

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT**

NO. 20110278915-02

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

RE: Stifel, Nicolaus & Co., Inc., Respondent
Broker-Dealer
CRD No. 793

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Stifel, Nicolaus & Co., Inc. (the "firm" or "Respondent") 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 Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. Respondent 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

Respondent has been registered with the United States Securities and Exchange Commission (the "Commission") since January 1936. It has been a member of FINRA since October 1936. Both registrations remain in effect.

Respondent has no prior relevant disciplinary history.

SUMMARY

This matter originated from an investigation by the Chicago Equities Surveillance Group ("Chicago Equities") of the Quality of Markets Section of Market Regulation (now known as ETP Surveillance & Investigations Group) of activity in the equity shares of ABCD¹ by a registered representative of the Respondent from on or about May 1, 2010 to in or about December 14, 2010. Chicago Equities' investigation disclosed that from on or about July 29, 2010 through November 22, 2010 (the "Relevant Period"), Respondent's registered representative entered 221 orders in ABCD on behalf of client accounts that he improperly marked as "unsolicited" despite the fact that such orders were solicited, causing Respondent's books and records to be inaccurate. As a result,

¹ A generic modifier has been used in place of the name of this security.

Respondent violated Section 17(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), Rules 17-a(3) and (4), thereunder, and NASD Rule 3110.

FACTS AND VIOLATIVE CONDUCT

1. Rule 17a-3(a)(6) of the Exchange Act requires, among other things, every broker or dealer to make and keep current books and records relating to its business including, but not limited to "[a] memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities."
2. Rule 17a-4(a) requires broker dealers to preserve, for a period of not less than three years, the first two years in an accessible place, all order memoranda required to be made pursuant to Rule 17a-3(a)(6).
3. NASD Rule 3110, which was in effect prior to December 5, 2011, stated that each "member shall make and preserve books, accounts, records, memoranda, and correspondence in conformity with all applicable laws, rules, regulations and statements of policy promulgated thereunder and with the Rules of this Association and as prescribed by SEC Rule 17a-3. The record keeping format, medium, and retention period shall comply with Rule 17a-4 under the Securities Exchange Act of 1934."
4. During the Relevant Period, Respondent's registered representative placed approximately 221 solicited orders to buy and sell ABCD on behalf of his clients and, on each occasion, mischaracterized the trade and improperly marked the solicited trades as "unsolicited."
5. This was due, in part, to the fact that, prior to the Relevant Period, the subject registered representative was restricted from soliciting orders in ABCD due to his involvement in a prospective investment banking relationship with ABCD. Accordingly, the Firm programmed its order management system to block the registered representative from entering solicited orders in ABCD. The restriction was lifted on July 29, 2010, but the systemic block was not immediately removed. As a result, during the Relevant Period, the registered representative marked all orders in ABCD "unsolicited".
6. Upon discovering that the systemic block had not been lifted and that its registered representative had been mismarking orders, the Respondent reprogrammed its order management system and had its registered representative correct the mismarked orders. Thereafter, the Respondent corrected its books and records.
7. Nevertheless, Respondent's registered representative's mischaracterization and improper marking of these orders caused Stifel's books and records, related to these trades, to be inaccurate.

8. Based on the foregoing, Respondent violated Section 17(a) of the Exchange Act, Rules 17a-3(a)(6) and 17a-4(4), thereunder, and NASD Rule 3110.

- B. Respondent also consents to the imposition of the following sanctions:
Censure and a fine in the amount of \$25,000

Respondent agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It 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 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

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 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 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 acceptance or rejection of this AWC.

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 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 accordance with FINRA Rule 8313;**
 - 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof 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 the firm's: (i) testimonial obligations; or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.**
- D. Respondent 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.**

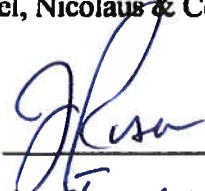
The undersigned, on behalf of the firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat,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

April 2, 2018

Date

Respondent

Stifel, Nicolaus & Co., Inc.

By: 

Name: JOSEPH ROSA, Esq.

Title: Deputy General Counsel

Reviewed by:

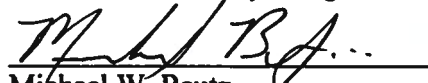


Daniel J. Donovan, Esq.
Counsel for Respondent
Donovan & Rainie, LLC
One South Street, Suite 1120
Baltimore, MD 21202

Accepted by FINRA:

4/26/18
Date

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


Michael W. Bautz
Senior Counsel
FINRA Department of Enforcement