

## Wedbush Securities Sued for Naked Short Sale Scheme

Wedbush Securities, based in Los Angeles, California, was sued in California state court for a market manipulation scheme. The lawsuit alleges that Wedbush improperly executed naked short sales of Life Partners Holdings Inc.'s stock, engaged in a "massive, illegal stock market manipulation scheme" that caused Life Partners Holdings Inc.'s stock price to drop, and that Wedbush and other unnamed defendants have been executing phantom securities transactions since Oct. 1, 2009, in an effort to profit from additional fees, commissions, and interest. This is but one more instance of parties accusing Wedbush of engaging in investment fraud.

Wedbush acts as a principal executing broker and clearing broker for clients, including hedge fund and money managers. In that role, Wedbush allegedly engaged in naked short selling, where a broker makes no attempt to borrow a stock, or even make sure it exists, before selling it. When there are no actual sufficient shares available for delivery, the broker has "failed to deliver."

The SEC has accused Wedbush of having inadequate risk controls in place when letting customers access the markets through its systems. According to the SEC, Wedbush gave direct market access to overseas traders without pre-approving their accounts and making sure they complied with U.S. laws. Wedbush and the SEC reportedly are close to settling the charges.

The fact that Wedbush has been sued for a securities law violation really comes as no surprise. The firm has a long history of regulatory troubles and FINRA arbitration claims filed by customers who suffered investment losses as a result of Wedbush's misconduct. The attorneys at Dimond Kaplan & Rothstein, P.A. have represented many investors against Wedbush in FINRA arbitration claims relating to investment losses. If you or someone you know has lost money to Wedbush Securities, you may have certain legal rights that require your immediate attention. [Contact us](#) to schedule an appointment or consultation today.

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