

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

NO. 20120341392-01

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

In Review No. 20120341392, the staff of FINRA's Department of Market Regulation ("the staff") conducted a regulatory sweep regarding Best Execution – Market Order Timeliness, for the review period October 1, 2011 through December 31, 2011.

In Review No. 20120347249, the staff conducted a regulatory sweep regarding Best Execution – Market Order Timeliness, for the review period July 1, 2012 through September 30, 2012.

In Review No. 20130379298, the staff conducted a regulatory sweep regarding Best Execution – Market Order Timeliness, for the review period April 1, 2013 through June 30, 2013.

FACTS AND VIOLATIVE CONDUCT BY RESPONDENT

As a result of these three sweeps, the staff found that the firm committed the following market order timeliness, pricing, and supervision violations:

In connection with Review No. 20120341392:

1. In 25 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5320 and 2010.
2. In 13 transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit A, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 2320 and FINRA Rule 2010.

In connection with Review No. 20120347249:

3. In 48 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5310 and 2010.
4. In 6 transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit B, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5310 and 2010.

In connection with Review No. 20130379298:

5. In 42 instances, the firm failed to execute orders fully and promptly. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5310 and 2010.
6. In 13 transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and buy or sell in such market so that the resultant price to its customer was as favorable as possible under prevailing market conditions, as reflected on Exhibit C, which is attached. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rules 5310 and 2010.

In connection with Review Nos. 20120347249 and 20130379298:

7. The firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to certain applicable securities laws and regulations, and/or the Rules of FINRA. At a minimum, adequate written supervisory procedures addressing quality of markets topics should describe the following:
- (a) specific identification of the individual(s) responsible for supervision;
 - (b) the supervisory steps and reviews to be taken by the appropriate supervisor;
 - (c) the frequency of such reviews; and
 - (d) how such reviews shall be documented.

The firm's written supervisory procedures failed to provide for one or more of the four above-cited minimum requirements for adequate written supervisory procedures, in the following subject area: market order timeliness [(b)]. The conduct described in this paragraph constitutes violations of NASD Rule 3010 and FINRA Rule 2010.

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

- A censure;
- A fine of \$55,000 (\$40,000 for the combined market order timeliness and price violations and \$15,000 for the combined supervision violations);
- An undertaking to revise the firm's written supervisory procedures with respect to the areas described above in paragraph I.A.7. Within 30 business days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the firm shall submit to the **COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850**, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described above in paragraph I.A.7.; and (3) the date the revised procedures were implemented; and
- An order to pay restitution to the customers listed on Exhibits A, B, and C, in the total combined amount of \$1,407.18, 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 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, and 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850 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 last resided.

The firm agrees to pay the monetary sanctions upon notice that this AWC has been accepted and that such payments 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 the firm is unable to pay, now or at any time hereafter, the monetary sanctions imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

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 Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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, 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 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 or (ii) right to take legal or factual positions in litigation or other legal proceedings in which FINRA is not a party.

- D. The firm understands that it may attach a Corrective Action Statement to this AWC, which is a statement by the Respondent of demonstrable corrective steps taken to prevent future misconduct. Respondent may not deny the findings 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 firm certifies that a duly authorized officer has read and understood 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.

12/1/14
Date

Stifel, Nicolaus & Company, Incorporated
By: J. Rosa
Name: JOSEPH ROSA, Esq.
Title: DEPUTY General Counsel

Reviewed by:
J. Rosa
Counsel for Respondent

Accepted by FINRA:

December 23, 2014
Date

J. Nixon
James J. Nixon
Chief Litigation Counsel
Market Regulation
Signed on behalf of the Director of ODA,
by delegated authority

20120341392

Stifel, Nicolaus & Company, Incorporated ("STFL")
4th Quarter 2011 Market Order Timeliness Review

Exhibit A

Original Exception #	Order Receipt Date	Event Type	Firm MPID	Buy / Sell	Quantity	Issue Sym	Market Class	Firm Order ID	Special Handling Codes	Reporting Exception Code	Routing Firm MPID	Order Received Time	Time of Last Principal Fill	Executed Time	Duration	Restitution
3	10/24/2011	OE	STFL	B	1,000	ETY	CQS	1LLGRUJDR6MF				10:34:08	N/A	10:35:40	00:01:32	\$10.00
5	10/24/2011	NW	STFL	SL	880	GJD	CQS	1LLGRUJDRAWS				12:57:30	12:59:09	12:59:09	00:01:39	\$116.60
7	10/26/2011	NW	STFL	SL	740	NIM	CQS	1LLGRUJPNWSQ				13:16:21	13:16:54	13:16:54	00:00:33	\$4.20
8	10/26/2011	CR	STFL	SL	388	PDT	CQS	1LLGRUJPO18M				15:31:25	15:38:21	15:38:21	00:06:56	\$3.76
9	10/26/2011	NW	STFL	B	1,500	AHT PRE	CQS	1LLGRUJPO43Q				15:44:05	15:46:44	15:46:45	00:02:39	\$135.00
10	10/28/2011	NW	STFL	B	400	AGO PRB	CQS	1LLGRUK1KP5G				13:44:34	13:49:06	13:49:06	00:04:32	\$3.00
20	11/10/2011	NW	STFL	B	725	MGU	CQS	1LLGRUXLS0NN				10:41:06	10:41:50	10:41:50	00:00:44	\$12.50
25	11/16/2011	NW	STFL	B	675	GOV	CQS	1LLGRUYLJ2V2				15:22:31	15:23:05	15:23:05	00:00:34	\$4.75
26	11/18/2011	NW	STFL	B	3,000	PYB	CQS	1LLGRUYXELJ9				10:27:36	11:18:06	11:18:06	00:50:30	\$134.00
39	12/12/2011	NW	STFL	B	300	PIY	CQS	1LLGRVEH20QW				11:42:04	11:42:52	11:42:52	00:00:48	\$12.00
43	12/21/2011	NW	STFL	B	1,000	AGO PRF	CQS	1LLGRVFYH7RS				11:04:24	11:05:07	11:05:07	00:00:43	\$6.00
44	12/22/2011	NW	STFL	SL	1,000	BAC PRV	CQS	1LLGRVGM4LL9N				10:55:14	10:55:44	10:55:44	00:00:30	\$12.00
50	12/28/2011	NW	STFL	B	1,000	PJI	CQS	1LLGRVH48D7F				11:13:41	11:14:22	11:14:22	00:00:41	\$54.00
Total Restitution Due:																\$507.81

20120347249

Stifel, Nicolaus & Company, Incorporated ("STFL")
3rd Quarter 2012 Market Order Timeliness Review

Exhibit B

Exception #	Order Receipt Date	Event Type	Firm MPID	Order Received Time	Desk Received Time	Buy / Sell	Quantity	Issue Sym	Market Class	Firm Order ID	Special Handling Codes	Reporting Exception Code	Execution Time	Routing Firm MPID	Order Received Time	Time of Last Principal Fill	Executed Time	Duration	Restitution
6	7/17/2012	NW	STFL	15:27:11		SL	700	CSI	CQS	00000994272ORS11-001			15:27:56		15:27:11	15:27:56	15:27:56	00:00:45	\$12.00
12	7/25/2012	NW	STFL	09:56:59		B	200	JSM	NNM	00001036556ORS11-001			09:57:31		09:56:59	09:57:31	09:57:31	00:00:32	\$1.98
18	8/1/2012	NW	STFL	09:45:34	09:45:34	SL	100	PRO	CQS	00001082184ORS11-001			10:00:28		09:45:34	10:00:28	10:00:28	00:14:54	\$6.00
23	8/2/2012	NW	STFL	10:37:17	10:37:17	SL	500	GILD	NNM	00001092845ORS11-001			10:37:56		10:37:17	10:37:56	10:37:56	00:00:39	\$28.00
34	8/16/2012	NW	STFL	14:49:50		SL	4,400	PHK	CQS	00001172315ORS11-001			14:51:17		14:49:50	14:51:16	14:51:17	00:01:26	\$65.57
50	9/28/2012	NW	STFL	14:44:27		SL	400	JQC	CQS	00001416882ORS11-001			14:45:02		14:44:27	N/A	14:45:02	00:00:35	\$4.00
Total Restitution Due:																			\$117.55

Exception #	Order Receipt Date	Event Type	Firm MPID	Order Received Time	Desk Received Time	Buy / Sell	Quantity	Issue Sym	Market Class	Firm Order ID	Special Handling Codes	Reporting Exception Code	Execution Time	Routing Firm MPID	Time of Principal Fill	Executed Time	Duration	Restitution
4	4/11/2013	NW	STFL	09:24:16		B	200	JPM PRA	CQS	00002555588ORS1-001			09:30:40		N/A	09:30:40	00:00:40	\$2.00
6	4/17/2013	NW	STFL	08:51:52		B	4,000	DFS PRB	CQS	00002591115ORS1-001			09:31:20		09:31:20	09:31:20	00:01:20	\$114.00
9	4/17/2013	NW	STFL	14:20:18		B	2,230	GDV	CQS	00002597278ORS1-001			14:22:04		14:22:04	14:22:04	00:01:46	\$13.90
12	4/23/2013	NW	STFL	14:22:15		B	200	UTX PRA	CQS	00002630433ORS1-001			14:22:45		14:22:45	14:22:45	00:00:30	\$2.00
13	4/25/2013	NW	STFL	09:42:27		SL	100	PPL PRU	CQS	00002643301ORS1-001			09:43:04		09:43:04	09:43:04	00:00:37	\$2.00
15	4/26/2013	NW	STFL	11:58:59		B	1,000	MHR PRD	CQS	00002655419ORS1-001			11:59:41		11:59:38	11:59:41	00:00:39	\$169.20
17	4/29/2013	NW	STFL	14:45:54		SL	525	BGE PRB	CQS	00002666209ORS1-001			14:46:27		14:46:27	14:46:27	00:00:33	\$5.25
20	5/2/2013	NW	STFL	08:00:06		B	400	MS PRA	CQS	00002686693ORS1-001			09:30:35		09:30:35	09:30:35	00:00:35	\$2.00
23	5/2/2013	NW	STFL	14:07:46		B	1,000	MHR PRE	CQS	00002693602ORS1-001			14:08:22		14:08:22	14:08:22	00:00:36	\$192.15
24	5/7/2013	NW	STFL	14:31:50		SL	700	ABW PRB	CQS	00002721140ORS1-001			14:32:30		14:32:30	14:32:30	00:00:40	\$81.72
32	5/23/2013	CR	STFL	13:57:25	13:57:25	SL	700	HTS	CQS	00002828639ORS1-002			14:01:14		14:01:14	14:01:14	00:03:49	\$14.00
38	6/12/2013	NW	STFL	13:20:04		B	1,000	SRF	CQS	00002944797ORS1-001			13:20:35		13:20:35	13:20:35	00:00:31	\$46.00
46	6/24/2013	NW	STFL	11:21:51		SL	4,000	USB PRM	CQS	00003015864ORS1-001			11:23:08		11:23:08	11:23:08	00:01:17	\$137.60
Total Restitution Due:																		\$781.82