

# SEC Charges 11 Wall Street Firms with Widespread Recordkeeping Failures

## Firms admit to wrongdoing and agree to pay penalties totaling \$289 million

### FOR IMMEDIATE RELEASE

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Washington D.C., Aug. 8, 2023 — The Securities and Exchange Commission today announced charges against 10 firms in their capacity as broker-dealers and one dually registered broker-dealer and investment adviser for widespread and longstanding failures by the firms and their employees to maintain and preserve electronic communications. The firms admitted the facts set forth in their respective SEC orders. They acknowledged that their conduct violated recordkeeping provisions of the federal securities laws, agreed to pay combined penalties of \$289 million as outlined below, and have begun implementing improvements to their compliance policies and procedures to address these violations.

- Wells Fargo Securities, LLC together with Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC agreed to pay a \$125 million penalty;
- BNP Paribas Securities Corp. and SG Americas Securities, LLC have each agreed to pay penalties of \$35 million;
- BMO Capital Markets Corp. and Mizuho Securities USA LLC have each agreed to pay penalties of \$25 million;
- Houlihan Lokey Capital, Inc. has agreed to pay a \$15 million penalty;
- Moelis & Company LLC and Wedbush Securities Inc. have each agreed to pay penalties of \$10 million; and
- SMBC Nikko Securities America, Inc. has agreed to pay a \$9 million penalty.

“Compliance with the books and records requirements of the federal securities laws is essential to investor protection and well-functioning markets. To date, the Commission has brought 30 enforcement actions and ordered over \$1.5 billion in penalties to drive this foundational message home. And while some broker-dealers and investment advisers have heeded this message, self-reported violations, or improved internal policies and procedures, today’s actions remind us that many still have not,” said Gurbir S. Grewal, Director of the SEC’s Division of Enforcement. “So here are three takeaways for those firms who haven’t yet done so: self-report, cooperate and remediate. If you adopt that playbook, you’ll have a better outcome than if you wait for us to come calling.”

“Today’s actions stem from our continuing sweep to ensure that regulated entities, including broker-dealers and investment advisers, comply with their recordkeeping requirements, which are essential for us to monitor and enforce compliance with the federal securities laws. Recordkeeping failures such as those here undermine our ability to exercise effective regulatory oversight, often at the expense of investors,” said Sanjay Wadhwa, Deputy

Director of Enforcement. “The 11 firms settling today have acknowledged that their conduct violated the law regarding these crucial requirements, and are implementing measures to prevent future similar violations. However, we know that other SEC-regulated entities have committed similar violations, and so our work to enforce industry-wide compliance continues.”

The SEC’s investigation uncovered pervasive and longstanding “off-channel” communications at all 11 firms. As described in the SEC’s orders, the firms admitted that from at least 2019, their employees often communicated through various messaging platforms on their personal devices, including iMessage, WhatsApp, and Signal, about the business of their employers. The firms did not maintain or preserve the substantial majority of these off-channel communications, in violation of the federal securities laws. By failing to maintain and preserve required records, certain of the firms likely deprived the Commission of these off-channel communications in various SEC investigations. The failures involved employees at multiple levels of authority, including supervisors and senior executives.

Each of the broker-dealers was charged with violating certain recordkeeping provisions of the Securities Exchange Act of 1934 and with failing to reasonably supervise with a view to preventing and detecting those violations. Wedbush Securities Inc., a dually registered broker-dealer and investment adviser, was additionally charged with violating certain recordkeeping provisions of the Investment Advisers Act of 1940 and with failing to reasonably supervise with a view to preventing and detecting those violations.

In addition to the significant financial penalties, each of the firms was ordered to cease and desist from future violations of the relevant recordkeeping provisions and was censured. The firms also agreed to retain independent compliance consultants to, among other things, conduct comprehensive reviews of their policies and procedures relating to the retention of electronic communications found on personal devices and their respective frameworks for addressing non-compliance by their employees with those policies and procedures.

Separately, the Commodity Futures Trading Commission announced settlements with Wells Fargo Bank NA, Wells Fargo Securities, LLC, BNP Paribas Securities Corp., BNP Paribas S.A., SG Americas Securities, LLC, Société Générale S.A., Bank of Montreal, and Wedbush Securities Inc., for related conduct.

The SEC’s investigation into violations by Wells Fargo Securities, LLC, Wells Fargo Clearing Services, LLC and Wells Fargo Advisors Financial Network, LLC, was conducted by Kashya Shei and supervised by Jason H. Lee and Jeremy Pendrey of the San Francisco Regional Office. The investigation into violations of the remaining firms was conducted by Karolina Klyuchnikova, Zachary Sturges, Austin Thompson, and Alison R. Levine, and was supervised by Osman Nawaz and Thomas P. Smith Jr. of the New York Regional Office.

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## Related Materials

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- [SEC Order - Wedbush Securities Inc](#)
- [SEC Order - Houlihan Lokey Capital Inc.](#)
- [SEC Order - SMBC Nikko Securities America Inc.](#)
- [SEC Order - SG Americas Securities LLC](#)
- [Moelis & Company LLC](#)

- Wells Fargo Securities LLC, Wells Fargo Clearing Services LLC, and Wells Fargo ...
- Mizuho Securities USA LLC
- BMO Capital Markets Corp.
- BNP Paribas Securities Corp.