

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT  
NO. 2019060646801**

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

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

Pursuant to FINRA Rule 9216, Respondent Laidlaw & Company (UK) Ltd. (Laidlaw) 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 Respondent alleging violations based on the same factual findings described in this AWC.

**I.**

**ACCEPTANCE AND CONSENT**

- A. Respondent accepts and consents to the following findings by FINRA without admitting or denying them:

**BACKGROUND**

Laidlaw has been a FINRA member since July 2002. Laidlaw maintains eight branch offices, employs approximately 75 registered representatives, and operates a full-service brokerage business.<sup>1</sup>

**OVERVIEW**

Laidlaw conducted a securities business while failing to maintain the required minimum net capital during four periods between February 2018 and July 2022. As a result, Respondent violated Section 15(c) of the Securities Exchange Act of 1934 and Rule 15c3-1 thereunder, and FINRA Rules 4110(b) and 2010.

During those periods, Laidlaw also failed to timely file required notices of net capital deficiency with the SEC and FINRA. Further, on March 8, 2019, Laidlaw filed an inaccurate notice of net capital deficiency. As a result, Respondent violated Section 17(a) of the Exchange Act and Exchange Act Rule 17a-11(b) thereunder, and FINRA Rule 2010.

Further, Laidlaw failed to maintain accurate books and records concerning its net capital position between January 2018, and July 2022, and filed 24 inaccurate Financial and

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<sup>1</sup> For more information about the firm, including prior regulatory events, visit BrokerCheck® at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

Operational Combined Uniform Single (FOCUS) reports between January 2018 and July 2022. As a result, Laidlaw violated Section 17(a) of the Exchange Act and Exchange Act Rule 17a-3 and 17a-5 thereunder, and FINRA Rules 4511 and 2010.

Additionally, between February 2018 and January 2019, Laidlaw's supervisory system, including written supervisory procedures, was not reasonably designed to achieve compliance with FINRA Rule 2111 in connection with the due diligence private placement offerings. By virtue of the foregoing, Laidlaw violated FINRA Rules 3110 and 2010.

### **FACTS AND VIOLATIVE CONDUCT**

This matter originated from cycle examinations of Laidlaw.

#### **The firm conducted a securities business while it failed to maintain the required net capital.**

Exchange Act § 15(c) and Exchange Act Rule 15c3-1 prohibit a broker-dealer from engaging in a securities business if its net capital falls below a certain amount. FINRA Rule 4110(b)(1) provides that a member shall suspend all business operations during any period in which it is not in compliance with applicable net capital requirements. A violation of Exchange Act § 15(c), Exchange Act Rule 15c3-1, or FINRA Rule 4110(b) also is a violation of FINRA Rule 2010, which provides that a FINRA member, "in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade."

The firm's net capital deficiencies occurred during four periods between February 2018 and July 2022. During all of these periods, the firm's required minimum net capital ranged between approximately \$100,000 and approximately \$240,000.

First, the firm's net capital fell below the required minimum amount on February 28, 2018, and remained below the minimum amount through May 31, 2018, with deficiencies ranging from \$117,242 to \$427,379. The net capital deficiencies occurred because, as of at least January 26, 2018, the firm improperly included a certificate of deposit in its net capital computation as an allowable asset, even though that certificate of deposit served as collateral for a line of credit.

Second, the firm's net capital again fell below the required minimum amount on December 31, 2018, and remained below the minimum amount through May 31, 2019, with deficiencies ranging from \$22,792 to \$944,526. These net capital deficiencies resulted from the improper treatment of several items in the firm's net capital computations. First, the firm continued to improperly include the above-referenced certificate of deposit as an allowable asset despite it serving as collateral. In addition, the firm improperly included certain receivables, most of which were fees for investment banking services as allowable assets, even though they were unsecured, outstanding for over 30 days and not offset by a payable liability at the time they were included. The firm also improperly included a non-marketable convertible note as an allowable asset without

converting the note into shares of the issuer. Finally, the firm included the value of a warrant held by the firm as an allowable asset prior to the firm's exercise of the warrant and deposit of the associated shares of an issuer (Company A).

Third, on 15 days between December 18, 2019, and March 20, 2020, the firm's net capital fell below the required minimum amount, with deficiencies ranging from \$71,864 to \$1,355,463. On 12 of those days, the firm conducted a securities business. This occurred because the firm failed to take a deduction for non-marketable shares of Company A that it had received on December 18, 2019. Exchange Act Rule 15c3-1(c)(2)(vii)(1) provides that, when the marketplace can absorb only a limited number of shares of a security for which a ready market seemingly exists, the non-marketable portion of a position is subject to a 100% deduction and should be treated as a non-allowable asset. The Rule provides that the number of shares exceeding the aggregate of the most recent four-week inter-dealer trading volume should be considered non-marketable. The firm failed to identify instances in which the prior four-week aggregate trading volume of Company A stock exceeded the amount of Company A shares held by the firm, thereby requiring the firm to take a 100% deduction on that non-marketable portion of its position.

Finally, the firm's net capital again fell below the required minimum amount on February 28, 2022, and remained below the minimum amount through July 21, 2022, with deficiencies ranging from \$286,300 to \$1,631,229. These net capital deficiencies occurred because the firm improperly excluded its obligations under a lease agreement from its net capital calculations.

Therefore, the firm violated Exchange Act § 15(c), Exchange Act Rule 15c3-1, and FINRA Rules 4110(b) and 2010.

**Laidlaw failed to file timely and accurate notices of net capital deficiency.**

Exchange Act § 17(a) and Exchange Act Rule 17a-11(b) require a FINRA member whose net capital declines below the minimum amount required under Exchange Rule 15c3-1 to give notice of its net capital deficiency that same day to FINRA and the SEC, including the current amount of its net capital deficiency. A violation of Exchange Act § 17(a) and Exchange Act Rule 17a-11 also is a violation of FINRA Rule 2010.

On March 8, 2019, the firm filed a Rule 17a-11(b) Financial Notification with the SEC and FINRA that incorrectly stated its net capital position. While the filing identified that the firm had overstated its net capital from December 31, 2018, through February 27, 2019, due to its treatment of the above-referenced certificate of deposit as an allowable asset, the filing inaccurately understated the extent of the firm's net capital deficiencies. Specifically, the filing did not reflect the deficiencies caused by any of the other improper computations that occurred during this period, as discussed above.

Additionally, between February 28, 2022, and July 21, 2022, despite receiving inquiries from FINRA about the firm's net capital deficiencies, the firm failed to file timely notices of net capital deficiencies.

Therefore, Laidlaw violated Exchange Act § 17(a) and Exchange Act Rule 17a-11(b) and FINRA Rule 2010.

**Laidlaw failed to maintain accurate books and records.**

Exchange Act § 17(a), Exchange Act Rule 17a-3, and FINRA Rule 4511 require FINRA member firms to make and keep accurate books and records, including net capital calculations. Exchange Act § 17(a) and Exchange Act Rule 17a-5 require FINRA member firms to timely file accurate FOCUS reports. A violation of Exchange Act § 17(a), Exchange Act Rule 17a-3, Exchange Act Rule 17a-5, and FINRA Rule 4511 is also a violation of FINRA Rule 2010.

Respondent failed to maintain accurate books and records concerning its net capital position between January 26, 2018, and July 21, 2022. Additionally, Respondent filed 24 inaccurate FOCUS reports between January 2018 and July 2022 that overstated the amount of the firm's net capital and excess net capital.

Therefore, Laidlaw violated Exchange Act § 17(a), Exchange Act Rules 17a-3 and 17a-5, and FINRA Rules 4511 and 2010.

**Laidlaw's supervisory system was not reasonably designed to achieve compliance with FINRA rules governing private placement due diligence.**

FINRA Rule 3110(a) requires a member firm to establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules. FINRA Rule 3110(b) requires a member firm to establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA Rules. A violation of FINRA Rule 3110 also is a violation of FINRA Rule 2010.

FINRA Regulatory Notice 10-22 reminded broker-dealers of their obligation to conduct a reasonable investigation of the issuer and the securities they recommend in private placements under Regulation D of the Securities Act of 1933. A firm's obligation to investigate is based on the suitability requirements of FINRA Rule 2111, which provides that a firm must have reasonable grounds to believe that a recommendation to purchase, sell or exchange a security is suitable for the customer. To satisfy "reasonable basis" suitability, a firm must have a reasonable basis to believe, based on a reasonable investigation, that the security is suitable for some investors. Regulatory Notice 10-22 provides that firms must have supervisory procedures that are reasonably designed to ensure, among other things, that the firm's personnel investigate each private placement the firm recommends and that they do so in a manner that is sufficiently rigorous to comply with legal and regulatory requirements. In addition, Regulatory Notice 10-22 provides that firms should retain records documenting both the process and results of their investigations.

Between February 2018 and January 2019, the firm maintained written supervisory procedures (WSPs) requiring its representatives, when engaging in Regulation D offerings, to conduct a reasonable investigation of the issuer and its management, and to document their due diligence reviews and investigations. However, the firm did not provide any guidance regarding how representatives should document due diligence reviews, or who was responsible for ensuring that the firm had done so.

In connection with three private placements the firm recommended to customers between February 2018 and January 2019, the firm failed to conduct and document reasonable investigation of the offerings. Specifically, the firm served as placement agent for a private placement offering by an educational technology company (Offering A). Rather than conducting an independent investigation, the firm relied almost exclusively on documentation and information the issuer provided. The firm's due diligence file for Offering A contained documents provided by the issuer, but did not contain any evidence that the firm reviewed or analyzed those documents or conducted any other review of the issuer or its management. Additionally, the firm sent the issuer a "due diligence checklist" requesting various information and documents, but the firm did not receive a completed checklist or document that it had otherwise received the requested information from the issuer or performed any analysis of that information. The firm also served as the introducing broker for two private placement offerings by biotechnology companies (Offering B and Offering C). As with Offering A, the firm relied almost exclusively on documentation and information the issuers of Offerings B and C provided, and the firm's due diligence files did not contain evidence that the firm reviewed any of the documents it received in connection with the offerings or that it conducted any other reviews of the issuers or their management.

Therefore, Laidlaw violated FINRA Rules 3110 and 2010.

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

- a censure;
- a \$200,000 fine; and
- An undertaking that, within 60 days of the date of the notice of acceptance of this AWC, a member of Respondent's senior management who is a registered principal of the firm shall certify in writing that, as of the date of the certification, the firm has remediated the issues identified in this AWC and implemented a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with FINRA rules governing private placement due diligence regarding the issues identified in this AWC. The certification shall include a narrative description and supporting exhibits sufficient to demonstrate Respondent's remediation and implementation. FINRA staff may request further evidence of Respondent's remediation and implementation, and Respondent agrees to provide such evidence. Respondent shall submit the certification to and Robert Fair, Senior Counsel, and Carolyn O'Leary, Senior Counsel, Brookfield Place, 200 Liberty Street, New York, New York 10281, robert.fair@finra.org and

carolyn.oleary@finra.org, with a copy to EnforcementNotice@finra.org. Upon written request showing good cause, FINRA staff may extend this deadline.

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

Respondent specifically and voluntarily waives any right to claim an inability to pay, now or at any time after the execution of this AWC, the monetary sanction imposed in this matter.

The sanctions imposed in this AWC shall be effective on a date set by FINRA.

## II.

### WAIVER OF PROCEDURAL RIGHTS

Respondent 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, Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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 its acceptance or rejection.

Respondent 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

Respondent understands that:

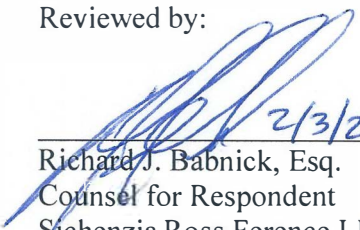
- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs (ODA), pursuant to FINRA Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against Respondent; and
- C. If accepted:
  - 1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondent;
  - 2. this AWC will be made available through FINRA's public disclosure program in accordance with FINRA Rule 8313;
  - 3. FINRA may make a public announcement concerning this agreement and its subject matter in accordance with FINRA Rule 8313; and
  - 4. Respondent 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. Respondent 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 Respondent's right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party. Nothing in this provision affects Respondent's testimonial obligations in any litigation or other legal proceedings.
- D. Respondent may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondent 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.

The undersigned, on behalf of Respondent, certifies that a person duly authorized to act on Respondent's 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 Respondent has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth in this AWC and the prospect of avoiding the issuance of a complaint, has been made to induce Respondent to submit this AWC.

2-3-2023

Date

Reviewed by:

 2/3/2023  
Richard J. Babnick, Esq.  
Counsel for Respondent  
Sichenzia Ross Ference LLP  
1185 Avenue of the Americas, 31st Floor  
New York, New York 10036

Accepted by FINRA:

February 17, 2023

Date

*Theo S Basis*

Laidlaw & Company (UK) Ltd.  
Respondent

Print Name: Theo S Basis

Title: Chief Compliance Officer

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



Carolyn O'Leary  
Senior Counsel  
FINRA  
Department of Enforcement  
Brookfield Place  
200 Liberty Street  
New York, New York 10281