign board of trade; (vi) a foreign broker; or such clearing organization's or foreign broker's designated depositories. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's 30.7 Customers. As explained below, Commission Rule 30.7 restricts the amount of such funds that may be held outside of the U.S.

Customers trading on foreign markets assume additional risks. Laws or regulations will vary depending on the foreign jurisdiction in which the transaction occurs, and funds held in a 30.7 Account outside of the U.S. may not receive the same level of protection as Customer Segregated Funds. If the foreign broker carrying 30.7 Customer positions fails, the broker will be liquidated in accordance with the laws of the jurisdiction in which it is organized, which laws may differ significantly from the U.S. Bankruptcy Code. Return of 30.7 Customer Funds to the U.S. will be delayed and likely will be subject to the costs of administration of the failed foreign broker in accordance with the law of the applicable jurisdiction, as well as possible other intervening foreign brokers, if multiple foreign brokers were used to process the U.S. customers' transactions on foreign markets.

If the foreign broker does not fail but the 30.7 Customers' U.S. FCM fails, the foreign broker may want to assure that appropriate authorization has been obtained before returning the 30.7 Customer Funds to the FCM's trustee, which may delay their return. If both the foreign broker and the U.S. FCM were to fail, potential differences between the trustee for the U.S. FCM and the administrator for the foreign broker, each with independent fiduciary obligations under applicable law, may result in significant delays and additional administrative expenses. Use of other intervening foreign brokers by the U.S. FCM to process the trades of 30.7 Customers on foreign markets may cause additional delays and administrative expenses.

To reduce the potential risk to 30.7 Customer Funds held outside of the U.S., Commission Rule 30.7 generally provides that an FCM may not deposit or hold 30.7 Customer Funds in permitted accounts outside of the U.S. except as necessary to meet margin requirements, including prefunding margin requirements, established by rule, regulation, or order of the relevant foreign boards of trade or foreign clearing organizations, or to meet margin calls issued by foreign brokers carrying the 30.7 Customers' positions. The rule further provides, however, that, in order to avoid the daily transfer of funds from accounts in the U.S., an FCM may maintain in accounts located outside of the U.S. an additional amount of up to 20 percent of the total amount of funds necessary to meet margin and prefunding margin requirements to avoid daily transfers of funds.

Cleared Swaps Customer Account Funds deposited with an FCM, or otherwise required to be held for the benefit of customers, to margin swaps cleared through a registered DCO, i.e., Cleared Swaps Customer Collateral, are held in a Cleared Swaps Customer Account in accordance with the provisions of section 4d(f) of the Act and Part 22 of the Commission's rules. Cleared Swaps Customer Accounts are sometimes referred to as LSOC Accounts. LSOC is an acronym for "legally separated, operationally commingled." Funds required to be held in a Cleared Swaps Customer Account may be commingled in an omnibus account and held with: (i) a bank or trust company located in the U.S.; (ii) a bank or trust company located outside of the U.S. that has in excess of \$1 billion of regulatory capital; (iii) a DCO; or (iv) another FCM. Such commingled account must be properly titled to make clear that the funds belong to, and are being held for the benefit of, the FCM's Cleared Swaps Customers.

Investment of Customer Funds:

Section 4d(a)(2) of the Act authorizes FCMs to invest Customer Segregated Funds in obligations of the United States, in general obligations of any State or of any political subdivision thereof, and in obligations fully guaranteed as to principal and interest by the United States. Section 4d(f) authorizes FCMs to invest Cleared Swaps Customer Collateral in similar instruments.

Commission Rule 1.25 authorizes FCMs to invest Customer Segregated Funds, Cleared Swaps Customer Collateral and 30.7 Customer Funds in instruments of a similar nature. Commission rules further provide that the FCM may retain all gains earned and is responsible for investment losses incurred in connection with the investment of Customer Funds. However, the FCM and customer may agree that the FCM will pay the customer interest on the funds deposited.

Permitted investments include:

(i) Obligations of the United States and obligations fully guaranteed as to principal and interest by the United States (U.S. government securities);

(ii) General obligations of any State or of any political subdivision thereof (municipal securities);

(iii) Obligations of any United States government corporation or enterprise sponsored by the United States government (U.S. agency obligations);

(iv) Certificates of deposit issued by a bank (certificates of deposit) as defined in section 3(a)(6) of the Securities Exchange Act of 1934, or a domestic branch of a foreign bank that carries deposits insured by the Federal Deposit Insurance Corporation;

(v) Commercial paper fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (commercial paper);

(vi) Corporate notes or bonds fully guaranteed as to principal and interest by the United States under the Temporary Liquidity Guarantee Program as administered by the Federal Deposit Insurance Corporation (corporate notes or bonds); and

(vii) Interests in money market mutual funds.

The duration of the securities in which an FCM invests Customer Funds cannot exceed, on average, two years.

An FCM may also engage in repurchase and reverse repurchase transactions with non-affiliated registered broker-dealers, provided such transactions are made on a delivery versus payment basis and involve only permitted investments. All funds or securities received in repurchase and reverse repurchase transactions with Customer Funds must be held in the appropriate Customer Account, i.e., Customer Segregated Account, 30.7 Account or Cleared Swaps Customer Account. Further, in accordance with the provisions of Commission Rule 1.25, all such funds or collateral must be received in the appropriate Customer Account on a delivery versus payment basis in immediately available funds.

For additional information on the protection of customer funds, please see the Futures Industry Association's - "Protection of Customer Funds Frequently Asked Questions" located at http://www.futuresindustry.org/downloads/PCF_questions.pdf.

Wedbush Securities is dually registered as an FCM with the Commodities Futures Trading Commission and as a broker/dealer with the Securities and Exchange Commission. The funds you deposit with a futures commission merchant for trading futures positions are not protected by insurance in the event of the bankruptcy or insolvency of the futures commission merchant, or in the event your funds are misappropriated. The funds you deposit with a futures commission merchant for trading futures positions are not protected by the Securities Investor Protection Corporation even if the futures commission merchant is registered with the Securities and Exchange Commission as a broker or dealer.

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.

7. FINANCIAL DATA: (as of: June 30, 2022)

- ☐ Wedbush proprietary margin requirements as a percentage of total is de minimis.
- ☐ Smallest number of customers = 50% of Segregated Funds = 1
- ☐ Smallest number of customers = 50% of Secured Funds = 3
- ☐ 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 approximately \$490M Secured and \$212.25M Unsecured formal lines of credits, consisting of \$140M 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. As of June 30, 2022 the firm has drawn upon \$33.4M of the secured lines and \$90M of the unsecured lines.
- ☐ 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 other than de minimis amounts, therefore <1% as a percentage of customer funds.

Proprietary Margin Requirements as a percentage of the aggregate margin for:

- ☐ Futures Customers .01%
- ☐ Cleared Swaps Customers: N/A
- ☐ 30.7 Customers 0.0%

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 Section 3 - Segregation and Secured Statements Monthly:
 - Tentative Net Capital
 - Net Capital
 - Excess Net Capital

Please note the following balances as of June 30, 2022.

Tentative Net Capital	\$259.3MM
Net Capital	\$252.1MM
Capital Requirement	\$96.6MM
Excess Net Capital	\$155.5MM

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>

8. 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

Documentary Verification

The WS New Accounts Department is responsible for reviewing and verifying the following documents provided by the FICS AP/IB. In addition to the Futures Account Application and/or the Securities Account Application, the following documents must be collected for each customer category:

Individual:

- Copy of valid picture ID such as a driver's license or passport
- W9, or W8 if non-U.S. person

Joint:

- Wedbush Joint Account Agreement
- W9, or W8 if non-U.S. person
- Copy of valid picture ID such as a driver's license or passport for both account holders

Corporation:

- A copy of their most recent audited financial statement and the Wedbush Personal Guarantee for a Corporation form
- Wedbush Resolution to Open Account Form completed and physically signed by an authorized signatory, as stated in their corporate docs. Ideally, this should be signed by someone other than the person opening the account
- Wedbush Futures Entity Questionnaire
- Need a copy of their Articles of Incorporation in English. If Non-US entities do not have English version, then we will need a certified translated copy
- Non-CPO letter needs to be signed, if not registered with the NFA in any capacity
- Beneficial Owner Certification Form
- If entity is a foreign bank, need Foreign Bank Certification and a Wolfsberg Questionnaire
- Copy of valid picture ID such as a driver's license or passport for all officers and anyone identified as having equal to, or greater than 25% ownership
- W8, if non-U.S entity or individual

Limited Liability Company (LLC):

- A copy of their most recent audited financial statement and the Wedbush Personal Guarantee for a LLC form
- Wedbush Authorization to Open LLC Account form completed and [physically] signed by an authorized signatory as stated in their corporate docs. Ideally, this should be signed by someone other than the person opening the account.
- Wedbush Futures Entity Questionnaire
- Need copy of their LLC operating agreement in English. If Non-US LLC does not have English version, then we will need a

certified translated copy.

- Non-CPO Letter needs to be signed, if not registered with the NFA in any capacity
- Beneficial Owner Certification (If individual ownership is equal to, or greater than 25%)
- If entity is a foreign bank, need Foreign Bank Certification and a Wolfsberg Questionnaire
- Copy of valid picture ID such as a driver's license or passport for all members and anyone who has ownership of 25% or more.
- W8, if non-U.S. entity
- One of the following: Articles of Organization, Certificate of Organization, or Formation Certificate

Partnership:

- Wedbush Partnership Agreement form
- Wedbush Personal Guarantee and most recent audited financial statement
- Need a copy of their partnership agreement
- Beneficial Owner Certification
- Copy of valid picture ID such as a driver's license or passport for all partners and anyone who has ownership of 25% or more.
- W8, if non-U.S. entity Trust:
- Wedbush Personal Guarantee
- Wedbush Trust Agreement
- Need a copy of their trust document that states the Trustees.
- Copy of valid picture ID such as a driver's license or passport for all of the trustees
- W8, if non-U.S. entity
- TCIP – Trustee Certification of Investment Powers
- Beneficiary of the trust (name & date of birth)

Pension Plan:

- Need a copy of the pension plan.
- Copy of valid picture ID such as a driver's license or passport
- Wedbush Trust Agreement
- W8, if non-U.S. entity
- Information related to a Third-Party Administrator (if applicable)

IRA Retirement Account:

All IRA accounts must go through a custodial trust company. The client must complete the Wedbush FICS Institutional Account application as well as the trust company's account documents. Both sets of forms are sent to the trust company to be processed, and returned to the WS New Accounts Department.

Commodity Pool and Exempt Commodity Pool Accounts:

- Registration must be on file with the NFA as registered or exempt from registration
- Copy of offering document of Subscription Agreement

Omnibus Accounts:

- Wedbush Omnibus Agreement
- Wedbush Foreign Omnibus Account Rider
- Copy of the prospective client's AML Policy

Sub-Accounts:

- Wedbush Additional Account Request form. Please be sure that the client indicates their reason for the sub account, sign and dates the form. Note: Clients are required to complete a NEW form for each additional account they are requesting.

- If the new sub account will be managed, please see discretionary accounts requirements below.

Discretionary Accounts:

- Wedbush Discretionary Account Trading Authorization Form completed by the client
- Wedbush Account Manager Acknowledgment completed by the POA
- If CTA will have discretion, Authorization of receipt of Disclosure Document and Fee Schedule signed by client
- Copy of valid picture ID such as a driver’s license or passport

In addition, Wedbush obtains the following from clients who trade security futures products, whether the client’s account will be used for speculative or hedge purposes:

- employment status,
- estimated liquid net worth,
- marital status and number of dependents, and
- such other information used or to be considered to be reasonable in making recommendations to the client.

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.