

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2014041318503**

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

RE: Sterne, Agee & Leach, Inc, Respondent
Member Firm
CRD No. 791

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Sterne, Agee & Leach, Inc. ("SALI," the "Firm" or "Respondent") 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 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

SALI has been a FINRA member firm since 1936. The Firm, which is also a member of the Municipal Securities Rulemaking Board ("MSRB") conducts a general securities business and is headquartered in Birmingham, Alabama. The Firm currently has approximately 92 registered representatives and eight branch offices. JH was SALI's President and Chief Executive Officer ("CEO") at all relevant times prior to May 23, 2014.

On May 23, 2014, the Board of Directors of SALI terminated JH from his position as President and CEO of the firm. All matters that are the subject of this AWC took place prior to the acquisition of SALI by Stifel Financial Corp. on June 5, 2015 and the subsequent acquisition of SALI by INTL FCStone Inc. on July 1, 2016.

RELEVANT DISCIPLINARY HISTORY

The Firm does not have any relevant disciplinary history.

OVERVIEW

Between June 1, 2011 and May 23, 2014 (the “Relevant Time Period”), SALI failed to establish and maintain supervisory systems that were reasonably designed to achieve compliance with applicable securities laws and regulations, and FINRA Rules. Specifically, SALI did not ensure that the Office of the Chief Executive Officer was appropriately supervised. As a result, during the Relevant Time Period, JH, the Firm’s CEO was not adequately supervised under SALI’s supervisory policies and procedures concerning the use and expenditure of the resources of SALI and its parent company, Sterne Agee Group Inc. (“SAG”). The Firm also failed to adequately supervise JH with respect to his entertainment and/or contributions to political figures.

As a result of this conduct, SALI violated NASD Rule 3010, MSRB Rule G-27, and FINRA Rule 2010.

FACTS AND VIOLATIVE CONDUCT

NASD Rule 3010(a) requires member firms to establish, maintain and enforce supervisory systems that are reasonably designed to achieve compliance with applicable securities laws and regulations. Thus, this Rule requires that member firms take reasonable steps to ensure that all registered personnel at those firms, including executive officers, are adequately supervised.

MSRB Rule G-27(a) requires each broker, dealer, and municipal securities dealer (“municipal dealers”) to supervise the conduct of their municipal securities activities and to ensure compliance with MSRB Rules and the Securities Exchange Act of 1934. MSRB Rule G-27(b) requires municipal dealers to establish and maintain a supervisory system that is reasonably designed to achieve compliance with applicable securities laws and regulations and MSRB Rules. Rule G-27(c) further requires each municipal dealer to adopt, maintain, and enforce written supervisory procedures that are reasonably designed to ensure that the conduct of municipal securities activities is in compliance with MSRB Rules and the Exchange Act.

FINRA Rule 2010 requires that member firms “observe high standards of commercial honor and just and equitable principles of trade.” A violation of NASD Rule 3010 also constitutes a violation of FINRA Rule 2010.

JH was the CEO of SALI for many years, including the Relevant Time Period. SALI failed during the Relevant Time Period to establish and maintain an adequate supervisory system that was reasonably designed to achieve the Firm’s compliance with certain applicable rules and regulations. This resulted in JH not being adequately supervised in compliance with the Firms’ policies and procedures

pertaining to the acquisition, use, and expenditure of SALI's and SAG's resources. JH was also not adequately supervised to ensure that his contributions to political figures were appropriately reported.

This absence of adequate supervision left SALI unable to reasonably ascertain whether its resources were being utilized solely for business purposes and when and whether its parent company's resources were being appropriately used for SALI's business purposes. This created the risk that SALI was not in compliance with applicable securities laws and regulations, and with FINRA and MSRB Rules. Specifically, SALI's failure to ensure that it had adequate supervisory systems created the potential for vulnerabilities in the following areas:

- 1) Use of corporate credit cards and purchase cards: JH was not required to follow SALI expense reporting procedures to authenticate and verify the business purpose of expenses submitted for reimbursement;
- 2) Use of corporate assets, including jets, yachts and condominiums owned in whole or in part by SAG: SALI failed to supervise JH's use for SALI's benefit of assets owned in whole or in part by SAG and did not maintain adequate documentation of JH's usage of these assets; and
- 3) MSRB Rule G-37¹ reporting: SALI permitted JH to determine whether certain benefits that he provided to political figures required reporting to SALI pursuant to MSRB Rule G-37.

Based on the foregoing facts, SALI violated NASD Rule 3010, MSRB Rule G-27 and FINRA Rule 2010.

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

A censure and a fine of \$160,000 (\$64,000 of which pertains to the violation of MSRB Rule G-27).

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

SALI 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.

¹ MSRB Rule G-37 prohibits broker-dealers from engaging in municipal securities business with issuers of municipal securities if the firm or certain of its personnel have made a political contribution to an official of the issuer within the previous two years. To ensure compliance with this Rule, broker-dealers are required to report all political contributions by, among other individuals, executive officers of the broker-dealer that exceed \$250 in value.

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 me;
- 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 me; and
- C. If accepted:

1. this AWC will become part of Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against Respondent;
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 Respondent'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. Respondent 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 Respondent 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 Respondent to submit it.

5/3/17
Date


Respondent Sterne Agee & Leach, Inc.

By: C. Fred Wagstaff, III CFO

Reviewed by:

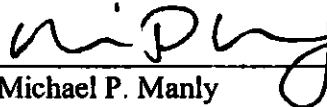


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Accepted by FINRA:

May 31, 2017
Date

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



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