

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2013034947901**

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

RE: Stifel, Nicolaus & Company, Inc., Respondent
Member Firm
CRD No. 793

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

I.

ACCEPTANCE AND CONSENT

- A. Stifel 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

Stifel has been a broker-dealer since October 1936. The Firm is a wholly owned subsidiary of Stifel Financial Corporation. The Firm is a full-service brokerage and investment advisory firm based in St. Louis, Missouri, with approximately 4,500 registered representatives and 400 branch offices.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history.

OVERVIEW

In June 2012, while in a non-issue-specific financial advisory relationship with an Arizona School District (the "District"), Stifel acted as placement agent for the District without providing the role disclosure required by MSRB Rule G-23 in a

timely manner, thereby violating MSRB Rule G-23.¹

FACTS AND VIOLATIVE CONDUCT

MSRB Rule G-23 prohibits a broker that has a financial advisory relationship with respect to an issuance of municipal securities from also acting as a placement agent with respect to that issuer's offering.

Specifically, Rule G-23(d)(i) states that: "... no broker, dealer, or municipal securities dealer that has a financial advisory relationship with respect to the issuance of municipal securities shall ... act as agent for the issuer in arranging the placement of such issue."

In February 2008, Stifel submitted an application to provide investment banking services to a consortium of ten Phoenix, Arizona School Districts (the "Consortium"). In its response to the Consortium's Request for Proposal ("RFP"), Stifel applied to provide both underwriting and financial advisory services. In November 2008, a Phoenix School District (the "District") selected Stifel to provide investment banking services to the District and acknowledged that the scope of services and other terms and conditions relating to Stifel's services to the District were described in the RFP and Stifel's response to the RFP.² The District and Stifel then entered into a financial advisory agreement that was not issue-specific reflecting those terms (the "General Agreement").

In January 2012, pursuant to the General Agreement, the District contacted Stifel and requested financial advice on a proposed \$50 million publicly offered bond issuance to finance \$38 million for building construction and \$12 million for the purchase of furniture, equipment and technology (the "Issuance"). In May 2012, Stifel, while acting as financial advisor, approached a representative of the Arizona county in which the District is located (the "County") about privately placing \$12 million of short-term debt (furniture, equipment and technology financing) with the County. After Stifel's discussions with the County, Stifel recommended that the District place \$12 million of short-term debt with the County to save on debt service costs as compared to a public offering. The District accepted Stifel's recommendation and thereby modified its financing plans by deciding to issue two series of bonds. It decided to place a \$12 million series of bonds with the County and to publicly offer a separate \$38 million series of bonds.

On June 7, 2012, the District passed a new bond resolution to authorize different financing options for the Issuance, including the potential placement of \$12

¹ "Guidance on the Prohibition on Underwriting Issues of Municipal Securities for which a Financial Advisory Relationship Exists under Rule G-23" (November 27, 2011).

² Stifel did not enter into a separate agreement for each issuance on which it provided investment banking services to the District.

million in bonds with the County. The resolution stated that Stifel would act as placement agent if the District decided to place bonds with the County.

Stifel continued to serve as financial advisor for \$38 million in bonds issued by the District (Series A), and served as placement agent for \$12 million in bonds issued by the District, which were placed with the County (Series B). The closings for both sets of bonds took place on July 24, 2012. Stifel did not make the disclosures to the District regarding its role on the Series B placement as placement agent as required by MSRB interpretive guidance in a timely manner.

Because it failed to provide the role disclosure required by MSRB Rule G-23 in a timely manner, Stifel acted as both a financial advisor and placement agent for the District in connection with the Series B Bonds, in violation of MSRB Rule G-23.

B. Stifel also consents to the imposition of the following sanctions:

1. A censure; and
2. A fine of \$125,000.

Stifel agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. Stifel has submitted an Election of Payment form showing the method by which it proposes to pay the fine imposed.

Stifel 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

Stifel 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, Stifel specifically and voluntarily waives any right to claim bias or prejudice 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.

Stifel 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

Stifel 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; and
- C. If accepted:
 - 1. this AWC will become part of Stifel'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. Stifel 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. Stifel 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.

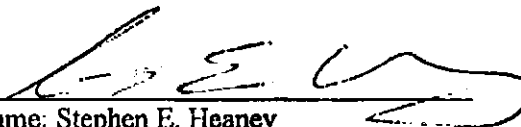
- D. Stifel may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. Stifel understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does 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 the undersigned has agreed to its 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.

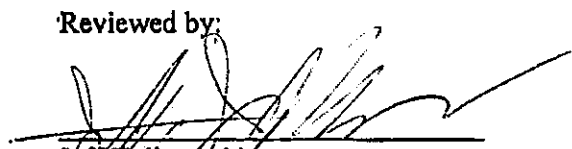
Respondent Stifel, Nicolaus & Company, Inc.

5/30/17
Date: May 30, 2017

By:


Name: Stephen E. Heaney
Title: Managing Director

Reviewed by:


Jeff Kalinowski
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Accepted by FINRA:

06/27/2017
Date

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

Seema Chawla

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