

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090163061-01**

TO: Department of Enforcement
Financial Industry Regulatory Authority ("FINRA")

RE: Laidlaw & Company (UK) Ltd., Respondent
Member Firm
BD No. 119037

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Laidlaw & Company (UK) Ltd. ("Laidlaw" or "the firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, FINRA will not bring any future actions against Laidlaw alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Laidlaw hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of FINRA, or to which FINRA is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by FINRA:

BACKGROUND

Laidlaw has been a member of FINRA since July 26, 2002.

RELEVANT DISCIPLINARY HISTORY

In a September 2009 AWC resulting from Exam No. 20070073155, Laidlaw consented to findings that, among other things, from June 1, 2006 through August 2, 2006, it failed to retain email communications related to the firm's business that were sent to and from email accounts outside of the firm and failed to establish and maintain a supervisory system to review those emails. Laidlaw consented to sanctions including fines totaling \$65,000.

OVERVIEW

Laidlaw:

- failed to establish and implement adequate policies and procedures relating to compliance with rules and regulations concerning anti-money laundering (“AML”),
- failed to establish, maintain and enforce adequate policies and procedures relating to email retention,
- failed to report to FINRA certain statistical and summary information regarding customer complaints and claims for monetary damages,
- created and distributed misleading, exaggerated and incomplete communications with the public,
- failed to establish and implement certain required supervisory control procedures, and
- failed to maintain a checks received and forwarded blotter.

FACTS AND VIOLATIVE CONDUCT

1. From January 1, 2006 through October 28, 2010, Laidlaw failed to establish and implement adequate policies and procedures designed to achieve compliance with the Bank Secrecy Act, as follows:
 - a. NASD Rules 3011(a) required and FINRA Rule 3310(a) and MSRB Rule G-41 require firms to implement policies and procedures that can be reasonably expected to detect and cause the reporting of suspicious activity. From January 1, 2006 through January 26, 2010, the firm failed to establish adequate policies and procedures designed to detect and report suspicious activity.
 - b. NASD Rule 3011(e) required and MSRB Rule G-41 requires firms to have AML compliance programs that provide ongoing training for appropriate personnel. During 2008, at least 29 of 90 (32%) Laidlaw registered representatives failed to complete AML training.
 - c. NASD Rule 3011(c) and IM-3011-1 required and MSRB Rule G-41 requires firms to provide annual (on a calendar-year basis) independent testing of their AML programs. Laidlaw’s AML independent tests for the years 2007 (dated April 18, 2008) and 2008 (dated April 18, 2009) were inadequate in that they consisted mainly of a summary of the AML written procedures without information regarding any testing of the procedures.

By reason of the foregoing, Laidlaw violated NASD Rules 3011 and 2110 and IM-3011-1, FINRA Rules 3310 and 2010 and MSRB Rule G-41.

2. Between January 1, 2009 and June 21, 2009, Laidlaw registered representatives used a Bloomberg terminal to send electronic communications. During that time, Laidlaw failed to establish, implement and maintain adequate written supervisory procedures regarding retention of business-related emails sent by its registered representatives from the Bloomberg terminal.

By reason of the foregoing, Laidlaw violated NASD Rule 3010(b) and FINRA Rule 2010.

3. Between May 10, 2007 and June 21, 2009, Laidlaw received 64 customer complaints and claims for damages.
 - It failed to file statistical and summary information regarding nine (14%) of those complaints.
 - For 11 complaints and claims (17%), it filed incorrect problem and/or product codes.
 - During the review period, Laidlaw failed to file information regarding four settlement agreements and/or closed arbitration cases exceeding \$25,000.

By reason of the foregoing, Laidlaw violated NASD Rules 3070 and 2110 and FINRA Rule 2010.

4. Between May 10, 2007 and June 21, 2009, Laidlaw created and distributed a brochure from an internal group of registered representatives called GK Capital and maintained a website page relating to hedge funds and alternative investments. The brochure failed to:
 - provide a sound basis for evaluating facts,
 - reflect the uncertainty of the rate of return and yield of the investment offered,
 - disclose risks,
 - be approved by a supervisor, and
 - contain required language regarding SIPC.

In addition, the brochure contained misleading and exaggerated statements, including that offerings will be structured with terms and conditions that "protect the investor to the greatest extent possible while allowing for significant upside profit potential" and that GK will "exit the investment providing liquidity for investors" when the brochure failed to mention any risks or illiquidity potential. The brochure also implies that the firm traces its history to the original Laidlaw that opened in 1842, but the firm obtained that name through a 2004 name purchase.

The website incorrectly stated that Laidlaw is not affiliated with any specific hedge funds when Laidlaw provided financial support to a specific hedge fund during 2008.

By reason of the foregoing, Laidlaw violated NASD Rule 2210(d)(1)(A), 2210(d)(1)(B) and 2210(d)(1)(D), 2210(b)(1), 2210(e) and 2110 and FINRA Rule 2010.

5. NASD Rule 3012(a)(1) requires members to create a report detailing results of, and corrective action undertaken as a result of, a test of its written supervisory control procedures. NASD Rule 3012(a)(2) requires members to establish, maintain and enforce written supervisory control procedures that cover various delineated topics. From May 10, 2007 through June 1, 2009, Laidlaw failed to establish, maintain and enforce adequate written supervisory control policies and procedures required by Rule 3012(a). Laidlaw's March 31, 2009 report of a test of its written supervisory control procedures failed to summarize the results of the test, the significant identified exceptions and additional amended supervisory procedures created in response to the test.

By reason of the foregoing, the firm violated NASD Rules 3012(a) and 2110 and FINRA Rule 2010.

6. From May 10, 2007 through May 30, 2009, the firm's New York Office of Supervisory Jurisdiction failed to maintain a blotter containing required information regarding checks that it received and forwarded.

By reason of the foregoing, Laidlaw violated Section 17 of the Securities Exchange Act of 1934 and Rule 17a-3(a)(1) promulgated thereunder, and NASD Conduct Rules 3110 and 2110 and FINRA Conduct Rule 2010.

B. Laidlaw also consents to the imposition of the following sanctions:

- A Censure; and
- A fine in the amount of \$65,000 (\$2,500 of which pertains to the violations of MSRB Rule G-41).

Laidlaw agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Laidlaw has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Laidlaw specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

Laidlaw specifically and voluntarily waives the following rights granted under FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- B. To be notified of the Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the National Adjudicatory Council ("NAC") and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, Laidlaw specifically and voluntarily waives any right to claim bias or prejudgment of the General Counsel, the NAC, or any member of the NAC, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

Laidlaw further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of FINRA Rule 9143 or the separation of functions prohibitions of FINRA Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

Laidlaw understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA Rule 9216;

- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Laidlaw; and
- C. If accepted:
1. this AWC will become part of Laidlaw's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Laidlaw;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about Laidlaw's disciplinary record;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. Laidlaw may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. Laidlaw may not take any position in any proceeding brought by or on behalf of FINRA, or to which FINRA is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects Laidlaw's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.
- D. Laidlaw may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Laidlaw understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by FINRA, nor does it reflect the views of FINRA or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that Laidlaw has agreed to its provisions voluntarily; and that no offer,

threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce Laidlaw to submit it.

01/10/2012
Date (mm/dd/yyyy)

Marc Ellis
Respondent, Laidlaw & Company (UK) Ltd.

By: Marc Ellis, CCO
Name, Title

Reviewed by:

[Signature]
Martin Kaplan, Esq.
Counsel for Laidlaw & Company (UK) Ltd.
Gusrae Kaplan Nusbaum PLLC
120 Wall Street
New York, New York 10005
212-269-1400

Accepted by FINRA:

February 7, 2012
Date

Signed on behalf of the
Director of ODA, by delegated authority

Elissa Meth Kestin
Elissa Meth Kestin
Senior Regional Counsel
FINRA Department of Enforcement
World Financial Center
200 Liberty Street
New York, New York 10281
212-858-4702(p)
212-858-4770(f)