UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 98983 / November 20, 2023

ADMINISTRATIVE PROCEEDING
File No. 3-21800

In the Matter of **LAIDLAW AND COMPANY (UK) LTD.** **Respondent.**	**ORDER INSTITUTING ADMINISTRATIVE AND CEASE-AND-DESIST PROCEEDINGS, PURSUANT TO SECTIONS 15(b) AND 21C OF THE SECURITIES EXCHANGE ACT OF 1934, MAKING FINDINGS, AND IMPOSING REMEDIAL SANCTIONS AND A CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission ("Commission") deems it appropriate and in the public interest that public administrative and cease-and-desist proceedings be, and hereby are, instituted pursuant to Sections 15(b) and 21C of the Securities Exchange Act of 1934 ("Exchange Act"), against Laidlaw & Company (UK) Ltd. ("Laidlaw" or "Respondent").

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the "Offer") which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission's jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Administrative and Cease-and-Desist Proceedings, Pursuant Sections 15(b) and 21C of the Securities Exchange Act Of 1934, Making Findings, And Imposing Remedial Sanctions and a Cease-and-Desist ("Order"), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds[1] that

Summary

1. During the period of December 2016 through December 2018 (the "Pre-Reg. BI Period"), Laidlaw failed reasonably to supervise, within the meaning of Section 15(b)(4)(E) of the Exchange Act, two registered representatives ("Registered Representatives 1 and 2"), who violated Section 17(a) of the Securities Act of 1933 ("Securities Act"), and Section 10(b) of the Exchange Act, and Rule 10b-5 thereunder with respect to nine customer accounts, in which they recommended a strategy of in-and-out trading, which they had no reasonable basis to believe was suitable for any customers due to the high costs, in the form of commissions and fees, associated with the trading.

2. Laidlaw failed to develop and implement reasonable supervisory policies and procedures, in that the firm did not have a system to determine whether the direct supervisor of Registered Representatives 1 and 2 was carrying out his or her responsibility to supervise the two registered representatives with respect to making suitable recommendations to the nine customers. Laidlaw therefore failed reasonably to supervise Registered Representatives 1 and 2 with a view to preventing and detecting violations of the antifraud provisions of the federal securities laws within the meaning of Section 15(b)(4)(E) of the Exchange Act.

3. During the period of July 2020 through October 2021 (the "Reg. BI Period"), Laidlaw violated Exchange Act Rule 15*l*-1(a)(2)(ii), the Regulation Best Interest ("Reg. BI") Care Obligation, when two of its registered representatives ("Registered Representatives 3 and 4") made a series of recommendations to six retail customers without a reasonable basis to believe that the series of recommended transactions were not excessive when taken together in light of the retail customer's investment profile, and because the series of recommended transactions placed the financial interest of the firm ahead of the interest of the retail customer (the "quantitative prong" of the Care Obligation). Exchange Act Rule 15*l*-1(a)(2)(ii)(C).

4. During the Reg. BI Period, Laidlaw also violated Exchange Act Rule 15*l*-1(a)(2)(iv), the Reg. BI Compliance Obligation, by failing to establish, maintain and enforce written policies and procedures reasonably designed to achieve compliance with the quantitative prong of Reg. BI's Care Obligation.

5. As a result of Laidlaw's violations of Reg. BI's component obligations, described above, it also violated Exchange Act Rule 15*l*-1(a)(1), the Reg. BI General Obligation, which requires compliance with Reg. BI's four component violations including the Care and Compliance Obligations.

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[1] The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

Respondent

6. **Laidlaw** is a United Kingdom corporation with its main office in London, England, and branch offices in the United States, including in New York City. Laidlaw has been registered with the Commission as a broker-dealer since July 26, 2002. It is owned by Laidlaw Holding PLC, and is affiliated with Laidlaw Wealth Management, an investment adviser registered with the Commission.

Facts

I. Failure to Supervise

a. The Underlying Fraud Violations

7. Registered Representatives 1 and 2 were required to have a reasonable basis to believe that their trade recommendations were suitable for at least some customers.

8. During the Pre-Reg. BI Period, in nine customer accounts, Registered Representatives 1 and 2 recommended an in-and-out trading strategy that grossly exceeded the cost-to-equity ratio and annual turnover rate thresholds indicative of excessive trading. The cost-to-equity ratio is the rate of return required for an account to break even, taking into account the costs, such as commissions and other fees, associated with the trading in the account. The annual turnover rate represents the total value of annual purchases made in the account divided by the account's average monthly balance. A cost-to-equity ratio of 20% or higher and an annual turnover rate of 6 or higher are thresholds that courts have considered to be indicative of excessive trading.

9. The cost-to-equity ratios in these accounts ranged from 203% to 620% per account. Similarly, the turnover rates for each account ranged from 60 to 276. During that period, these nine customer accounts lost a total of $739,545, and were charged a total of $610,192 in commissions and fees, with approximately $305,096 of that amount paid to Laidlaw and the remainder paid to Registered Representatives 1 and 2.

10. Registered Representatives 1 and 2 did not have a reasonable basis to believe that their in-and-out trading strategy was suitable for any customer given the associated high costs that allowed virtually no chance of a customer achieving even a minimal profit. As a result of the conduct described above, Registered Representatives 1 and 2 violated Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

b. Laidlaw's Conduct

11. Registered Representatives 1 and 2 were subject to supervision by Laidlaw. During the Pre-Reg BI Period, Registered Representatives 1 and 2 were also always supervised directly by an individual designated supervisor: by Designated Supervisor 1 during the first eight months of the Pre-Reg BI Period; and Designated Supervisor 2 during the remaining 16 months of the Pre-Reg BI Period.

12. Laidlaw had monitoring procedures - set forth in its written supervisory procedures ("WSPs") - that detected potential violations by Registered Representatives 1 and 2 of their reasonable basis suitability obligations. Specifically, Laidlaw generated a Monthly Active Account Report ("MAAR"), which flagged individual accounts for trade activity that could be indicative of excessive trading. These reports were reviewed each month by both Designated Supervisors 1 and 2 during their respective tenures. However, the firm did not develop or implement a system to follow up on whether the Designated Supervisor, after having reviewed accounts identified in the MAAR, took steps to address potential reasonable basis suitability violations by Registered Representatives 1 and 2, including by carrying out the procedures set forth in the WSPs to address the accounts flagged in the MAARs, or whether the Designated Supervisor had otherwise taken action to address the excessive trading.

13. The WSPs section regarding active accounts stated that upon a review by the Designated Supervisor of the account activity in accounts flagged in the MAAR, Laidlaw's compliance department, in coordination with the direct Designated Supervisor, would determine whether and how to contact the customer - either via letter, phone call, or in person - to confirm the customer's investment objectives and knowledge regarding the trading activity in the account. Additionally, according to Laidlaw's WSPs, when suitability questions arose, the Designated Supervisor, among other things, must "confer with [the registered representatives]," and "modify or restrict future transactions, as appropriate," and was generally required to "train [registered representatives] regarding suitability obligations."

14. Laidlaw failed reasonably to implement these procedures to determine whether the Designated Supervisors reasonably followed up, as required by the firm's WSPs, to address recommendations by Registered Representatives 1 and 2 that were flagged in the MAARs for potential excessive trading. During the Pre-Reg. BI Period, the nine accounts appeared collectively on Laidlaw's MAARs 50 times. Those repeated instances occurred while Laidlaw had no process in place to monitor whether the Designated Supervisor had taken relevant steps such as modifying or restricting the transactions recommended by Registered Representatives 1 and 2, to bring the excessive trading to an end. Additionally, the firm did not monitor whether either Designated Supervisor provided training to Registered Representatives 1 and 2 regarding suitability, including whether recommending an in-and-out trading strategy would be suitable for any customer. Although Designated Supervisors 1 and 2 each spoke on one or two occasions with the registered representatives about problematic trading in certain accounts, the excessive trading continued, and inadequate restrictions were placed on their transactions. For example, during the entire Pre-Reg BI Period, two of the accounts were put on commission restrictions, but even with the resulting reduced commissions, these accounts had respective cost-to-equity ratios of 334% and 383% during the Pre-Reg BI Period. Additionally, all nine accounts appeared on the MAAR multiple times, further demonstrating that the actions set forth in the policies and procedures for addressing potential excessive trading in customer accounts were not being followed.

15. Accordingly, Laidlaw failed to develop a system to implement procedures designed to prevent and detect the suitability violations of Registered Representatives 1 and 2.

II. Reg. BI Violations

a. The Care Obligation

16. Reg. BI requires that a broker, when recommending securities transactions to a retail customer "act in the best interest of the retail customer at the time the recommendation is made, without placing the financial or other interest of the broker . . . ahead of the interest of the retail customer." Reg. BI sets forth a "care obligation," which in relevant part requires that such a broker exercise "reasonable diligence, care, and skill to . . . [h]ave a reasonable basis to believe that a series of recommended transactions, even if in the retail customer's best interest when viewed in isolation, is not excessive and is in the retail customer's best interest when taken together in light of the retail customer's investment profile and does not place the financial or other interest of the broker . . . ahead of the interest of the retail customer."

17. During the Reg. BI Period, Laidlaw, through Registered Representatives 3 and 4, recommended an investment strategy (i.e., a series of recommendations) to six retail customers that was not in their best interest. The strategy involved frequent in-and-out trades that placed the broker's interest in generating commissions and fees ahead of the customers' interest in making a profit. With respect to one customer, the trading also was excessive in light of the customer's investment profile. As to the other five customers, the fact that their investment profiles reflected a higher tolerance for risk and/or active trading did not relieve Laidlaw and its registered representatives of its Care Obligation with respect to the recommendations it made. "Where a retail customer expresses a desire for 'active trading,' a broker-dealer may take this factor into consideration when evaluating a recommendation; however, the broker-dealer will nevertheless need to reasonably believe that a series of recommended transactions is in the best interest of the retail customer." Regulation Best Interest: The Broker-Dealer Standard of Conduct, Exchange Act Rel. No. 86031, 84 FR 33318, 33384 (June 5, 2019).

18. At times, Registered Representatives 3 and 4 employed a strategy of taking quick profits on part of a particular securities position resulting in frequent trade recommendations in these accounts. At the time the recommendations of these series of transactions were made, Registered Representatives 3 and 4 failed to consider the impact of the costs of the strategy, as reflected in the thresholds indicative of excessive trading that were exceeded over a 16-month period. As a result, the investment strategy of in-and-out trading recommended by Registered Representatives 3 and 4 placed their financial interest, as well as the firm's financial interest, ahead of the customers' interest, in violation of Reg. BI's Care Obligation.

19. The cost-to-equity ratios and annual turnover rates that resulted from the series of recommendations made to the six customers were all in excess of the thresholds courts have found to be indicative of excessive trading: the cost-to-equity ratios ranged from 20.38% to 33.14% per account, and the turnover rates ranged from 7.9 to 16.5. That trading generated approximately $445,860.30 in commissions and fees, with approximately $242,615.69 of that paid to Laidlaw, and the rest paid to Registered Representatives 3 and 4.

20. Five of the six retail customers indicated a “high” risk tolerance and an investment objective of “speculation” on their account opening documents. The accounts of these five retail customers had turnover rates ranging from 7.9 to 12.53 and cost-to-equity ratios ranging from 20.38% to 31.96% per account, requiring returns above that percentage in order to yield gains for the customer sufficient to cover the costs of the trading. Notwithstanding the higher risk tolerance and speculative investment objectives of these retail customers, the in-and-out trading strategy recommended by Registered Representatives 3 and 4 violated Reg. BI because the strategy resulted in excessive trading that placed their and Laidlaw’s “financial or other interest. . . ahead of the interest of the retail customer.” The trading in those five accounts during the Reg. BI Period generated approximately $362,838.46 in commissions and fees, with approximately $199,104.38 of that paid to Laidlaw and the rest paid to Registered Representatives 3 and 4. Two customers suffered losses, and three customers had gains, but in each case, the commissions were higher than the gains. In the accounts with gains, one customer made $5,638.80, but paid $81,830.46; another made $81,166.21, but paid $102,163.35; and the last made $59,538.34, but paid $78,484.52.

21. While one customer changed his risk tolerance from “high” to “moderate” and his investment objective from “short term trading” to “long term trading” on October 29, 2020, Registered Representative 3 continued to recommend the same in-and-out trading strategy to that customer. In fact, trading in that account resulted in a turnover rate of 16.5 and a cost-to-equity ratio of 33.14%, requiring returns above that percentage in order to yield gains for the customer sufficient to cover the costs of the trading. Such recommendations were unreasonable at the time they were made, were excessive and not in the customer’s best interest in light of the customer’s investment profile, and placed “the financial or other interest of the broker . . . ahead of the interest of the retail customer.” This customer made $63,512.44 in net profits, but paid $83,021.84 in commissions and fees.

b. The Compliance Obligation

22. During the Reg. BI Period, Laidlaw failed to maintain and enforce written policies and procedures reasonably designed to achieve compliance with Reg. BI’s Care Obligation.

23. Although Laidlaw had monitoring procedures, described above, to detect potential violations by Registered Representatives 3 and 4 of the quantitative prong of the Care Obligation, Laidlaw did not reasonably maintain and enforce policies reasonably designed to address these potential violations and prevent them going forward.

24. The firm’s Reg. BI obligations were set forth in its WSPs. The WSPs set forth the Reg. BI Care Obligation, provide a basic description of the registered representatives’ responsibilities with respect to the Care Obligation, and state that the Designated Supervisor is responsible for ensuring compliance with the Care Obligation. With respect to the quantitative prong of the Care Obligation, beyond describing the legal obligation, the WSPs list the following actions for the Designated Supervisor: “identify active accounts and review which *may* include calculating” (emphasis added) “turnover rate,” “cost-to-equity ratio” and “in-and-out trading;” and “[t]ake action which *may* include:” (emphasis added) “[r]eview of new account records,” “consult with RR” and “[c]ontact the customer.” The WSPs do not specify the frequency with which these should take

place, if at all, or any further guidance to the Designated Supervisor on whether and when to implement these actions. Furthermore, the firm had no method of ensuring that the Designated Supervisors were taking these actions, nor of ensuring that any actions they did take had the effect of stopping or remedying violative conduct, such as procedures for documenting relevant reviews and communications with registered representatives and customers.

25. The accounts of all six retail customers appeared on the firm's MAARs in multiple months during the Reg. BI Period. One account appeared on the MAAR 6 times; two appeared 10 times; one appeared 11 times, one appeared 12 times; and one appeared 13 times during the 16-month period. However, the firm failed to reasonably assess whether the Designated Supervisors took actions that would achieve compliance with the Care Obligation. For example, the Designated Supervisor sent activity letters to four of the six customers in September 2020, alerting them that "a short-term investment strategy . . . may result in higher risks and costs." The Designated Suprevisor sent similar activity letters to two of those same customers in January 2021. Yet, the firm failed to ensure that such contact was accompanied by an attempt to stop excessive trading in the accounts. All four accounts continued to appear on the MAARs after the letters were sent—10, 9, 8 and 7 times, respectively, during the 13-month period after September 2020. Similarly, at times, commissions were reduced or restricted in the six accounts, but the firm failed to reasonably assess the impact of such restrictions and whether the excessive trading had ceased so that the restrictions could be lifted without incurring further violations.

Laidlaw's Failure Reasonably to Supervise and Violations of Reg BI

Failure to Supervise

26. As a result of the conduct described above and pursuant to Section 15(b)(4)(E) of the Exchange Act, Respondent Laidlaw failed reasonably to supervise Registered Representatives 1 and 2 during the Pre-Reg. BI Period with a view to preventing and detecting their violations of Section 17(a) of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 thereunder.

Violations of Reg. BI

27. As a result of the conduct described above, Laidlaw willfully[2] violated Exchange Act Rule 15*l*-1(a)(2)(ii)(C), the quantitative prong of Reg. BI's Care Obligation, which requires a broker-dealer to have a reasonable basis to believe that a series of recommended transactions, even

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[2] "Willfully," for purposes of imposing relief under Section 15(b) of the Exchange Act, "'means no more than that the person charged with the duty knows what he is doing.'" *Wonsover v. SEC*, 205 F.3d 408, 414 (D.C. Cir. 2000) (quoting *Hughes v. SEC*, 174 F.2d 969, 977 (D.C. Cir. 1949)). There is no requirement that the actor "also be aware that he is violating one of the Rules or Acts." *Tager v. SEC*, 344 F.2d 5, 8 (2d Cir. 1965). The decision in The *Robare Group, Ltd. v. SEC*, which construed the term "willfully" for purposes of a differently structured statutory provision, does not alter that standard. 922 F.3d 468, 478-79 (D.C. Cir. 2019) (setting forth the showing required to establish that a person has "willfully omit[ted]" material information from a required disclosure in violation of Section 207 of the Advisers Act).

if in the retail customer's best interest when viewed in isolation, is not excessive and is in the retail customer's best interest when taken together in light of the retail customer's investment profile and does not place the financial or other interest of the broker-dealer ahead of the interest of the retail customer.

28. As a result of the conduct described above, Laidlaw willfully violated Exchange Act Rule 15*l*-1(a)(2)(iv), the obligation imposed on a broker-dealer to maintain, and enforce written policies and procedures reasonably designed to achieve compliance with Reg. BI.

29. As a result of the conduct described above, Laidlaw also willfully violated Exchange Act Rule 15*l*-1(a)(1), the obligation imposed on a broker to act in the best interest of the retail customer by satisfying the component obligations of Reg. BI.

Disgorgement and Civil Penalties

30. The disgorgement and prejudgment interest ordered in paragraph IV.C. is consistent with equitable principles and does not exceed Respondent's net profits from its violations, and will be distributed to harmed investors to the extent feasible. The Commission will hold funds paid pursuant to paragraph IV.C. in an account at the United States Treasury pending distribution. Upon approval of the distribution final accounting by the Commission, any amounts remaining that are infeasible to return to investors, and any amounts returned to the Commission in the future that are infeasible to return to investors, may be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

Laidlaw's Consent Order

31. Pursuant to a Consent Order with the Securities and Investments Division of the State of Connecticut's Department of Banking, dated January 23, 2023, Laidlaw engaged an independent consultant to conduct a comprehensive evaluation of Laidlaw's operations and the activities of Laidlaw's registered representatives, including with respect to issues similar to those described above.

IV.

In view of the foregoing, the Commission deems it appropriate and in the public interest to impose the sanctions agreed to in Respondent Laidlaw's Offer.

Accordingly, pursuant to Sections 15(b) and 21C of the Exchange Act, it is hereby ORDERED that:

A. Respondent Laidlaw cease and desist from committing or causing any violations and any future violations of Exchange Act Rules 15*l*-1(a)(1) and (2).

B. Respondent Laidlaw is censured.

C. Respondent Laidlaw shall pay disgorgement of $547,712.36, prejudgment interest of $51,844.22 and civil penalties of $223,328, for a total of $822,884.58, to the Securities and Exchange Commission. Payment shall be made in three installments: (1) $274,294.86 within ten (10) days of the entry of this Order; (2) $274,294.86 within 180 days thereafter; and (3) $274,294.86 within 360 days after the entry of this Order. Payments shall be applied first to post order interest, which accrues pursuant to SEC Rule of Practice 600 and pursuant to 31 U.S.C. 3717. Prior to making the final payment set forth herein, Respondent shall contact the staff of the Commission for the amount due. If Respondent fails to make any payment by the date agreed and/or in the amount agreed according to the schedule set forth above, all outstanding payments under this Order, including post-order interest, minus any payments made, shall become due and payable immediately at the discretion of the staff of the Commission without further application to the Commission.

Payments must be made in one of the following ways:

(1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;

(2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at http://www.sec.gov/about/offices/ofm.htm; or

(3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Laidlaw & Company (UK) Ltd. as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Thomas P. Smith, Jr., Division of Enforcement, Securities and Exchange Commission, New York Regional Office, 100 Pearl Street, Suite 20-100, New York, NY 10004.

D. Pursuant to Section 308(a) of the Sarbanes-Oxley Act of 2002, a Fair Fund is created for the disgorgement, prejudgment interest and penalties referenced in paragraphs IV.C above. The Fair Fund may be combined with any other fund established in a parallel proceeding that may arise out of the same facts that are the basis of this action. Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the Penalty Offset, notify the Commission's counsel in

this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary