

**COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE, ROOM 1701
BOSTON, MASSACHUSETTS 02108**

)	
IN THE MATTER OF:)	
)	
WEBULL FINANCIAL LLC,)	
)	
RESPONDENT.)	Docket No. E-2022-0058
)	

CONSENT ORDER

I. PRELIMINARY STATEMENT

This Consent Order (the “Order”) is entered into by the Massachusetts Securities Division (the “Division”) and Webull Financial LLC (“Webull” or the “Firm”) with respect to the above-captioned investigation by the Enforcement Section of the Massachusetts Securities Division (the “Enforcement Section” and the “Division,” respectively) into whether Webull’s activities and conduct violated the Massachusetts Uniform Securities Act, Mass. Gen. Laws c. 110A (the “Act”), and the corresponding regulations promulgated thereunder at 950 Code Mass. Regs. 10.01 – 14.413 (the “Regulations”). The Enforcement Section’s investigation uncovered that Webull failed to maintain and enforce reasonable supervisory controls. Specifically, Webull, during a time of exponential growth, failed to anticipate the corresponding increase in customer complaints and regulatory requests and have in place a reasonable supervisory structure to ensure compliance with state and federal securities laws. In doing so, Webull engaged in conduct in violation of the Act and Regulations.

On November 7, 2023, Webull submitted an Offer of Settlement (the “Offer”) to the Division. Webull admits the Statement of Facts set forth in Section VI, neither admits nor denies the Violations of Law set forth in Section VII below, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the above-captioned investigation (E-2022-0058) with prejudice. This Order is necessary and appropriate in the public interest for the protection of investors and is consistent with the purposes fairly intended by the policies and provisions of the Act.

II. JURISDICTION

1. The Division has jurisdiction over matters relating to securities pursuant to the Act, codified at Massachusetts General Laws Chapter 110A.
2. The Offer was made and this Order is entered in accordance with the Act and with Section 10.10 of the Regulations.
3. The acts and practices that were the subject of the Enforcement Section’s above-captioned investigation occurred in Massachusetts within the meaning of Section 414 of the Act.

III. RELEVANT TIME PERIOD

4. Except as otherwise expressly stated, the acts and practices described herein occurred during the period of January 30, 2018 to November 21, 2022 (the “Relevant Time Period”).

IV. RESPONDENT

5. Webull Financial LLC (“Webull” or the “Firm”) is a Delaware limited liability company with its principal place of business located at 44 Wall Street, 2nd Floor, New

York, New York 10005. Webull has a Financial Industry Regulatory Authority (“FINRA”) Central Registration Depository number of 289063.

V. OTHER RELEVANT PERSONS

6. Webull Chief Executive Officer (“Webull CEO”) is an individual with a last known address in New Jersey and is registered as a broker-dealer agent of Webull in Massachusetts.
7. Webull Chief Compliance Officer One (“Webull CCO One”) is an individual with a last known address in Florida and is registered as a broker-dealer agent of Webull in Massachusetts. Webull CCO One also served as the Webull Chief Operations Officer.
8. Webull Chief Compliance Officer Two (“Webull CCO Two”) is an individual with a last known address in New Jersey and was formerly registered as a broker-dealer agent of Webull in Massachusetts.
9. Outside Compliance Consultant (“Compliance Consultant”) is a limited liability company with a principal place of business in New York.
10. Webull Outside Compliance Counsel (“Compliance Counsel”) is an individual with a last known address in New York. Compliance Counsel is also co-owner of Compliance Consultant.

VI. STATEMENT OF FACTS

A. Background

11. Webull is a registered broker-dealer headquartered in New York, New York. It offers its services on an electronic, internet-based platform.

12. As an internet-based platform, Webull customers generally contact Webull by phone or electronically. Webull has no Massachusetts branch offices that Massachusetts investors can visit.

13. Webull launched its broker-dealer business in 2018 and offers self-directed, commission-free and low cost trading to its customers.

14. Webull has a number of affiliated entities that operate in various U.S. and international locations. Certain Webull affiliates provide services to Webull, including technology services needed to provide trading services to Webull customers in the United States and abroad.

15. When Webull launched in 2018 it had fewer than nine (9) employees. At that time, in addition to Webull CCO One, the Firm also utilized an experienced outside compliance consultant to consult on formulating the Firm's compliance program and provide compliance-related support services.

16. In September 2021, Webull's parent company, Webull Corporation ("Webull Corp.") announced a multi-year agreement with the National Basketball Association's (NBA) Brooklyn Nets, Webull Corp.'s first-ever professional sports partnership. With a price tag of approximately \$30 million per year, the agreement granted Webull Corp. rights as the official jersey patch partner for the Brooklyn Nets and also featured the Webull Corp. patch on the jerseys of the New York Liberty. The partnership also granted Webull Corp. certain marketing rights in the "Tri-State Area" (New York, New Jersey, and Connecticut). Webull Corp.'s logo would be seen on the jerseys of the players during games that are broadcast to potentially tens of millions of people around the world, and that the NBA's international audience was an important factor in pursuing the partnership.

17. Webull’s CEO stated that the Firm chose the partnership as a way to celebrate the company’s “New York roots.”
18. Since its launch, Webull has expanded its services and opened branch offices in Florida and Changsha, China. The Firm has also launched additional business lines, including offering options trading to customers.
19. Webull saw the number of account openings increase year-over-year after it launched.
20. For example, from January 1, 2019, to January 1, 2020, Webull’s total brokerage accounts opened increased from 106,048 to 299,533, an increase of approximately 182 percent.
21. For example, from January 1, 2020, to January 1, 2021 Webull’s total brokerage accounts opened increased from 299,533 to 1,926,700, an increase of approximately 443 percent.
22. From January 1, 2020, to January 1, 2021, Webull’s open brokerage accounts belonging to Massachusetts residents increased from 4,929 to 38,459, an increase of approximately 580 percent.
23. From January 1, 2021, to January 1, 2022, Webull’s open brokerage accounts belonging to Massachusetts residents increased from 38,459 to 119,822, an increase of approximately 211 percent.
24. By January 1, 2022, Webull customers had opened a total of 6,219,191 brokerage accounts.
25. On March 9, 2023, Webull entered into a Letter of Acceptance, Waiver and Consent (“AWC”) with FINRA that included findings that Webull (i) failed to exercise reasonable

due diligence in approving customers for options trading and (ii) failed to maintain a supervisory system reasonably designed to identify, respond to, and log customer complaints related to options. Prior to and after the AWC, Webull made significant enhancements to its written supervisory procedures and implementation thereof relating to options trading.

26. The AWC also included findings by FINRA that (i) Webull's supervisory system, including written supervisory procedures, was not reasonably designed to identify and respond to customer complaints and (ii) the Firm failed to report certain written customer complaints to FINRA in accordance with FINRA Rules. Prior to and after the AWC, Webull made significant enhancements to its processes for identifying and reporting customer complaints.

27. As part of the AWC, Webull senior management certified within 180 days of the date that the AWC was accepted that Webull has remediated the issues identified in the AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA Rules 3110, 2360, 4530, and 2010.

B. Webull Failed to Dedicate Sufficient Resources to Compliance

1. Webull Saw Increases in Regulatory Inquiries and Customer Communications

28. During the Relevant Time Period, Webull experienced a significant increase in inquiries, including regulatory requests and examinations, from securities regulators, including FINRA, the Securities and Exchange Commission, and the Enforcement Section.

29. From January 1, 2020, to December 31, 2020, the Firm received 157 inquiries or requests from regulators.

30. From January 1, 2021, to December 31, 2021, the Firm received 522 inquiries or requests from regulators.

31. Webull received over 40,000 communications from Massachusetts customers through in-app chat, e-mail, and phone calls during the Relevant Time Period.

2. Webull Failed to Devote Sufficient Resources to Compliance

32. From the date of formation until about February 2021, while Webull had a Chief Compliance Officer, CCO One, Webull did not have a formally designated compliance department.

33. While Webull CCO One had performed compliance functions in his roles at prior firms, he had never served in a Chief Compliance Officer role prior to his employment with Webull.

34. Webull CCO One also served as Chief Operations Officer throughout the entire Relevant Time Period.

35. In February 2021, Webull hired its first dedicated compliance team member to support Webull CCO One. This individual, who became Webull CCO Two in January 2022, was initially hired as a Director of Compliance and was tasked with helping to build out the Webull compliance department.

36. While Webull CCO Two had compliance and audit experience prior to joining Webull, Webull CCO Two had not previously held a senior compliance role.

37. Webull CCO Two stated that the CCO role was not one he actively sought, and he expressed surprise at receiving this promotion.

38. During his time as Director of Compliance, Webull CCO Two added five individuals to the Firm's compliance department through external hires and internal transfers. All five compliance personnel reported directly to him.

39. Webull CCO Two left Webull in June 2022. The Firm also experienced additional turnover on its Compliance team shortly after Webull CCO Two's departure.

3. Webull Unreasonably Relied on the Compliance Consultant to Address its Internal Compliance Needs

40. Since the date the Firm launched, the Firm utilized an outside compliance resource.

41. The third-party Compliance Consultant and Compliance Counsel provided significant support to the Firm.

42. As recently as September 2022, Compliance Counsel responded to regulatory inquiries on behalf of Webull.

a. Certain Webull compliance reports contained materially inaccurate information

43. Compliance Consultant performed FINRA Rule 3110 reviews for Webull from 2018 to 2021.

44. The 3110 reports issued by Compliance Consultant to Webull from 2018 to 2021 contained materially inaccurate information each year, in some cases, such as those inaccuracies enumerated in paragraphs 46-48 below, the same inaccurate information that was in the prior year report.

45. While the 3110 reports from 2018 to 2021 were addressed and delivered to the correct CCO of the Firm, they included a parenthetical reference that suggested that another individual held the title of CCO. This individual never served as CCO for the Firm, nor was she ever employed by the Firm in any capacity.

46. The 3110 reports from 2018 to 2021 stated that Webull's main office was located in London and moved to Paris. Webull has never maintained a main office in London or Paris.

47. Each 3110 report issued by Compliance Consultant stated that "the supervisory structure of the Firm was amended during the review period. All registered persons are to be directly supervised by the CCO as opposed to the CEO. While each of the Webull CEO and Webull CCO One and Webull CCO Two directly supervised several registered persons at Webull, only Webull CCO One had sole responsibility for supervising all registered persons at Webull. Webull CEO has never directly supervised all registered persons.

b. Webull Forms U4 contained inaccurate or incomplete information regarding employment for certain Webull personnel

48. Several Webull personnel's Forms U4 reflected inaccuracies regarding the titles they held at Webull or their prior firms. The Compliance Counsel drafted or approved certain of these entries.

49. For example, the Webull Registered Option Principal's ("ROP") Form U4 filing on August 16, 2019, indicated that he served as the Webull Principal Financial Officer, as well as its Principal Operating Officer. The Webull ROP did not believe he had held these specific titles and was unaware of them being on his Form U4.

50. Similarly, certain Form U4 filings did not correctly reflect the fact that, while certain individuals receive their paychecks from Webull Technologies, they do not provide separate services for that entity.

c. Webull relied on Compliance Counsel to draft its written supervisory procedures without making any independent assessment of their relevance

51. Compliance Counsel prepared a number of the Firm’s written supervisory procedures (“WSPs”).

52. In November 2021, Webull CCO Two expressed that Webull had WSPs that did not apply to Webull’s business and were only “there because they are copy+paste [*sic*]” from those provided by Compliance Counsel.

C. Webull Failed to Design Its Customer Relationship Management System to Identify Customer Complaints

53. Webull relied on an internally developed Customer Relationship Management (“CRM”) system to maintain records of customer communications. Webull also largely relied on the CRM system, through its use of a lexicon, to identify potential customer complaints contained within customer correspondence.

54. Specifically, Webull developed the lexicon – a specific set of words and phrases – and applied it within its CRM system to identify customer communications for further review by the Webull compliance team.

55. Prior to March 2021, the lexicon did not contain certain words that appeared in customer complaints received by Webull and failed to flag such communications as customer complaints. For example, certain customer communications alleged fraud, theft, or misappropriation of customer funds or securities. Given that theft of customer funds or securities is not generally possible in Webull’s self-directed business model, Webull’s lexicon did not during the Relevant Period flag these communications as customer complaints reportable to FINRA.

56. In March 2021, the Firm significantly enhanced its lexicon to include additional words and phrases and has subsequently added additional controls to strengthen its CRM System and customer complaint identification process.

D. Webull Failed to Train its Customer Support Staff Adequately and Provided Insufficient Guidance on Identifying Customer Complaints

57. Through June 2020, Webull failed to provide customer service personnel with adequate formal training regarding how to handle customer phone calls prior to such customer service personnel being permitted to interact with customers.

58. There were occasions when Webull customers alleged that Webull customer service representatives were rude, offensive, or dismissive of a customer's concern or argumentative with a customer.

59. In addition, one Webull employee noted instances of Webull representatives hanging up on customers before their issues were resolved, taking two calls at once, or rushing customers off the phone.

60. Also through June 2020, Webull did not have any formalized training program to educate its new customer service staff on identifying communications that may constitute customer complaints.

61. Webull's training of customer support staff relied primarily on on-the-job training.

62. Webull's written annual training on identifying complaints instructed its customer support staff to "feel" whether a customer communication was a complaint, but did not provide additional written criteria to guide subjective judgments. It did, however, contain additional instructions, including that "[a]nything from a client involving iterations of theft, misappropriation of funds, or forgery, must be immediately escalated to your Supervisor for review."

63. Webull CEO and CCO One both observed the need for a comprehensive training solution for customer service representatives given in particular that many of the customer service representatives were inexperienced.

E. Webull Failed to Provide the Division with Accurate and Comprehensive Information Regarding the Number of Massachusetts Customer Complaints it Received

64. On August 9, 2022, the Division issued a subpoena (the “August Subpoena”) to Webull requiring, *inter alia*, the Firm to identify the total number of customer complaints it received from Massachusetts customers from January 30, 2018, to August 9, 2022. The Division also required Webull to identify which complaints the Firm escalated for review by the compliance department.

65. Webull promptly responded to the August Subpoena on August 10, 2022. In its response on August 10, 2022, Webull identified 41,318 responsive customer support tickets. Webull reported a total of 73 communications that were marked as either “Dispute & Complaint” or “refund/compensation” (collectively, the “System Tags”) in the Firm’s CRM system that the Firm escalated for review by the Webull compliance department.

66. On August 22, 2022, the Division issued a subpoena to Webull requiring the Firm to produce all documents and communications related to the 73 “escalated Massachusetts customer complaints.”

67. In its September 3, 2022 response to the August 22 subpoena, Webull updated its prior response, disclosing that the Firm had identified more than 400 Massachusetts communications that had been flagged by the Firm’s lexicon as potential complaints and produced to the Division a detailed spreadsheet documenting such customer complaints. At that time, the Firm failed to explain in this response that this figure represented only

potential customer complaints, as identified in a further review in response to the August 22 subpoena, rather than reported complaints.

68. On November 1, 2022, the Division issued an investigation letter (the “November Letter”) to Webull that, among other things, requested that Webull explain the discrepancy between the figures provided in August and September 2022.

69. On November 21, 2022, in response to the November Letter, Webull explained that, in an effort to provide complete responses to the Division, it had determined to disclose not only those communications that had been tagged with the System Tags but also communications that were more broadly identified as potential complaints.

70. On April 3, 2023, the Division issued a subpoena (the “April Subpoena”) to Webull requiring the Firm to produce information related to how it labeled complaints made to the Firm.

71. In its April Subpoena response dated May 19, 2023, the Firm acknowledged that it provided inaccurate complaint figures to the Division at different times. The Firm further disclosed that it had voluntarily undertaken a best efforts manual review to identify customer complaints from Massachusetts residents that Webull had reported to FINRA under the applicable FINRA requirements and provided the results of that review to the Division.

F. The Firm had No Formal Written Policies or Procedures for Responding to Regulatory Requests during the Relevant Time Period despite an Identified Failure to Respond to a Regulator

72. On February 11, 2021, the California Department of Financial Protection and Innovation (“DFPI”) issued an inquiry letter to Webull (the “February 2021 Letter”) seeking books and records in response to a customer complaint. While Webull undertook

an investigation of the customer complaint, it failed to respond to the DFPI in the time specified in the February 2021 Letter.

73. On November 29, 2021, California issued a Notice of Intent to Enter Order Levying Administrative Penalties. As of November 2021, Webull had not responded to the DFPI's February 2021 Letter.

74. Webull did not formally respond to the DFPI on this matter until February 2022.

75. In April 2022, the Division issued an investigatory letter to Webull (the "April 2022 Letter") requiring the Firm to produce all current written policies and procedures for responding to regulatory requests.

76. In response to the April 2022 Letter, Webull produced a single-page document titled "Regulatory Response." The document was not a part of a larger Webull handbook or compliance manual. Nor was the document part of Webull's WSPs.

77. Webull personnel testified that the Regulatory Response document did not reflect all Firm processes for responding to regulatory requests.

78. In its August Subpoena, the Division requested, *inter alia*, all of Webull's written policies and procedures as of January 30, 2018, January 1, 2019, January 1, 2020, January 1, 2021, January 1, 2022, and August 5, 2022.

79. The documents Webull produced to the Division contained no policies and procedures related to responding to regulatory inquiries or requests that were effective during the Relevant Time Period.

80. During the Relevant Time Period, Webull implemented various written and informal processes to bolster its regulatory response process. Webull did not incorporate

these written and informal processes into its WSPs. It was not until March 2023 that it adopted formal Regulatory Response Desktop Procedures.

VII. VIOLATIONS OF LAW

Count I – Mass. Gen. Laws c. 110A, § 204

81. Section 204(a)(2)(J) of the Act provides:

The secretary may by order impose an administrative fine or censure or deny, suspend, or revoke any registration or take any other appropriate action if he finds (1) that the order is in the public interest and (2) that the applicant or registrant or, in the case of a broker-dealer or investment adviser, any partner, officer, or director, any person occupying a similar status or performing similar functions, or any person directly or indirectly controlling the broker-dealer or investment adviser:

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter[.]

Mass. Gen. Laws c. 110A, § 204(a)(2)(J).

82. The conduct of Webull, as described above, constitutes a violation of Mass. Gen. Laws c. 110A, § 204(a)(2)(J).

VIII. ORDER

IT IS HEREBY ORDERED:

- A. Webull shall permanently cease and desist from further violations of the Act.
- B. Webull is hereby censured by the Division.
- C. Within ninety (90) days of the entry of this Order, Webull shall retain the services of one or more independent third-party consultants (collectively, the “Third-Party Compliance Consultant”) not unacceptable to the Division. Webull shall cooperate fully with the Third-Party Compliance Consultant and pay exclusively all compensations and expenses. Webull shall require the Third-Party Compliance Consultant to conduct a

comprehensive review of Webull policies and written supervisory procedures (the “Review”) relating to the following:

- a. the receipt, acknowledgment, and response to customer complaints;
- b. responding to regulatory requests; and
- c. compliance training related to each of VIII(C)(a) and VIII(C)(b), above, including, without limitation, making recommendations for appropriate additional trainings.

The Third-Party Compliance Consultant shall also review Webull policies and written supervisory procedures and provide recommendations regarding the adequacy of Webull’s compliance program and its staffing to achieve compliance with state and federal securities laws as well as industry standards and best practices;

D. Within two-hundred and forty (240) days of the entry this Order:

- a. Webull shall submit a report to the Division containing the findings of the Review (the “Report”). The Report shall include, without limitation, a description of the review performed, the conclusions reached, and the recommendations for changes in or improvements to Webull policies, compliance training, and written supervisory procedures, as well as the process for implementing recommended changes and improvements;
- b. The Report’s recommendations shall not be unacceptable to the Division, provided that the Division will not unreasonably withhold its consent of the recommendations; and
- c. If the recommendations are not unacceptable to the Division, Webull will promptly adopt all recommendations in the Report.

E. For a period of three (3) years after the entry of this Order, within ninety (90) days of the end of each fiscal year, Webull shall conduct an annual compliance review (the “Annual Review”) of its written supervisory procedures, its compliance personnel, and compliance training, subject to the following terms:

a. Within sixty (60) days following the Annual Review, Webull shall file a report with the Division with a summary of its ongoing compliance with the recommendations set forth in the Report and noting any material deficiencies detected and how Webull addressed the material deficiencies.

F. Within five (5) business days of the entry of this Order, Webull shall pay an administrative fine in the amount of \$500,000 (USD) to the Commonwealth of Massachusetts. Payment shall be: (1) made by United States postal money order, certified check, bank cashier’s check, bank money order, or wire transfer; (2) made payable to the Commonwealth of Massachusetts; (3) either hand-delivered or mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108, or wired per Division instructions; and (4) submitted under cover letter or other documentation that identifies the payor and the docket number of the proceedings (E-2022-0058). Additionally, Webull shall provide the Enforcement Section with notice at least twenty-four (24) hours prior to the payment;

G. Webull shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that Webull shall pay pursuant to the Division’s Order;

H. Webull shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any

insurance policy, with regard to any amount that Webull shall pay pursuant to the Division's Order;

I. If Webull is the subject of a voluntary or involuntary bankruptcy petition under Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of an Order by the Division pursuant to this Offer, Webull shall provide written notice to the Enforcement Section within five (5) days of the date of the petition;

J. Any fine, penalty, and/or money that Webull shall pay in accordance with an Order entered by the Division pursuant to this Offer is intended by Webull and the Enforcement Section to be a contemporaneous exchange for new value given to Webull pursuant to 11 U.S.C. § 547(c)(1)(A) and is, in fact, a substantially contemporaneous exchange pursuant to 11 U.S.C. § 547(c)(1)(B);

K. If Webull fails to comply with any of the terms set forth in this Order, the Enforcement Section may institute an action to have this agreement declared null and void. Additionally, after a fair hearing and the issuance of an order finding that Webull has not complied with the Order, the Enforcement Section may move to have the Order declared null and void, in whole or in part, and re-institute the associated proceeding that had been brought against Webull; and

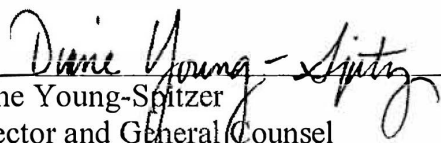
L. For good cause shown, the Enforcement Section may extend any of the procedural dates set forth above. Webull shall make any requests for extensions of procedural dates set forth above in writing to the Division.

IX. NO DISQUALIFICATION

This Order waives any disqualification in the laws of Massachusetts, or rules or regulations thereunder, including any disqualification from relying upon the registration

exemptions or safe harbor provisions to which Webull may be subject. This Order is not intended to be a final order based upon violations of provisions of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualification under (i) Section 3(a)(39) of the Securities Exchange Act of 1934; (ii) Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A, or Rule 503(a) of Regulation CF under the Securities Act of 1933; (iii) under FINRA rules prohibiting continuance in membership absent the filing of an MC-400A application or disqualification under SRO rules prohibiting continuance in membership; or (iv) under Section 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Division to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission of, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of, or evidence of, any such alleged fault or omission of Respondent in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

WILLIAM FRANCIS GALVIN
SECRETARY OF THE COMMONWEALTH

By: 
Diane Young-Spitzer
Director and General Counsel
Massachusetts Securities Division
One Ashburton Place, Room 1701
Boston, MA 02108

Dated: November 9, 2023