

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20140418511-01**

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's 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 AND RELEVANT DISCIPLINARY HISTORY

The firm became a member of FINRA on October 13, 1936, and its registration remains in effect. On or about November 3, 2014, the firm was censured and fined \$60,000 by the Securities and Exchange Commission for violating Municipal Securities Rulemaking Board ("MSRB") Rule G-15(f) in connection with one customer transaction in a municipal security below the issue's minimum denomination.

SUMMARY

In 20140418511, the staff in the Department of Member Regulation and Market Regulation's Municipal Securities Trade Reporting Section (the "staff") reviewed the firm's compliance with MSRB Rule G-15(f) during the period January 1, 2012 through May 1, 2015 (the "review period").

MSRB Rule G-15(f)(i) prohibits a broker, dealer, or municipal securities dealer from effecting a customer transaction in municipal securities issued after June 1, 2002 in an amount lower than the minimum denomination of the issue.

Issuers set minimum denominations for the purchase or sale of municipal securities and disclose those minimum denominations in Official Statements, which are documents prepared by or on behalf of the issuer of municipal securities in connection with a primary offering. Minimum denominations generally range from \$5,000 to \$100,000. An issuer may set a minimum denomination at \$100,000 or higher to qualify for one of several exemptions from Securities Exchange Act Rule 15c2-12, which is designed to ensure production of certain disclosure documents in the primary and secondary markets. In addition, an issuer may set high minimum denominations because of a concern that the offered securities may not be appropriate for retail investors who are likely to purchase securities in relatively small amounts.

There are two limited exceptions to executing transactions below the minimum denomination. First, under MSRB Rule G-15(f)(ii), a dealer may purchase municipal securities from a customer in an amount below the minimum denomination of the issue if the dealer determines that the customer's position in the issue is already below the minimum denomination and the customer's entire position in the issue would be liquidated by the transaction.

Second, under MSRB Rule G-15(f)(iii), a dealer may sell municipal securities to a customer in an amount below the minimum denomination of the issue if the dealer determines that the position being sold resulted from the liquidation of another customer's entire position in the issue which was below the minimum denomination of the issue. Additionally, a dealer selling under MSRB Rule G-15(f)(iii) must, at or before the completion of the transaction, notify the customer that the amount of the transaction is below the minimum denomination of the issue and that this may adversely affect the liquidity of the customer's position.

Under MSRB Rule G-15(f), brokers, dealers, and municipal securities dealers may not sell (or buy) municipal securities in amounts below the minimum denomination of an issue to a customer regardless of whether the customer holds or would hold a position in the issue which is equal to or exceeds the minimum denomination of the issue.

FACTS AND VIOLATIVE CONDUCT

As a result of the review, the staff determined that during the review period:

1. The firm effected 22 customer transactions in a municipal security in an amount lower than the minimum denomination of the issue which were not subject to an exception under the rule. These transactions are detailed in Exhibit A, attached.

The conduct described in this paragraph constitutes separate and distinct violations of MSRB Rule G-15(f).¹

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

- A censure;
- A fine of \$25,000; and
- Rescission must be offered to the customers who executed the transactions listed on Exhibit A hereto at either the original purchase price or the current fair market value, whichever is higher. The offer of rescission shall remain open with the affected customers for a period of 60 days. A registered principal on behalf of the firm shall submit satisfactory proof of offer of the rescission, or of reasonable and documented efforts undertaken to effect rescission, including the offered price and a description of how the offered price was determined. Such proof shall be submitted to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, either by letter that identifies the Respondent and case number, or by email from a work-related account of the registered principal of the firm to **MarketRegulationComp@finra.org**. This proof shall be provided to FINRA no later than 90 days after acceptance of this AWC.

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

¹ In addition to the violations described herein, the staff identified certain deficiencies with respect to the firm's supervisory system, including its written supervisory procedures, related to transactions in municipal securities in amounts lower than the minimum denomination of the issue. In this matter, the Legal Section determined not to charge the firm for such deficiencies in light of a prior regulatory action taken by the Securities and Exchange Commission in November 2014.

- 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 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.

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; 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. **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 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.

3-4-2016

Date

Respondent

Stifel, Nicolaus & Company, Incorporated

By: J. Rosa

Name: JOSEPH ROSA

Title: Deputy General Counsel

Reviewed by:

[Signature]

Attorney Name

Counsel for Respondent

Firm Name

Address

City/State/Zip

Phone Number

Accepted by FINRA:

4-11-17

Date

TSG

3/24/16

Signed on behalf of the

Director of ODA, by delegated authority

Robert A. Marchman/TSG

Robert A. Marchman, Esq.

Executive Vice President

Department of Market Regulation

Stifel, Nicolaus Company, Incorporated ("STFL")

Review Number: 20140418511

Exhibit A

Count	Trade Date	Execution Time	CUSIP	Seller	Volume	Price	Buyer
1	9/13/2012	11:25:48	66537EBD3	CUST	\$50,000.00	106.354	STFL
2	9/13/2012	12:09:02	66537EBD3	STFL	\$50,000.00	106.504	CUST
3	7/11/2014	9:33:08	199098BT0	STFL	\$20,000.00	105.193	CUST
4	7/17/2014	10:27:59	199098BU7	STFL	\$10,000.00	104.842	CUST
5	7/3/2014	12:21:17	365128AG2	STFL	\$15,000.00	110.935	CUST
6	7/28/2014	14:17:03	365128AG2	STFL	\$20,000.00	111.069	CUST
7	6/30/2014	16:30:05	64971PED3	STFL	\$10,000.00	89.691	CUST
8	6/30/2014	16:54:39	64971PED3	STFL	\$10,000.00	89.691	CUST
9	8/4/2014	13:54:17	649903DA6	STFL	\$20,000.00	105.827	CUST
10	8/22/2014	8:33:14	821209LC5	STFL	\$50,000.00	100.404	CUST
11	8/22/2014	8:34:01	821209LC5	STFL	\$50,000.00	100.404	CUST
12	9/23/2014	15:41:51	914713J37	STFL	\$25,000.00	100.400	CUST
13	10/8/2014	16:15:10	442435L68	STFL	\$25,000.00	100.250	CUST
14	11/24/2014	11:31:28	13063A2K9	STFL	\$3,000.00	112.357	CUST
15	11/24/2014	11:18:48	604129UE4	STFL	\$1,000.00	110.620	CUST
16	1/8/2015	13:30:25	365128AG2	STFL	\$50,000.00	110.119	CUST
17	1/15/2015	17:18:58	649903WS6	STFL	\$85,000.00	111.615	CUST
18	2/11/2015	11:10:43	277583AL4	STFL	\$4,000.00	94.000	CUST
19	8/5/2014	16:26:10	927676SE7	STFL	\$15,000.00	108.281	CUST
20	10/3/2014	9:35:14	927676RR9	STFL	\$10,000.00	111.379	CUST
21	11/25/2014	11:40:53	927676SE7	STFL	\$5,000.00	109.708	CUST
22	1/12/2015	9:05:40	927676RR9	STFL	\$10,000.00	114.373	CUST