

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20090170595-01**

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

RE: Stifel, Nicolaus & Company, Incorporated, Respondent
Broker/Dealer
CRD No. 793

Pursuant to FINRA Rule 9216 of FINRA Code of Procedure, Stifel, Nicolaus & Company, Incorporated ("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 the firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The firm 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

The firm has been a member of FINRA since October 13, 1936, and its registration remains in effect. The firm has no prior relevant disciplinary history.

SUMMARY

The matters described below involve reviews conducted by the Fixed Income Group staff of FINRA's Department of Market Regulation (the "staff") regarding the firm's compliance with the applicable securities laws and regulations, and the Rules of FINRA, regarding fair pricing of fixed income transactions during the review periods described below, which ranged from July 1, 2008 through March 31, 2010.

In Review No. 20090170595, the staff conducted a Corporate Bond Fair Pricing Review for the review period July 1, 2008 through September 30, 2008.

In Review No. 20090201719, the staff conducted a Municipal Bond Best Execution Review for the review period January 1, 2009 through March 31, 2009.

In Review No. 20100227240, the staff conducted a Municipal Bond Best Execution Review for the review period October 1, 2009 through December 31, 2009.

In Review No. 20100233786, the staff conducted a Corporate Bond Best Execution Review for the review period January 1, 2010 through March 31, 2010.

In Review No. 20109233811, the staff conducted a Corporate Bond Fair Pricing Review for the review period January 1, 2010 through March 31, 2010.

FACTS AND VIOLATIVE CONDUCT

As a result of the reviews described above, FINRA found the following:

20090170595

1. During the review period July 1, 2008 through September 30, 2008, in six pairs of transactions, the firm bought or sold corporate bonds from or to its customers and failed to buy or sell such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each at the time of the transaction, the expense involved and that the firm was entitled to a profit. The transactions are identified on Exhibit A, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2110, 2440, IM-2440-1, and IM-2440-2.

20090201719

2. During the review period January 1, 2009 through March 31, 2009, in five transactions, the firm bought or sold municipal securities for its own account from a customer and/or sold municipal securities to a customer at an aggregate price (including any mark-up or mark-down) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit B, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

20100227240

3. During the review period October 1, 2009 through December 31, 2009, in nine transactions, the firm bought or sold municipal securities for its own account from a customer and/or sold municipal securities to a customer at an aggregate price (including any mark-up or mark-down) that was not fair and reasonable, taking into consideration all relevant factors, including the best judgment of the broker, dealer or municipal securities dealer as to the fair market value of the securities at the time of the transaction and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the broker, dealer, or municipal securities is entitled to a profit, and the total dollar amount of the transaction. The transactions are identified on Exhibit C, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rules G-17 and G-30(a).

20100233786

4. During the review period January 1, 2010 through March 31, 2010, in ten transactions, the firm failed to use reasonable diligence to ascertain the best inter-dealer market for the subject transactions and buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The transactions are identified on Exhibit D, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2320 and FINRA Rule 2010.

20100233811

5. During the review period January 1, 2010 through March 31, 2010, in five pairs of transactions, the firm bought or sold corporate bonds from or to its customers and failed to buy or sell such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each at the time of the transaction, the expense involved and that the firm was entitled to a profit. The transactions are identified on Exhibit E, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rules 2440, IM-2440-1, IM-2440-2, and FINRA Rule 2010.

Other Factors

Subsequent to the receipt of the FINRA staff's inquiry letters for this matter, the firm, on its own accord, made \$36,762.73 of the \$53,485.96 in restitution that the staff suggested should be effected for the transactions identified in the five reviews described above.

These actions by the firm were taken into consideration when determining the sanctions imposed in this matter.¹

B. The firm also consents to the imposition of the following sanctions:

- A censure;
- A fine of \$92,500 (\$34,000 for the excessive mark-up/mark-down violations cited in Review No. 20090170595; \$15,000 for the municipal bond best execution pricing violations cited in Review No. 20090201719; \$15,000 for the municipal bond best execution pricing violations cited in Review No. 20100227240; \$25,000 for the best execution pricing violations cited in Review No. 20100233786; and \$3,500 for the excessive mark-up/mark-down violations cited in Review No. 20090170595);
- An order to pay restitution to the firm's customers, which includes the transactions described in paragraphs I.A.1. through I.A.5. above, and are listed in the attached Exhibits A and B, in the total amount of \$16,723.23, plus interest at the rate set forth in Section 6621(a) of the Internal Revenue Code, 26 U.S.C. 6621(a)(2), from the date of the violative conduct until the date this AWC is accepted by the National Adjudicatory Council ("NAC"). A registered principal of the firm shall submit satisfactory proof of payment of the restitution, or of reasonable and documented efforts undertaken to effect restitution, to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850** or in an e-mail from a work-related account of the registered principal to **MarketRegulationComp@finra.org**, no later than 120 days after acceptance of this AWC. If for any reason Respondent cannot locate any customer after reasonable and documented efforts within such period, or such additional period agreed to by the staff, Respondent shall forward any undistributed restitution and interest to the appropriate escheat, unclaimed-property or abandoned-property fund for the state in which the customer is known to have last resided.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

The firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter. The sanctions imposed herein shall be effective on a date set by FINRA staff.

¹ As a result of its fixed income fair pricing and best execution sweeps, the staff proposed that the firm pay a total of \$50,477.71 in restitution for the transactions identified in Exhibits A through E. Subsequent to the staff's inquiries regarding these matters, the firm made \$36,762.73 of the suggested restitution.

II.

WAIVER OF PROCEDURAL RIGHTS

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

- A. To have a Complaint issued specifying the allegations against the firm;
- 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 NAC and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the firm 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.

The firm 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

The firm 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 the firm;

C. If accepted:

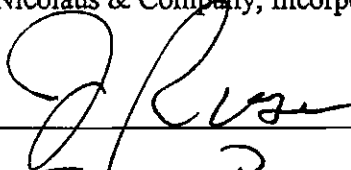
1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the firm;
2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the firm's 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. The firm 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. The firm 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 the firm's: (i) testimonial obligations; and (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

D. The firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm 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 it 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 herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the firm to submit it.

5/31/13
Date

Respondent
Stifel, Nicolaus & Company, Incorporated

By: 

Name: JOSEPH ROSA

Title: DEPUTY GENERAL COUNSEL

Counsel for Respondent

Accepted by FINRA:

8/6/13
Date

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

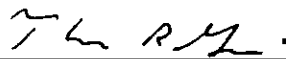

Thomas R. Gira
Executive Vice President
Department of Market Regulation

Exhibit A
Stifel Nicolaus Company Incorporated ("STFL") Matter #20090170595
Corporate Bond Fair Pricing Review 3Q 2008

Order #	Date	CUSIP	Symbol	Quantity	Order Type	Executed Time	Price	STFL	Order Type	Executed Time	Price	Yield	Settlement	Commission	Realized Gain
1a-1b	9/16/2008	36966RW93	GEHEV	20	C (S)	15:16:24	79.84	STFL	C (B)	15:44:10	91.345	6.72%	\$589.00	\$0.00	\$589.00
2	9/26/2008	38141GAL8	GSJX	50	C (S)	10:08:08	93	STFL	B-D (B)	10:11:10	98.5	5.58%	\$538.68	\$0.00	\$538.68
3	9/30/2008	45031UBG5	ISFLHC	150	B-D (S)	14:39:13	59	STFL	C (B)	15:16:58	61	3.39%	\$1,548.60	\$0.00	\$1,548.60
4	7/28/2008	844741AY4	LUV.GU	20	B-D (S)	13:02:00	89.255	STFL	C (B)	15:31:56	92.171	3.27%	\$183.20	\$0.00	\$183.20
5	9/18/2008	617446C23	MSXJ	1000	C (S)	11:20:00	68	STFL	B-D (B)	11:24:21	65	4.41%	\$12,864.00	\$0.00	\$12,864.00
													\$15,723.48	\$0.00	\$15,723.48

* Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

Exhibit B
Stifel Nicolaus Company Incorporated ("STFL") Matter #20090201719
Municipal Bond Best Execution Review 1Q 2009

Trade No.	Date	Time	Order ID	Order Description	Quantity	Order Type	Order Status	Order Price	Order Value	Order Fee	Order Cost
6	1/14/2009	14:18:51	040506GX9	ARIZONA HEALTH FACS AUTH HOSP SYS REV	50	C (B)	STFL	95.562	\$8,353.50	\$6,201.00	\$0.00
7	1/22/2009	14:20:53	419800EH6	HAWAII ST DEPT BUDGET & FIN SPL	10	C (B)	STFL	85.210	\$1,265.60	\$1,221.60	\$0.00
8	3/3/2009	8:36:10	45200L4B9	ILLINOIS HEALTH FACS AUTH REV	5	C (B)	STFL	97.800	\$924.75	\$0.00	\$924.75
9	1/15/2009	13:09:28	664754M70	NORTHERN ARIZONA UNIV REVS	25	C (B)	STFL	99.769	\$1,086.25	\$1,192.25	\$0.00
10	2/25/2009	10:47:42	745190TU2	PUERTO RICO COMWLTH HWY & TRANSN	35	C (S)	STFL	109.700	\$1,323.00	\$1,330.00	\$0.00
Totals									\$12,953.10	\$9,944.85	\$924.75

Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

Exhibit C
Stifel Nicolaus Company Incorporated ("STFL") Matter #20100227240
Municipal Bond Best Execution Review 4Q 2009

Row No.	Date	Time	Order ID	Order Description	Quantity	Buy/Sell	STFL	Initial Price	STFL Price	STFL Quantity	STFL Value
11a	10/15/2009	16:03:54	13033WDT7	Calif Infrastructure	50,000	C (S)	STFL	88.000	\$2,354.00	\$3,000.00	\$0.00
11b	10/15/2009	16:04:09	13033WDT7	Calif Infrastructure	30,000	C (S)	STFL	88.000	\$1,412.40	\$1,800.00	\$0.00
11c	10/15/2009	16:04:21	13033WDT7	Calif Infrastructure	20,000	C (S)	STFL	88.000	\$941.60	\$1,200.00	\$0.00
11d	10/15/2009	16:04:34	13033WDT7	Calif Infrastructure	10,000	C (S)	STFL	88.000	\$470.80	\$600.00	\$0.00
11e	10/15/2009	16:04:49	13033WDT7	Calif Infrastructure	10,000	C (S)	STFL	88.000	\$470.80	\$600.00	\$0.00
11f	10/15/2009	16:05:02	13033WDT7	Calif Infrastructure	10,000	C (S)	STFL	88.000	\$470.80	\$600.00	\$0.00
11g	10/15/2009	16:05:15	13033WDT7	Calif Infrastructure	5,000	C (S)	STFL	88.000	\$235.40	\$300.00	\$0.00
12	12/22/2009	16:53:39	64972HDO2	NYC Transitional	25,000	C (S)	STFL	92.744	\$1,017.75	\$795.75	\$0.00
13	10/28/2009	16:16:29	745190QT8	PUERTO RICO COMWLTH HWY	10,000	C (S)	STFL	87.920	\$662.45	\$508.00	\$0.00
Totals									\$8,036.00	\$9,403.75	\$0.00

Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

Exhibit D
Stifel Nicolaus Company Incorporated ("STFL") Matter #20100233786
Corporate Bond Best Execution Review 1Q 2010

Item No.	Date	Time	Order ID	Order Type	Quantity	Counterparty	Executed	Net Price	Net Cost	Net Profit	Net Loss
14	3/11/2010	14:17:18	31769P407	FSB.GB	800	C(B)	STFL	20.500	\$692.00	\$1,000.00	\$0.00
15a	3/26/2010	13:33:48	31769P407	FSB.GB	940	C(B)	STFL	21.300	\$2,523.90	\$1,927.00	\$0.00
15b	3/26/2010	13:22:11	31769P407	FSB.GB	470	C(B)	STFL	21.300	\$1,261.95	\$963.50	\$0.00
15c	3/26/2010	13:23:44	31769P407	FSB.GB	470	C(B)	STFL	21.300	\$1,261.95	\$963.50	\$0.00
15d	3/26/2010	13:31:08	31769P407	FSB.GB	375	C(B)	STFL	21.300	\$1,006.87	\$768.75	\$0.00
15e	3/26/2010	13:36:05	31769P407	FSB.GB	280	C(B)	STFL	21.300	\$751.80	\$574.00	\$0.00
16a	1/26/2010	12:22:18	55262CAJ9	MBLHF	25	C(B)	STFL	52.916	\$1,116.50	\$1,229.00	\$0.00
16b	1/27/2010	11:08:00	55262CAJ9	MBLHF	50	C(B)	STFL	52.916	\$2,233.00	\$2,458.00	\$0.00
16c	1/27/2010	16:10:18	55262CAJ9	MBLHF	50	C(B)	STFL	52.916	\$2,233.00	\$2,458.00	\$0.00
16d	1/28/2010	15:11:02	55262CAJ9	MBLHF	50	C(B)	STFL	54.93	\$1,965.00	\$3,465.00	\$0.00
Totals									\$15,045.97	\$15,806.75	\$0.00

Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.

Exhibit E
Stifel Nicolaus Company Incorporated ("STFL") Matter #20100233811
Corporate Bond Fair Pricing Review 1Q 2010

Item No.	Date	ISIN	Counterparty	Quantity	Direction	Trade Time	Market Price	STFL Bid	STFL Offer	STFL Mid	STFL Bid	STFL Offer	STFL Mid	STFL Bid	STFL Offer	STFL Mid
17	3/16/2010	31769P506	FSB,GC	800	B-D (S)	11:49:00	18.300	STFL	C (B)	14:21:17	19.250	5.19%	\$247.60	\$800.00	\$0.00	
18	1/5/2010	52517PS69	LEHM,HAC	50	B-D (S)	11:00:21	17.000	STFL	C (B)	16:46:50	18.000	5.88%	\$75.00	\$0.00	\$75.00	
19	03/26/2010	989701AW7	ZION,HA	20	B-D (S)	11:03:56	86.375	STFL	C (B)	11:32:11	92.500	7.09%	\$696.39	\$600.00	\$0.00	
20	01/26/2010	552953AL5	MGG,GR	15	C (S)	10:14:15	91.250	STFL	B-D (B)	13:47:18	95.520	4.47%	\$209.22	\$637.50	\$0.00	
21	03/16/2010	31769P506	FSB,GC	780	B-D (S)	14:59:00	18.320	STFL	C (B)	15:12:49	19.250	5.08%	\$499.20	\$780.00	\$0.00	
													\$1,727.41	\$2,817.50	\$75.00	

Contra parties are identified as follows: B-D (S) indicates another Broker-Dealer selling to the firm; B-D (B) indicates another Broker-Dealer buying from the firm; C (S) indicates a customer selling to the firm; and C (B) indicates a customer buying from the firm.