

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER, AND CONSENT
NO. 2016049087201**

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

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

John Coolong (Respondent)
General Securities Principal
CRD No. 5924271

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

I.

ACCEPTANCE AND CONSENT

- A. Respondents hereby accept and consent, 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 FINRA member since July 2002. The firm's principal office is located in London, England. The firm has eight branches with 88 registered representatives, and operates a full-service brokerage business.

On February 7, 2012, FINRA accepted AWC No. 2009016306101 by which the firm consented to a censure and \$65,000 fine for multiple violations, including for violations of NASD Rule 3010(b) and FINRA Rule 2010 occurring from January 1, 2009 to June 21, 2009. Specifically, the firm failed to establish, maintain, and enforce written supervisory procedures relating to the retention of business-related emails sent by its representatives from a Bloomberg terminal.

On November 2, 2009, FINRA accepted AWC No. 2007007315501 by which the firm consented to a censure and \$65,000 fine for multiple violations, including for violations of Section 17 of the Securities Exchange Act of 1934 (Exchange Act) and Exchange Act Rule

17a-4 and NASD Rules 3110, 3010(d), and 2110, occurring between June 1, 2006 and August 2, 2006. Specifically, the firm failed to retain business-related emails sent to and from non-Laidlaw email accounts used by Laidlaw representatives and failed to establish a system for supervisory review of those emails.

Coolong entered the securities industry in May 2011. In October 2011, Coolong became registered as a Finance and Operations Principal through an association with Laidlaw. Coolong subsequently became registered as an Operations Professional in December 2011, a General Securities Representative in December 2012, a General Securities Principal in February 2013, and a Compliance Officer in October 2018.¹

OVERVIEW

From at least January 2015 through September 2015, Laidlaw failed to establish, maintain, and enforce a supervisory system, including written supervisory procedures, reasonably designed to achieve compliance with federal securities laws and FINRA rules prohibiting market manipulation. Laidlaw also failed to detect red flags of potential market manipulation. By virtue of the foregoing, Laidlaw violated FINRA Rules 3110 and 2010.

During at least the same period, Laidlaw and Coolong failed to preserve and maintain certain books and records required by Section 17(a) of the Exchange Act and Exchange Act Rule 17a-4. Specifically, Laidlaw and Coolong failed to maintain numerous business-related text messages exchanged between firm personnel and customers. As a result, Laidlaw violated Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rules 4511 and 2010, and Coolong violated FINRA Rules 4511 and 2010.

FACTS AND VIOLATIVE CONDUCT

I. Laidlaw failed to establish, maintain, and enforce a supervisory system reasonably designed to comply with applicable securities laws and rules.

FINRA Rule 3110(a) requires that FINRA members “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 that each FINRA member “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 the applicable securities laws and regulations, and with applicable FINRA Rules.” Rule 3110 further requires that, where there are red flags of possible misconduct, the firm investigate the red flags and act upon the results of the investigation.

¹ For more information about Respondents, including prior regulatory events, visit BrokerCheck® at www.finra.org/brokercheck.

A violation of FINRA Rule 3110 also constitutes a violation of FINRA Rule 2010, which requires member firms to “observe high standards of commercial honor and just and equitable principles of trade” in the conduct of their business.

Section 10(b) and Rule 10b-5 of the Exchange Act and FINRA Rule 2020 prohibit market manipulation and other deceptive techniques intended to convey false information to the market as to a stock’s actual price and the demand for it; such deceptive techniques may include matched orders, cross trades, and marking the close. A cross trade occurs when a firm facilitates buy and sell transactions between customer accounts at the same time and price. Marking the close is the execution of transactions in a security at or near the end of the trading day to affect the security’s closing price.

During the relevant period, the firm’s written supervisory procedures (WSPs) provided that “Laidlaw and its employees may not engage in manipulative activity to artificially affect the price of a security.” The WSPs further stated that, “[m]atched trades where a person buys or sells a stock, with knowledge that a substantially offsetting transaction is going to be entered by someone, in order to mislead others about the extent of activity in, or the market for, a given stock is a form of market manipulation.” The WSPs provided that “cross transactions on a frequent basis particularly in thinly traded securities may be an indicator of supporting the market.” Laidlaw’s WSPs prohibited matched trades and marking the close, and provided that cross trades could not be used to maintain or support the price of a security.

A. Laidlaw’s supervisory system was not reasonably designed to achieve compliance with federal securities laws and FINRA rules prohibiting market manipulation.

Laidlaw’s WSPs required branch managers to perform a daily review of the firm’s trade blotter to, among other things, identify prohibited transactions. However, the firm did not provide branch managers with reasonable training or guidance regarding how to identify such transactions. For example, the firm did not provide branch managers with training or guidance about how the timing, pricing, and circumstances surrounding matched trades should be identified or considered. Similarly, the firm did not explain how branch managers should review for patterns of potentially manipulative trading over time.

Although the firm’s WSPs stated that questions about the WSPs could be raised with compliance staff, the WSPs did not specify the circumstances under which a branch manager should escalate potentially manipulative activity or the manner in which that escalation should occur or be documented.

Additionally, Laidlaw did not provide branch managers with any tools for detecting potential market manipulation. The firm did not have any exception reports or other electronic surveillance designed to detect potential matched trades, cross trades, or other forms of potential market manipulation, such as marking the close. And the manual review of orders conducted by branch managers was not reasonably designed to detect potential market manipulation given the sheer volume of trading. The branch managers’ daily review of blotter activity also was not reasonably designed to detect and prevent

manipulation that spanned multiple days. Moreover, the branch managers were only tasked with reviewing daily trade activity in their respective branches and no one at the firm was tasked with reviewing trades for potential manipulative activity across the firm's branches.

B. Laidlaw failed to detect red flags of potential market manipulation.

From January 2015 through March 2015, Laidlaw failed to detect numerous red flags of potential market manipulation involving shares of Company X, an investment banking client of the firm, whose shares did not trade on a national exchange. Although Laidlaw customers accounted for a substantial percentage of the daily trading volume on numerous days, Laidlaw did not detect—and, therefore, did not review or investigate—multiple occasions when Laidlaw representatives effected cross trades in Company X shares across Laidlaw customers' accounts.

Similarly, during the relevant period, Laidlaw failed to detect instances of potential marking the close, including multiple occasions when orders to purchase Company X stock were entered, either in the accounts of Laidlaw customers or Laidlaw representatives, within the last ten minutes of the trading day at prices at or above the previous trading price.

Therefore, Laidlaw violated FINRA Rules 3110 and 2010.

II. Laidlaw and Coolong failed to preserve business-related electronic communications.

FINRA Rule 4511 requires member firms to “make and preserve books and records as required under the FINRA rules, the Exchange Act and the applicable Exchange Act rules.” Exchange Act Rule 17a-4 requires member firms to maintain, for a period of three years, originals of all communications received, and copies of all communications sent relating to the member's business, including text messages.

A violation of Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rule 4511 is also a violation of FINRA Rule 2010.

During the relevant period, Laidlaw's WSPs provided that electronic business communications could only be accessed and transmitted through firm-sponsored systems. However, during the relevant period, Laidlaw personnel, including Coolong, routinely communicated with each other and with customers regarding firm business by text message using their personal mobile phones. Coolong was aware that individuals he supervised also engaged in this practice. Laidlaw personnel, including Coolong and the individuals he supervised, did not send these text messages to their supervisors or the firm's compliance department to be reviewed and retained, and the firm did not otherwise retain these business-related electronic communications.

Therefore, Laidlaw violated Section 17(a) of the Exchange Act, Exchange Act Rule 17a-4, and FINRA Rules 4511 and 2010, and Coolong violated FINRA Rules 4511 and 2010.

B. Respondents also consent to the imposition of the following sanctions:

Laidlaw

- a censure;
- a \$1.5 million fine; and
- within 60 days of the date this AWC is accepted, a certification from a senior officer and principal of Laidlaw with supervisory authority over the firm's supervisory system regarding the detection and prevention of potentially manipulative activity that the firm has enhanced its supervisory system and written supervisory procedures in ways that are reasonably expected to address the areas of conduct discussed in this AWC. The certification shall be submitted by letter addressed to: Seth Kean, Senior Counsel, FINRA Enforcement, Brookfield Place, 200 Liberty Street, New York, NY 10281-1003.

John Coolong

- a suspension from association with any FINRA member firm in any principal capacity for two months; and
- a \$15,000 fine.

Respondents agree to pay the monetary sanctions upon notice that this AWC has been accepted and that such payment is due and payable. Respondents have each submitted an Election of Payment form showing the method by which they propose to pay the fine imposed.

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

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

II.

WAIVER OF PROCEDURAL RIGHTS

Respondents specifically and voluntarily waive the following rights granted under FINRA's Code of Procedure:

- A. To have a complaint issued specifying the allegations against them;
- 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, Respondents specifically and voluntarily waive 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.

Respondents further specifically and voluntarily waive 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

Respondents understand 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 Respondents; and
- C. If accepted:

1. this AWC will become part of Respondents' permanent disciplinary record and may be considered in any future action brought by FINRA or any other regulator against Respondents;
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. Respondents 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. Respondents 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 Respondents' testimonial obligations or right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. Respondents may attach a corrective action statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Respondents understand that they 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 Laidlaw, 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.

7/1/2021
Date

John Cooling
Laidlaw & Company (UK) Ltd.
Respondent

Print Name: John Cooling

Title: CCC

Coolong certifies that he has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; Respondent has agreed to the AWC's provisions voluntarily; and 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 him to submit this AWC.

7/1/2021
Date

John Coolong
Respondent

Reviewed by:

[Signature]
Michael H. Ference, Esq.
Counsel for Respondents
Sichenzia Ross Ference LLP
1185 Sixth Avenue, 31th Floor
New York, NY 10036

Accepted by FINRA:

July 15, 2021
Date

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

[Signature]
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