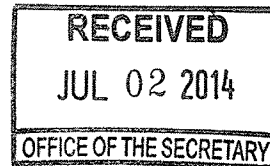


1 STEPHEN YOUNG, CASB No. 58711  
 steve.young@kyl.com  
 2 PETER R. BOUTIN, CASB No. 65261  
 peter.boutin@kyl.com  
 3 KEESAL, YOUNG & LOGAN  
 A Professional Corporation  
 4 450 Pacific Avenue  
 San Francisco, California 94133  
 5 Telephone: (415) 398-6000  
 Facsimile: (415) 981-0136



6 Attorneys for Respondent  
 7 JEFFREY BELL

8 **UNITED STATES OF AMERICA**  
 9 **BEFORE THE SECURITIES AND EXCHANGE COMMISSION**

10  
 11 In the Matter of ) Administrative Proceeding  
 ) File No. 3-15913  
 12 )  
 Wedbush Securities Inc., )  
 13 Jeffrey Bell, and ) **RESPONDENT JEFFREY BELL'S**  
 Christina Fillhart, ) **ANSWER AND DEFENSES TO THE**  
 ) **ORDER INSTITUTING PUBLIC**  
 14 Respondents. ) **ADMINISTRATIVE AND CEASE-AND-**  
 ) **DESIST PROCEEDINGS**  
 15 )

16  
 17 Pursuant to Rule 220 of the Securities and Exchange Commission's ("Commission") Rules of  
 18 Practice, Respondent JEFFREY BELL ("Mr. Bell") answers the Department of Enforcement's<sup>1</sup> Order  
 19 Instituting Administrative Cease-and-Desist Proceedings ("OIP") dated June 6, 2014, as follows:

20  
 21 **GENERAL RESPONSE**

22 Certain paragraphs contained in the OIP lack sufficient specificity and information for Mr. Bell  
 23 to either admit or deny the allegations in the respective paragraphs, or otherwise adequately respond.

24 As more fully set forth below, Mr. Bell denies the allegations of the Commission that he  
 25 caused or was a cause of the alleged violation of certain of the federal securities laws and rules  
 26 adopted by the Commission thereunder, and denies that any remedial action is appropriate in the

27 <sup>1</sup> The Department of Enforcement is hereinafter referred to as the "Commission."  
 28

1 public interest and that any order to cease and desist should be issued. Mr. Bell relied reasonably and  
2 in good faith in all relevant respects during the Relevant Period upon available guidance from the  
3 Commission and its Staff and upon the decisions, actions, and directions of other Wedbush Securities  
4 (“Wedbush”) personnel for which he is not responsible including those of his superiors. Mr. Bell  
5 submits that this proceeding should be dismissed. Any allegations not expressly admitted herein are  
6 denied.

7  
8 **RESPONSES TO ALLEGATIONS OF SECTIONS I. AND II. OF THE OIP**

9 Mr. Bell responds to the specific allegations of the OIP as follows:

10 **Paragraph 1.** Mr. Bell admits that these proceedings involve issues relating to the market  
11 access business of Wedbush Securities Inc. (“Wedbush”), a market access provider in the United  
12 States. Mr. Bell further admits that from July 2011 until January 2013, Wedbush served as a gateway  
13 to U.S. markets for multiple trading firms, both foreign and domestic. Mr. Bell does not have  
14 sufficient knowledge and information to form a belief as to the truth of the remaining allegations in  
15 Paragraph 1 and, accordingly, they are denied.

16 **Paragraph 2.** Mr. Bell denies the allegations contained in Paragraph 2.

17 **Paragraph 3.** Mr. Bell admits that Wedbush received an examination deficiency letter, the  
18 contents of which speaks for itself. Except as expressly admitted herein, Mr. Bell denies the allega-  
19 tions contained in Paragraph 3.

20 **Paragraph 4.** Mr. Bell does not have sufficient knowledge or information to form a belief as  
21 to the truth of the allegations concerning Wedbush’s alleged failure to preserve certain written  
22 communications with customers or its purported failure to file suspicious activity reports pursuant to  
23 anti-money laundering requirements and, accordingly, they are denied. Beyond the foregoing,  
24 Mr. Bell denies the allegations contained in Paragraph 4.

25 **Paragraph 5.** Mr. Bell does not have sufficient knowledge or information to form a belief as  
26 to the truth of the statement “During the relevant period, Wedbush was consistently ranked as one of  
27 the five largest firms by trading volume on NASDAQ” and accordingly, the allegation is denied.  
28 Except as expressly denied, Mr. Bell admits the remaining allegations contained in Paragraph 5.

1           **Paragraph 6.** During the relevant period, Mr. Bell was the Executive Vice President of the  
2 Correspondent Services Group of Wedbush. Mr. Bell denies he was a member of Wedbush’s Board  
3 of Directors at any time. Mr. Bell is currently age 40. Except as expressly denied, Mr. Bell admits the  
4 allegations contained in Paragraph 6.

5           **Paragraph 7.** Mr. Bell admits that during the relevant period, Christina Fillhart was a Senior  
6 Vice President in the Correspondent Compliance Division of Wedbush and was an associated person  
7 of Wedbush. Mr. Bell further admits that Ms. Fillhart reported to him until late 2012, when she began  
8 reporting to one of Wedbush’s co-chief compliance officers. Upon information and belief, Mr. Bell  
9 believes that Ms. Fillhart is 55 years of age and a resident of Covina, California, and that she holds the  
10 licenses referenced in Paragraph 7 of the OIP.

11           **Paragraph 8.** Paragraph 8 states a legal conclusion which does not call for an admission or  
12 denial, and therefore no response is required.

13           **Paragraph 9.** Paragraph 9 states a legal conclusion which does not call for an admission or  
14 denial, and therefore no response is required.

15           **Paragraph 10.** Paragraph 10 states a legal conclusion which does not call for an admission  
16 or denial, and therefore no response is required.

17           **Paragraph 11.** Paragraph 11 states a legal conclusion which does not call for an admission  
18 or denial, and therefore no response is required.

19           **Paragraph 12.** Paragraph 12 states a legal conclusion which does not call for an admission  
20 or denial, and therefore no response is required.

21           **Paragraph 13.** Mr. Bell denies that the market access business at Wedbush is exclusive to  
22 the Correspondent Services Division, as the Correspondent Services Division only handles a portion  
23 of the Wedbush market access business. Mr. Bell further denies that Wedbush allowed its  
24 “sponsored” market access customers or correspondents or their traders “to send orders that bypassed  
25 Wedbush’s trading systems” under a Wedbush MPID during the Relevant Period, in that Wedbush  
26 asserted direct and exclusive control over the trading platforms used by its market access customers  
27 and correspondents to send orders under a Wedbush MPID during the Relevant Period. Mr. Bell does  
28 not have sufficient knowledge or information to form a belief as to the truth that “Wedbush began

1 providing ‘sponsored’ market access to customer firms in 2004” and on that basis denies the  
2 allegation. Mr. Bell denies the remaining allegations contained in Paragraph 13.

3 **Paragraph 14.** During the relevant period, Wedbush had approximately 30 sponsored access  
4 customers, not 50. Mr. Bell admits that he received bonus compensation based on a number of  
5 criteria, including the profitability of the Correspondent Services Division. Mr. Bell admits that  
6 during the relevant period (approximately 18 months), he received a salary of \$344,000 and bonus  
7 compensation of \$310,000. Mr. Bell denies the allegation that Wedbush’s sponsored access customers  
8 generated an average monthly trading volume of thirty billion shares. Mr. Bell does not have  
9 sufficient knowledge or information to form a belief as to the truth of the remaining allegations in  
10 Paragraph 14 and, accordingly, they are denied.

11 **Paragraph 15.** Mr. Bell admits that in June 2011, Wedbush Inc. (not Wedbush Securities  
12 Inc.) acquired Lime Brokerage LLC, a provider of trading technology platforms. Mr. Bell further  
13 admits that after Wedbush acquired Lime, some of Wedbush’s sponsored access customers began  
14 using the Lime platform. Mr. Bell admits that other Wedbush-sponsored access customers accessed  
15 the markets in part through their own proprietary trading programs, but always in conjunction with a  
16 third party risk system that was reviewed and certified by Wedbush staff. Beyond the foregoing,  
17 Mr. Bell denies the allegations contained in Paragraph 15.

18 **Paragraph 16.** Mr. Bell states that Wedbush’s WSPs speak for themselves, and he refers to  
19 said WSPs for a true and complete statement of their contents. Mr. Bell denies that Chapter 31 of  
20 Wedbush’s WSPs described Wedbush’s “primary” risk management controls and supervisory proce-  
21 dures relating to market access. Beyond the foregoing, Mr. Bell does not have sufficient knowledge  
22 or information to form a belief as to the truth of the allegations contained in Paragraph 16 and,  
23 accordingly they are denied.

24 **Paragraph 17.** Mr. Bell admits that he, along with Ms. Fillhart, had shared authority and  
25 shared responsibility with Wedbush’s Compliance, Internal Audit and Controls, and Executive  
26 Management, including the CEO, for preparing and adopting Wedbush’s controls and procedures  
27 relating to market access. Mr. Bell denies the remaining allegations contained in Paragraph 17.

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1           **Paragraph 18.** Mr. Bell states that he does not have sufficient knowledge or information to  
2 form a belief as to the truth of the allegations contained in Paragraph 18 and, accordingly, they are  
3 denied.

4           **Paragraph 19.** Mr. Bell states that he does not have sufficient knowledge or information to  
5 form a belief as to the truth of the allegations contained in Paragraph 19 and, accordingly, they are  
6 denied.

7           **Paragraph 20.** Mr. Bell admits that during the public comment period for the then-proposed  
8 Rule 15c3-5, he submitted a comment letter to the Commission on behalf of Wedbush dated  
9 February 28, 2009. Mr. Bell's February 23, 2009 letter speaks for itself, and Mr. Bell refers to the  
10 document for a true and complete statement of its contents. Mr. Bell does not have sufficient knowl-  
11 edge or information to form a belief as to the truth of the remaining allegations of Paragraph 20 and,  
12 accordingly, they are denied.

13           **Paragraph 21.** Mr. Bell admits that on or about May 17, 2011, Commission staff from the  
14 Office of Compliance Inspections and Examinations sent an Examination Deficiency Letter to  
15 Wedbush. Said letter was addressed to Mr. Bell. The May 17, 2011 letter speaks for itself, and  
16 Mr. Bell refers to the document for a true and complete statement of the letter's contents. Mr. Bell  
17 does not have sufficient knowledge or information to form a belief as to the truth of the remaining  
18 allegations in Paragraph 21 and, accordingly, they are denied.

19           **Paragraph 22.** Mr. Bell admits that on July 5, 2011, Wedbush representatives, including  
20 Ms. Fillhart and himself, met with representatives of OCIE to discuss the impending effectiveness of  
21 the final Rule 15c3-5. Mr. Bell admits that during that meeting, the Commission's staff discussed  
22 Wedbush's clients and the importance of identifying the ultimate traders. Mr. Bell further admits that  
23 Wedbush made a PowerPoint presentation to the Commission's staff, the content of which speaks for  
24 itself. Beyond the foregoing, Mr. Bell denies the allegations contained in Paragraph 22.

25           **Paragraph 23.** Paragraph 23 states a legal conclusion with respect to the requirements of  
26 Section (d) of the Market Access Rule which does not call for an admission or denial, and therefore no  
27 response is required. To the extent a response is required, Mr. Bell denies the allegations contained in  
28 Paragraph 23.

1           **Paragraph 24.** Mr. Bell admits that certain of its market access customers and corre-  
2 spondents used third-party and/or proprietary trading platforms, as permitted under the applicable  
3 Rules and Regulations. Beyond the foregoing, Mr. Bell denies the allegations contained in  
4 Paragraph 24.

5           **Paragraph 25.** Mr. Bell admits that Wedbush employees in the Correspondent Services  
6 Division received access from platform providers to view risk settings and trading activity in the  
7 platforms. Mr. Bell denies he knew that Wedbush did not have exclusive control over the settings.  
8 Beyond the foregoing, Mr. Bell does not have sufficient knowledge or information to form a belief as  
9 to the truth of the remaining allegations contained in Paragraph 25.

10           **Paragraph 26.** Mr. Bell admits that shortly before many provisions of the Market Access  
11 Rule took effect, Wedbush obtained email statements from certain trading platform providers that the  
12 risk management settings in the platforms were under the direct and exclusive control of Wedbush.  
13 Beyond the foregoing, Mr. Bell denies the allegations contained in Paragraph 26.

14           **Paragraph 27.** Mr. Bell states that Wedbush's WSPs speak for themselves, and he refers to  
15 said WSPs for a true and complete statement of their contents. Mr. Bell states that the footnotes to  
16 Paragraph 27 state legal conclusions which do not call for an admission or denial, and therefore, no  
17 response is required. Mr. Bell admits that Wedbush had certain checklists during the relevant period.  
18 Beyond the foregoing, Mr. Bell denies the allegations contained in Paragraph 27.

19           **Paragraph 28.** Mr. Bell states that the platform providers began providing Wedbush initial  
20 demonstrations of risk settings in their trading platforms during the relevant period. Beyond the  
21 foregoing, Mr. Bell admits the remaining allegations contained in Paragraph 28.

22           **Paragraph 29.** Mr. Bell denies that Wedbush did not maintain records of the risk settings in  
23 the platforms. Mr. Bell does not have sufficient knowledge or information to form a belief as to the  
24 truth of the remaining allegations contained in Paragraph 29 and, accordingly, they are denied.

25           **Paragraph 30.** Mr. Bell does not have sufficient knowledge or information to form a belief  
26 as to the truth of the allegations contained in Paragraph 30 and, accordingly, they are denied.

27           **Paragraph 31.** Paragraph 31 states a legal conclusion which does not call for an admission  
28 or denial, and therefore no response is required.

1           **Paragraph 32.** Mr. Bell admits that Wedbush reasonably allocated to other correspondents  
2 the responsibility for regulatory risk management controls and supervisory procedures for some of its  
3 sponsored access customers. Beyond the foregoing, Mr. Bell denies the allegations contained in  
4 Paragraph 32.

5           **Paragraph 33.** Mr. Bell admits that Wedbush entered into allocation agreements with  
6 certain of its correspondents; that certain of its correspondent in turn had separate customers of their  
7 own; and that certain of its correspondents owned or controlled proprietary trading platforms. Beyond  
8 the foregoing, Mr. Bell denies the remaining allegations contained in Paragraph 33.

9           **Paragraph 34.** Mr. Bell admits that Wedbush utilized an allocation agreement during the  
10 relevant period and further admits that it was approved by Wedbush personnel, including Mr. Bell.  
11 The language in the allocation agreement speaks for itself. Beyond the foregoing, Mr. Bell denies the  
12 allegations contained in Paragraph 34.

13           **Paragraph 35.** Mr. Bell admits that the allocation agreements contained a statement by the  
14 introducing broker-dealer or registered customer firm that its regulatory risk management controls and  
15 supervisory procedures were reasonably designed to ensure compliance with all regulatory require-  
16 ments. Beyond the foregoing, Mr. Bell denies the allegations contained in Paragraph 35.

17           **Paragraph 36.** Mr. Bell states that the Final Rule Release speaks for itself, and he refers to  
18 the Release for a true and complete statement of its entire contents. Beyond the foregoing, Mr. Bell  
19 denies the allegations contained in Paragraph 36.

20           **Paragraph 37.** Paragraph 37 states a legal conclusion which does not call for an admission  
21 or denial, and therefore no response is required. To the extent a response is required, Mr. Bell states  
22 that the Market Access Rule speaks for itself, as does the Final Rule Release for the Market Access  
23 Rule. Mr. Bell refers to said Rule Release and Rule for a true and complete statement of their entire  
24 contents. Beyond the foregoing, Mr. Bell denies the allegations contained in Paragraph 37.

25           **Paragraph 38.** Paragraph 38 states a legal conclusion which does not call for an admission  
26 or denial, and therefore no response is required. To the extent a response is required, Mr. Bell denies  
27 the allegations contained in Paragraph 38.

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1           **Paragraph 39.** Mr. Bell states that Wedbush’s WSPs speak for themselves, and he refers to  
2 the referenced documents for a true and complete statement of their entire contents. Mr. Bell does not  
3 have sufficient knowledge or information to form a belief as to the truth of the remaining allegations  
4 contained in Paragraph 39 and, accordingly, they are denied.

5           **Paragraph 40.** Mr. Bell states that Wedbush’s WSPs speak for themselves, and he refers to  
6 the referenced documents for a true and complete statement of their entire contents. Beyond the  
7 foregoing, Mr. Bell denies the allegations contained in Paragraph 40.

8           **Paragraph 41.** Mr. Bell states that the contents of the May 2011 OCIE Deficiency Letter  
9 speaks for itself, and he refers to the document for a true and correct statement of its entire contents.  
10 Mr. Bell does not have sufficient knowledge or information to form a belief as to the truth of the  
11 allegations with respect to what Ms. Fillhart learned between July 2011 and November 2012 and  
12 accordingly the allegations are denied. Mr. Bell admits that, prior to the Relevant Period, he was  
13 aware of a couple minor technical incidents as described in the May 2011 Deficiency Letter. Beyond  
14 the foregoing, Mr. Bell denies the allegations contained in Paragraph 41.

15           **Paragraph 42.** Paragraph 42 states a legal conclusion which does not call for an admission  
16 or denial, and therefore no response is required. To the extent a response is required, Mr. Bell denies  
17 the allegations contained in Paragraph 42.

18           **Paragraph 43.** Mr. Bell states that the contents of Wedbush’s WSPs speak for themselves,  
19 and he refers to the documents for a true and complete statement of their entire contents. Beyond the  
20 foregoing, Mr. Bell denies the allegations contained in Paragraph 43.

21           **Paragraph 44.** Mr. Bell does not have sufficient knowledge or information to form a belief  
22 as to the truth of the allegations contained in Paragraph 44 and, accordingly, they are denied.

23           **Paragraph 45.** Mr. Bell does not have sufficient knowledge or information to form a belief  
24 as to the truth of the allegations contained in Paragraph 45 and, accordingly, they are denied.

25           **Paragraph 46.** Mr. Bell denies the allegation that Wedbush did not have “direct and exclu-  
26 sive control” over risk settings as required by Rule 15c3-5(d) and does not have controls reasonably  
27 designed to ensure compliance with all regulatory requirements that must be satisfied on a pre-order

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1 entry basis. Mr. Bell does not have sufficient knowledge or information to form a belief as to the truth  
2 of the remaining allegations contained in Paragraph 46 and, accordingly, they are denied.

3 **Paragraph 47.** Paragraph 47 states a legal conclusion as to the requirements of the Market  
4 Access Rule which does not call for an admission or denial, and therefore no response is required.  
5 Mr. Bell denies the allegation that Wedbush did not have controls and procedures in connection with  
6 its market access business that were reasonably designed to ensure that Wedbush complied with all  
7 AML reporting and recordkeeping requirements applicable to Wedbush.

8 **Paragraph 48.** Paragraph 48 states a legal conclusion which does not call for an admission  
9 or denial, and therefore no response is required.

10 **Paragraph 49.** Paragraph 49 states a legal conclusion as to what FINRA requires of its  
11 members which does not call for an admission or denial, and therefore no response is required. To the  
12 extent a response is required, Mr. Bell does not have sufficient knowledge or information to form a  
13 belief as to the truth of the allegations contained in Paragraph 49 and, accordingly, they are denied.

14 **Paragraph 50.** Mr. Bell states that the contents of Wedbush's WSPs speak for themselves,  
15 and Mr. Bell refers to said documents for a true and complete statement of their entire contents.

16 **Paragraph 51.** Mr. Bell admits that individual traders were identified by a unique trader ID.  
17 Mr. Bell does not have sufficient knowledge or information to form a belief as to the truth of the  
18 remaining allegations contained in Paragraph 51 and, accordingly, they are denied.

19 **Paragraph 52.** Mr. Bell is informed and believes and on that basis admits that most trading  
20 platforms used by Wedbush's customers have risk settings to prevent potential wash trades. Mr. Bell  
21 further admits that some exchanges offered functionality to block wash trades. Beyond the foregoing,  
22 Mr. Bell denies the allegations contained in Paragraph 52.

23 **Paragraph 53.** Mr. Bell states that he was not responsible for filing suspicious activity  
24 reports pursuant to the Bank Secrecy Act. Mr. Bell denies that he knew that Wedbush did not have  
25 policies or procedures with respect to suspicious activity and the reporting of same. Mr. Bell admits  
26 that Ms. Fillhart and others within Correspondent Services Division referred various activities to the  
27 AML Compliance Officer for his review and consideration pursuant to the Bank Secrecy Act. Beyond  
28 the foregoing, Mr. Bell denies the allegations contained in Paragraph 53.

1           **Paragraph 54.** Mr. Bell states that Wedbush’s WSPs speak for themselves, and he refers to  
2 said documents for a true and complete statement of their entire contents.

3           **Paragraph 55.** Mr. Bell does not have sufficient knowledge or information to form a belief  
4 as to the truth of the allegations contained in Paragraph 55 and, accordingly, they are denied.

5           **Paragraph 56.** Mr. Bell does not have sufficient knowledge or information to form a belief  
6 as to the truth of the allegations contained in Paragraph 56 and, accordingly, they are denied.

7           **Paragraph 57.** Mr. Bell does not have sufficient knowledge or information to form a belief  
8 as to the truth of the allegations contained in Paragraph 57 and, accordingly, they are denied.

9           **Paragraph 58.** Mr. Bell does not have sufficient knowledge or information to form a belief  
10 as to the truth of the allegations contained in Paragraph 58 and, accordingly, they are denied.

11           **Paragraph 59.** Mr. Bell denies the allegations that Wedbush did not have controls or  
12 procedures for preventing traders that had been disabled by a customer from obtaining a new trader ID  
13 through the same or a different Wedbush customer account. Mr. Bell does not have sufficient  
14 knowledge or information to form a belief as to the truth of the remaining allegations contained in  
15 Paragraph 59 and, accordingly, they are denied.

16           **Paragraph 60.** Mr. Bell does not have sufficient knowledge or information to form a belief  
17 as to the truth of the allegations contained in Paragraph 60 and, accordingly, they are denied.

18           **Paragraph 61.** Mr. Bell does not have sufficient knowledge or information to form a belief  
19 as to the truth of the allegations contained in Paragraph 61 and, accordingly, they are denied.

20           **Paragraph 62.** Mr. Bell admits that he and Ms. Fillhart met with another senior officer in  
21 the Correspondent Services Division to discuss compliance issues. Beyond the foregoing, Mr. Bell  
22 denies the allegations contained in Paragraph 62.

23           **Paragraph 63.** Mr. Bell does not have sufficient knowledge or information to form a belief  
24 as to the truth of the allegations contained in Paragraph 63 and, accordingly, they are denied.

25           **Paragraph 64.** Mr. Bell states that the language contained in the Market Access Rule speaks  
26 for itself. Any allegations with regard to the requirements of the Market Access Rules states a legal  
27 conclusion which does not call for an admission or denial, and therefore no response is required.  
28 Beyond the foregoing, Mr. Bell denies the allegations contained in Paragraph 64.

1           **Paragraph 65.** Mr. Bell states that Wedbush’s WSPs speak for themselves, and he refers to  
2 the documents for a true and complete statement of their entire contents. Beyond the foregoing,  
3 Mr. Bell does not have sufficient knowledge or information to form a belief as to the truth of the  
4 allegations contained in Paragraph 65 and, accordingly, they are denied.

5           **Paragraph 66.** Mr. Bell states that when Wedbush opened a sponsored access account,  
6 Wedbush employees obtained identifying information and performed background checks for whom  
7 such procedures were required to be performed pursuant to all existing laws and regulations. Mr. Bell  
8 states that Wedbush’s WSPs speak for themselves, and he refers to the documents for a true and  
9 complete statement of their entire contents. Beyond the foregoing, Mr. Bell does not have sufficient  
10 knowledge or information to form a belief as to the truth of the remaining allegations contained in  
11 Paragraph 66 and, accordingly, they are denied.

12           **Paragraph 67.** Mr. Bell admits that some sponsored access customers or trading platform  
13 providers may have had their own internal forms regarding individual traders; Wedbush generally did  
14 not use its customers’ or trading platform providers’ forms. Mr. Bell does not have sufficient  
15 knowledge or information to form a belief as to the truth of the remaining allegations contained in  
16 Paragraph 67 and, accordingly, they are denied.

17           **Paragraph 68.** Mr. Bell does not have sufficient knowledge or information to form a belief  
18 as to the truth of the allegations contained in Paragraph 68 and, accordingly, they are denied.

19           **Paragraph 69.** Mr. Bell denies that Wedbush’s controls and procedures for the pre-approval  
20 and authorization of traders were not reasonable or that Wedbush did not effectively allocate these  
21 obligations. Mr. Bell does not have sufficient knowledge or information to form a belief as to the  
22 truth of the allegations pertaining to Ms. Fillhart contained in Paragraph 69 and, accordingly, they are  
23 denied. Mr. Bell admits that he did not instruct Wedbush employees to speak to individual traders at  
24 Wedbush customers. Mr. Bell denies the remaining allegations contained in Paragraph 69.

25           **Paragraph 70.** Paragraph 70 states a legal conclusion as to the requirements of the Market  
26 Access Rule which does not call for an admission or denial, and therefore no response is required. To  
27 the extent a response is required, Mr. Bell denies the allegations contained in Paragraph 70.

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1           **Paragraph 71.** Mr. Bell states that he does not have sufficient knowledge or information to  
2 form a belief as to the truth of the allegations contained in Paragraph 71 and, accordingly, they are  
3 denied.

4           **Paragraph 72.** Mr. Bell states that the written report dated March 26, 2012 speaks for itself,  
5 and he refers to said document for a true and complete statement of its entire contents. Mr. Bell was  
6 not interviewed or involved in the preparation in any way of the internal audit report. Beyond the  
7 foregoing, Mr. Bell states he does not have sufficient knowledge or information to form a belief as to  
8 the truth of the allegations contained in Paragraph 72 and, accordingly, they are denied.

9           **Paragraph 73.** Mr. Bell states that the written report dated March 26, 2012 speaks for itself,  
10 and he refers to said document for a true and complete statement of its entire contents. Beyond the  
11 foregoing, Mr. Bell states that he does not have sufficient knowledge or information to form a belief  
12 as to the truth of the allegations contained in Paragraph 73 and, accordingly, they are denied.

13           **Paragraph 74.** Mr. Bell states that the written report dated March 26, 2012 speaks for itself,  
14 and he refers to said document for a true and complete statement of its entire contents. Beyond the  
15 foregoing, Mr. Bell states that he does not have sufficient knowledge or information to form a belief  
16 as to the truth of the allegations contained in Paragraph 74 and, accordingly, they are denied.

17           **Paragraph 75.** Mr. Bell states that the report speaks for itself, and he refers to said  
18 document for a true and complete statement of its entire contents. Beyond the foregoing, Mr. Bell  
19 states that he does not have sufficient knowledge or information to form a belief as to the truth of the  
20 allegations contained in Paragraph 75 and, accordingly, they are denied.

21           **Paragraph 76.** Mr. Bell states that the report speaks for itself, and he refers to said  
22 document for a true and complete statement of its entire contents. Beyond the foregoing, Mr. Bell  
23 states that he does not have sufficient knowledge or information to form a belief as to the truth of the  
24 allegations contained in Paragraph 76 and, accordingly, they are denied.

25           **Paragraph 77.** Mr. Bell does not have sufficient knowledge or information to form a belief  
26 as to the truth of the allegations contained in Paragraph 77 and, accordingly, they are denied.

27           **Paragraph 78.** Mr. Bell denies the allegations contained in Paragraph 78.

28           **Paragraph 79.** Mr. Bell denies the allegations contained in Paragraph 79.

1 **Paragraph 80.** Mr. Bell denies the allegations contained in Paragraph 80.

2 **Paragraph 81.** Mr. Bell denies the allegations contained in Paragraph 81.

3 **Paragraph 82.** Mr. Bell denies the allegations contained in Paragraph 82.

4 **Paragraph 83.** Mr. Bell denies the allegations contained in Paragraph 83.

5  
6 **RESPONSE TO SECTIONS III. AND IV. OF THE OIP**

7 Mr. Bell believes that these Administrative Proceedings are unfounded and the allegations in  
8 the OIP are legally and factually groundless. Mr. Bell did not violate or cause a violation of any  
9 provision of the securities laws cited by the Commission. Mr. Bell properly discharged his duties in  
10 accordance with then-existing laws, regulations and standards. Mr. Bell requests a hearing on this  
11 matter.

12  
13 **ADDITIONAL AFFIRMATIVE DEFENSES**

14 In asserting the following additional affirmative defenses Mr. Bell does not assume the burden  
15 of proof on any issue on which he does not have such a burden.

16 **FIRST DEFENSE**

17 The Commission has failed to state a cause of action or any claim for violations of the federal  
18 securities laws or the Commission's rules thereunder upon which relief can be granted as against  
19 Mr. Bell.

20 **SECOND DEFENSE**

21 The Commission's claims and requested relief as against Mr. Bell are barred by the doctrine of  
22 laches.

23 **THIRD DEFENSE**

24 The Commission's claims and requested relief as against Mr. Bell are barred by the doctrine of  
25 estoppel.

26 **FOURTH DEFENSE**

27 Mr. Bell relied in good faith on the available, services, advice, recommendations, opinions,  
28 and findings of Compliance personnel and attorneys.

1 **FIFTH DEFENSE**

2 Mr. Bell relied in good faith on the available guidance provided by the Commission and its  
3 Staff, including the guidance provided by FINRA staff and the Commission and its Staff regarding  
4 Rule 15c3-5, including, without limitation, the Adopting Release.

5 **SIXTH DEFENSE**

6 The Division of Enforcement's claims and request for relief as against Mr. Bell are barred by  
7 the doctrine of fair notice. Among other things, the relevant portions of Rule 15c3-5 are imper-  
8 missibly vague, unclear, ambiguous, and uncertain, both in general and as sought to be applied to  
9 Respondents in this proceeding such that Rule 15c3-5 failed to give fair notice to Mr. Bell, and the  
10 other Respondents, of the requirements that the OIP contends it imposed.

11 **SEVENTH DEFENSE**

12 There was no underlying primary violation and therefore Mr. Bell was not a cause of any such  
13 violation.

14 **EIGHTH DEFENSE**

15 There was no underlying primary violation and Mr. Bell did not know nor should he have  
16 known that his conduct caused a violation.

17 **NINTH DEFENSE**

18 On information and belief, the Commission and/or Division of Enforcement failed to comply  
19 with federal statutory deadlines in initiating this proceeding, and the OIP is therefore untimely and  
20 should accordingly be treated as null and void.

21 **TENTH DEFENSE**

22 As of the date of this Answer, Mr. Bell has not yet had an opportunity to review the vast  
23 majority of the documents in the Commission's investigative file, despite the requirement of Rule 230  
24 of the Commission's Rule of practice that such materials be made available to Respondents within  
25 7 days of service of the OIP, i.e., at least 13 days before an Answer is due; and despite Mr. Bell's  
26 request for access to such materials, the Staff has represented that such materials are voluminous and  
27 include more than 100,000 separate documents. As a result, Mr. Bell may have additional affirmative  
28 defenses that are presently unknown to him. Mr. Bell reserves the right to seek to raise any such

1 additional or further defenses that may be supported by the record to be developed in this case before  
2 or at the hearing on this matter.

3 **ELEVENTH DEFENSE**

4 This proceeding cannot go forward against Mr. Bell under Exchange Act section 15(b),  
5 15 U.S.C. § 78o(b), because the OIP makes no allegations as to Mr. Bell for which proceedings may  
6 be initiated against him by the Commission under Exchange Act section 15(b). As to Mr. Bell,  
7 therefore, the purported proceedings under Exchange Act section 15(b) must be dismissed.

8 **TWELFTH DEFENSE**

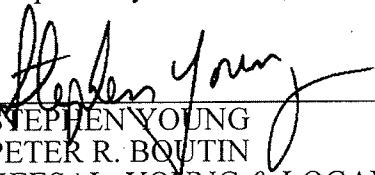
9 This proceeding cannot go forward against Mr. Bell under the Advisers Act section 203(e),  
10 15 U.S.C. § 80b-3(e) because the OIP makes no allegations as to Mr. Bell for which proceedings may  
11 be initiated against him by the Commission under Advisers Act section 203(e). As to Mr. Bell,  
12 therefore, the purported proceedings under Advisers Act section 203(e) must be dismissed.

13  
14 **PRAYER**

15 Mr. Bell respectfully requests that this proceeding be dismissed and that he be awarded such  
16 costs and fees of this proceeding to which he may be entitled under applicable law, and such other and  
17 further relief as may be just and proper.

18  
19 Respectfully submitted,

20  
21 DATED: July 1, 2014

  
22 STEPHEN YOUNG  
23 PETER R. BOUTIN  
24 KEESAL, YOUNG & LOGAN  
25 Attorneys for Respondent  
26 JEFFREY BELL