

STATE OF NEW HAMPSHIRE
DEPARTMENT OF STATE
BUREAU OF SECURITIES REGULATION
25 CAPITOL STREET
CONCORD, NH 03301

CONSENT ORDER
IN THE MATTER OF:

Waddell & Reed, Inc. - CRD # 866

C-2015-000011

- I. For purposes of settling the above-captioned matter, and in lieu of administrative proceedings, Waddell & Reed, Inc. ("Waddell") has submitted an offer of settlement which the State of New Hampshire, Department of State, Bureau of Securities Regulation (the "Bureau") has determined to accept. Accordingly, without admitting or denying the facts or allegations contained herein, Waddell does hereby consent to the following undertakings and sanctions:

THE FACTS

1. Waddell is a broker-dealer and investment adviser with its principal place of business at 6300 Lamar Avenue, Overland Park, Kansas 66202. According to the Financial Industry Regulatory Authority's Central Registration Depository ("CRD"), Waddell has seven (7) branch offices within New Hampshire. Waddell has been registered as a broker-dealer with the U.S. Securities and Exchange Commission ("SEC") since January 14, 1982 and has been licensed in New Hampshire since February 2, 1983. Waddell has been registered as an investment adviser with the SEC since January 15, 1982.
2. On June 19, 2015 the Bureau received a complaint from a New Hampshire resident and former client of Waddell, which raised concerns regarding certain financial planning fees charged by an investment advisor representative of Waddell. Based on the content of the complaint, the Bureau initiated an investigation.
3. During the course of its investigation, the Bureau determined that the investment advisor representative in question engaged in several violations of New Hampshire securities law, including verbally misrepresenting to his clients the nature of financial planning fees he charged those clients. The Bureau also noted certain deficiencies in Waddell's supervision of the investment advisor representative. All of the Bureau's allegations against Waddell are limited to investment advisory activities.

THE LAW

1. The investment advisor representative in question is a “person” within the meaning of N.H. RSA 421-B:2 XVI, and an “investment adviser representative” within the meaning of N.H. RSA 421-B:2, IX-a.
 2. Waddell is a “person” within the meaning of N.H. RSA 421-B:2, XVI and a “federal covered adviser” within the meaning of N.H. RSA 421-B:2, V-d.
 3. Pursuant to N.H. RSA 421-B:10, I, the Secretary of State may take action and issue an appropriate order for relief if he finds that the order is in the public interest and if the person has failed to reasonably supervise his or her agents.
 4. Pursuant to N.H. RSA 421-B:10, VI, in addition to other relief that may be ordered pursuant to N.H. RSA 421-B:10, the Secretary of State may assess an administrative fine.
 5. Pursuant to N.H. RSA 421-B:22, IV, in any investigation to determine whether any person has violated or is about to violate this title or any rule or order under this title, the Secretary of State shall be entitled to recover the costs of the investigation, and any related proceedings, including reasonable attorney's fees, in addition to any other penalty provided for under this chapter.
- II. In view of the foregoing, Waddell, without waiving any argument as to jurisdiction, agrees to the following undertakings and sanctions:
1. Waddell agrees that this Consent Order is entered into for the purpose of resolving only the matter as described herein. This Consent Order shall have no collateral estoppel effect in any other lawsuit, proceeding, or action, not described herein. Likewise, this Consent Order shall not be construed to restrict the Bureau’s right to initiate an administrative investigation or proceeding relative to conduct by Waddell that the Bureau has no knowledge of at the time of the date of final entry of this Consent Order.
 2. Waddell agrees not to take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any allegation regarding Waddell’s investment advisory activities in this Consent Order or create the impression that the Consent Order is without factual basis. Nothing in this provision affects Waddell’s testimonial obligations or right to take any legal positions in administrative proceedings or in litigation, in which the State of New Hampshire is not a party.
 3. Over the past two years, Waddell has taken steps to enhance its supervision of the financial planning conducted by its investment advisor representatives and agrees to complete and maintain such enhancements including:

- a. Transition of financial planning supervision from local supervisors to a financial planning supervision unit at Waddell's principal office in Overland Park, Kansas. This new unit will be dedicated to thoroughly reviewing the appropriateness of all Financial Planning Services Agreements entered into with all clients, including those clients in New Hampshire. The financial planning supervision unit's review will include, among other criteria: 1) an analysis of the complexity of each client's financial planning needs based on specific objective based questions asked of each client; 2) the time required to complete the financial plan given the type of plan to be completed, and the services selected in light of the information known about the client; 3) fees charged based on the complexity of the client's financial situation; and 4) the prior financial planning performed, if any, for the client in past years.
- b. Implementation of a new system for the submission, review, and approval of financial planning contracts. This system will improve Waddell's ability to review its clients' historical planning activity and will serve to better assist the financial planning supervision unit in assessing the appropriateness of proposed financial planning engagements.
- c. Implementation of certain revisions to the Financial Planning Services Agreement utilized by Waddell. The revised agreement will include a worksheet questionnaire designed to capture additional information regarding a client's financial background, goals, and objectives, in order to better assist the financial planning supervision unit in assessing the complexity of each client's financial planning needs and the reasonableness of the fees determined by the financial advisor.

Waddell agrees that all of these enhancements will be complete and in place by the end of the second quarter of 2017.

4. Pursuant to Waddell's Financial Planning Refund Program, Waddell agrees to refund certain financial planning fees paid by the clients of the investment advisor representative in question, in the amount of \$2,012,615.80. Waddell agrees to pay the refunds by check, make commercially reasonable efforts to ensure that the funds are received, and strive to complete the refunds within 120 days of execution of this Order. If any refund is undeliverable for any reason after 120 days, Waddell shall provide the Bureau with the last known contact information of the client in question and provide the Bureau a reasonable period of time to locate the client, contact the client, and forward updated contact information to Waddell. Upon receipt of updated contact information, Waddell shall make reasonable efforts to ensure that any such refunds are sent to the new address. Subject to applicable state escheatment statutes, for any refunds that are still undeliverable after one (1) year, the amount of any refund will escheat to the State in which the client is known to Waddell to have last resided.
5. Waddell agrees, upon execution of this Consent Order, to pay the Bureau's costs of

investigation in the amount of Three Hundred Thousand Dollars (\$300,000), an administrative fine in the amount of Three Hundred Thousand Dollars (\$300,000), and a contribution to the Bureau's investor education fund in the amount of Three Hundred Thousand Dollars (\$300,000). Payment must be made by 1) one business check, certified check, or postal money order; 2) made payable to the State of New Hampshire; and 3) mailed to the Bureau of Securities Regulation, Department of State, State House, Room 204, Concord, New Hampshire, 03301.

III. Based on the foregoing, the Bureau deems it appropriate and in the public interest to accept and enter into this Order. **THEREFORE, IT IS HEREBY ORDERED THAT:**

1. Waddell issue refunds to the clients of the investment advisor representative in question as outlined herein.
2. Waddell pay the Bureau's costs of investigation in the amount of Three Hundred Thousand Dollars (\$300,000), an administrative fine in the amount of Three Hundred Thousand Dollars (\$300,000), and a contribution to the Bureau's investor education fund in the amount of Three Hundred Thousand Dollars (\$300,000).
3. Waddell comply with all other undertakings outlined herein.

Executed this 29th day of November, 2016.

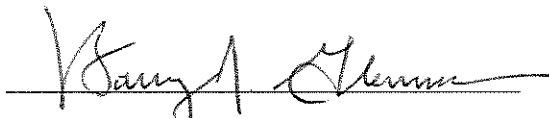


Thomas Butch, CEO on behalf of Waddell & Reed

(Please print name below)

Thomas W. Butch

Entered this 5th day of December, 2016.



Barry Glennon, Director
N.H. Bureau of Securities Regulation