



# Wedbush Securities, Inc.

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Customer Disclosure Document Under the Commodity  
Futures Trading Commission Rule 1.55

November 2014



## WEDBUSH SECURITIES INC. (Futures & Commodities Division)

The following Firm Disclosure Document is important information regarding Wedbush Securities, Inc., and in particular the Futures & Commodities Division. Please read it carefully and contact your broker if you have any questions or require clarity. Thank you for choosing Wedbush as your Futures Commission Merchant.

### **Futures Division – Principal Place of Business**

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

### **Wedbush Securities, Inc. (Headquarters)**

(also the location where audited financial statements are maintained)

1000 Wilshire Blvd  
Los Angeles, CA 90017  
Financial Statement Requests 866-688-6612

Telephone Number 312-786-1930  
FAX Number 312-786-0189

General Email [FuturesInfo@Wedbush.com](mailto:FuturesInfo@Wedbush.com)  
Website [www.Wedbush.com/fc](http://www.Wedbush.com/fc)

#### **Contacts**

Wedbush Futures Division	312-786-1930
Information Technology	312-786-9915
Customer Service	312-784-0470
Compliance	312-784-0422

### **Futures Division Principals**

- **William N. Goodwin**

Senior Vice President and Manager of the Futures Division  
141 West Jackson Blvd. Suite 1710A  
Chicago, IL 60604

#### *Business Background*

Mr. Goodwin received his Bachelor of Science Degree from Bradley University. As a Full Member of The Chicago Board of Trade, serving on various committees including Chairman of the Bond Committee, Mr. Goodwin has been a trader in the agriculture and financial markets since the mid 1970's. Mr. Goodwin was a founding principal and owner of Crossland, LLC, where he was responsible for its growth, overall operations, management and strategic direction. Under his leadership, Crossland provided clearing and trading services in markets worldwide for nearly 30 years. Crossland was acquired by Wedbush in 2014 and Mr. Goodwin continues to lead the Futures Division initiatives defining strategic direction and managing the operations.

- **Kim Swahlstedt**

Senior Vice President and Manager of the Futures Division  
141 West Jackson Blvd. Suite 1710A  
Chicago, IL 60604

#### *Business Background*

Mr. Swahlstedt earned his BSME Degree from Bradley University. A trader for over 30 years,, Mr. Swahlstedt worked on the floor of the Chicago Board of Trade and maintains experience in the agricultural and financial markets. Mr. Swahlstedt was an owner and Managing Member of Crossland, LLC, acquired by Wedbush in 2014. For nearly 30 years,

Mr. Swahlstedt, worked with Mr. Goodwin in overseeing the growth, operations, management and strategic direction, as Crossland provided clearing and trading services as a clearing member of the CME Group of exchanges. Mr. Swahlstedt continues to lead the Futures Division's initiatives defining strategic direction and managing the operations.

- **James Zellinger**

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

*Business Background*

Mr. Zellinger has worked in the futures industry since 1964 managing clearing and settlement operations while holding various ownership and executive positions. Mr. Zellinger maintains significant experience in the commodity futures industry which includes running the Globex operations from inception to 1994, teaching market operations seminars internationally, and implementing new products / exchanges and associated technologies for markets both international and domestic. An active member of the Chicago Board of Trade, Mr. Zellinger has served on several exchange committees including the Business Conduct Committee, the Operations Committee and the Clearing Committee. Mr. Zellinger manages the back office operations, risk and customer service areas of the Futures Division of Wedbush Securities, Inc.

- **M. Patricia (Patti) Kane**

Senior Vice President, Chief Financial Officer (Futures Division)  
141 West Jackson Blvd. Suite 1710A  
Chicago, IL 60604

*Business Background*

Ms. Kane earned a Bachelor of Science Degree in Accounting from Spring Hills College. Ms. Kane has been in the financial services industry since 1985, when she started as an auditor for the Chicago Board of Trade and has since held CFO and COO positions for various Futures Commission Merchants, Broker-Dealers and technology companies, managing day-to-day operations, financial reporting, and defining/implementing strategic initiatives. Ms. Kane joined Crossland, LLC in 2010 and continues to manage financial operations, associated systems and compliance for the Futures Division of Wedbush Securities, Inc.

- **Other Wedbush Principals**

Please refer to the Wedbush website [www.wedbush.com/aboutus/exec-leadership](http://www.wedbush.com/aboutus/exec-leadership)

## **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.

Founded in 1955, with financial roots dating back to 1925, Wedbush Securities is one of the largest securities firms and investment banks in the nation. We provide 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.

Headquartered in Los Angeles, California with over 100 offices and more than 125 correspondent offices, our commitment to providing relentless, customized service is the foundation of our consistent growth. We deliver superior investment ideas and products through exceptional customer care, financial security, continuity and advanced technology.

All futures related activity is based in Chicago IL, in the Chicago Board of Trade Building where the Futures Division maintains offices. Centrally located in the heart of the Chicago Loop Financial District and connected to the various exchanges.

Wedbush's Broker Dealer related DSRO is Finra, their website is [www.Finra.org](http://www.Finra.org)  
[Wedbush's Futures related DSRO is CME Group, their website is www.CMEGroup.com](http://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. Wedbush has further allocated the estimated \$100 Million of excess capital as follows, 25% to the Private Wealth Division, 25% to Capital Markets Division, 25% to the Correspondent Services Division, 15% to the Prime Brokerage Division, and 10% to the Futures Division. Please note that this is subject to change at any time and may fluctuate as customer activity and market conditions require.

## Futures & Commodities Division

The Futures & Commodities Division is engaged in the business of execution and clearing for exchange traded commodity futures and options.

Where Wedbush does not self-clear (see below), they utilize the services of ABN AMRO Clearing Chicago, LLC. Wedbush's main settlement bank is Fifth Third Bank. While the vast majority of Wedbush's customers are professional traders, 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

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

\* Represents Self-Clearing Member

\*\* Represents Non-Clearing Member

- Chicago Board of Trade \*
- Chicago Mercantile Exchange \*
- COMEX \*
- ICE - US
- Minneapolis Grain Exchange
- New York Mercantile Exchange \*
- New York Portfolio Clearing
- NYSE Liffe \*\*
- EUREX \*\*
- Euronext Amsterdam \*\*
- Euronext Paris \*\*
- LFOX
- ICE – Europe
- London Metals Exchange
- SIMEX
- TSE
- Sydney Futures Exchange
- Winnipeg Commodity Exchange

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 Chicago Mercantile Exchange 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**

Wedbush maintains equity capital of approximately \$250 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. Please note that there is

### **Investments**

Wedbush maintains customer segregated and secured 30.7 funds in accounts designated as such. All customer 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 DSR0, the Chicago Mercantile Exchange. All investments maintain a weighted average maturity of less than 24 months. These investments include:

- Approved Money Markets
- Short term U.S. 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.

### **Important Risk Disclosures**

See our website ([www.wedbush.com/regulatorydisclosures](http://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

The Company is subject to various proceedings and claims arising primarily from securities business activities, including lawsuits, arbitration claims, and regulatory matters. The Company is also involved in other reviews, investigations, and proceedings by governmental and self-regulatory organizations regarding the business, which may result in adverse judgments, settlements, fines, penalties, injunctions, and other relief. Matters in which the Company is currently involved include cases related to financial advisor activities and market access regulations. The Company is contesting the allegations in these claims, and believes there are meritorious defenses in each of these arbitrations, lawsuits, and regulatory investigations.

You may find additional information regarding Wedbush at [www.Finra.org/brokercheck](http://www.Finra.org/brokercheck)

## Customer Complaints

Contact the Chief Compliance Officer at 608-348-5915 or email [Greg.Hostetler@Wedbush.com](mailto:Greg.Hostetler@Wedbush.com)

The following link may be used to issue a complaint to the CFTC  
<http://www.cftc.gov/ConsumerProtection/FileaTiporComplaint/index.htm>

The link may be used to issue a complaint to Wedbush's DSRO (or call 312-341-7970)  
<http://www.cmegroup.com/market-regulation/file-complaint.html>

## Financial Data

a/o May 31, 2014

- Wedbush proprietary margin requirements as a percentage of total margin.
- Smallest number of customers = 50% of Seg Funds = 42 (This is estimated as Wedbush has been an active FCM since July 1<sup>st</sup>, 2014)
- Smallest number of customer = 50% of Secured Funds = 4 (This is estimated as Wedbush has been an active FCM since July 1<sup>st</sup>, 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 has no committed unsecured lines of credit or similar short-term funding
- 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.

The following additional financial data may be found on the Wedbush website [www.Wedbush.com/financials](http://www.Wedbush.com/financials)

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

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/FinancialDataforFCMs/index.htm>

## Risk Practices, Controls and Procedures



Wedbush takes very serious its policies and procedures governing risk practices and controls, in addition to its dedication to provide customers with a strong customer service, vast product offering and solid commitment to financial integrity. Wedbush utilizes a suite of products and services to assist staff in managing and monitoring risk 24 by 6. Our commitment to risk management starts with the account opening process through funding and pre-trade risk controls and continues throughout the life cycle of each trade and account.

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Customer hereby acknowledges receipt and Customer's understanding of this Customer Disclosure Document:

CFTC Rule 1.55(k) FCM Disclosure Document ([www.wedbush.com](http://www.wedbush.com))

**Printed Customer Name:** \_\_\_\_\_

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Printed Customer Name(Joint):** \_\_\_\_\_

**Signature (Joint):** \_\_\_\_\_ **Date:** \_\_\_\_\_