

**THE NASDAQ STOCK MARKET LLC  
NOTICE OF ACCEPTANCE OF AWC**

**Certified, Return Receipt Requested**

TO: **Stifel, Nicolaus & Company, Incorporated**  
**Joseph Rosa**  
**Deputy General Counsel**  
**501 North Broadway**  
**St. Louis, MO 63102**

FROM: The NASDAQ Stock Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Market Regulation  
9509 Key West Avenue  
Rockville, MD 20850

DATE: August 6, 2013

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20080148650-01

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

Stifel, Nicolaus & Company, Incorporated  
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If you have any questions concerning this matter, please call Gary E. Jackson, Counsel,  
at (240) 386-6216.

  
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Thomas R. Gira  
Executive Vice President  
Department of Market Regulation, FINRA

Signed on behalf of NASDAQ

Enclosure

FINRA District 4 – Kansas City  
R. Scott DeArmey  
District Director  
12 Wyandotte Plaza  
120 West 12<sup>th</sup> Street, Suite 800  
Kansas City, MO 64105-1930

Joseph Rosa, Esq.  
Deputy General Counsel  
Stifel, Nicolaus & Company, Incorporated  
18 Columbia Turnpike  
1<sup>st</sup> Floor  
Florham Park, NJ 07039

**THE NASDAQ STOCK MARKET LLC**  
**LETTER OF ACCEPTANCE, WAIVER AND CONSENT**  
**NO. 20080148650-01**

**TO:** The NASDAQ Stock Market LLC  
c/o Department of Market Regulation  
Financial Industry Regulatory Authority (“FINRA”)

**RE:** Stifel, Nicolaus & Company, Incorporated, Respondent  
Broker-Dealer  
CRD No. 793

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC (“Nasdaq”) 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, Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND**

The firm has been a member of FINRA since October 13, 1936 and a member of Nasdaq since July 12, 2006. The firm has no prior relevant disciplinary history.

**SUMMARY**

In Trading and Market Making Surveillance (“TMMS”) Examination No. 20090170160, the staff of FINRA’s Department of Market Regulation (the “staff”), on behalf of Nasdaq, reviewed the trading activity of the firm for trade dates November 14-15, 2009. The items reviewed during this TMMS Examination are set forth on Exhibit 1, which is attached hereto and incorporated herein by reference.

## **FACTS AND VIOLATIVE CONDUCT**

Based upon the findings in the TMMS Examination, the staff determined that the firm violated the rules and regulations set forth below:

1. The firm entered four orders into the Nasdaq/SingleBook system that failed to correctly indicate whether the orders were a buy, short sale, or long sale. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4755.
2. The firm entered ten orders into the Nasdaq Market Center that failed to indicate the correct capacity. The conduct described in this paragraph constitutes separate and distinct violations of Nasdaq Rule 4611(a)(6).

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

A censure and \$10,000 fine (\$5,000 for the incorrect capacity violations and \$5,000 for the order marking violations).

The firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

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(s) 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 Nasdaq'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 Nasdaq Review Council 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 pre-judgment of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, 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 Rule 9143 or the separation of functions prohibitions of 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 FINRA's Department of Market Regulation and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq 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 Nasdaq or any other regulator against the firm;
  2. this AWC will be made available through Nasdaq's public disclosure program in response to public inquiries about the firm's disciplinary record;
  3. Nasdaq may make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; 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 Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq 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 Nasdaq, nor does it reflect the views of Nasdaq or its staff.

The firm certifies that it 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.

5/31/13  
Date

Stifel, Nicolaus & Company, Incorporated  
Respondent

By:   
Name: Joseph Rosa  
Title: Deputy General Counsel

Reviewed by:

Counsel for Respondent

Accepted by Nasdaq:

8/6/13  
Date

Thomas R. Gira  
Thomas R. Gira  
Executive Vice President  
Department of Market Regulation

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

## ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

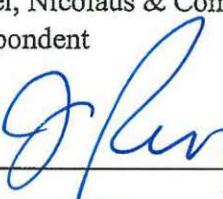
- A firm check or bank check for the full amount;
- Wire transfer;
- The installment payment plan.<sup>1</sup>
  - Monthly
  - Quarterly

Respectfully submitted,

Stifel, Nicolaus & Company, Incorporated  
Respondent

5/31/13  
Date

By:



Joseph Rost

Name: Joseph Rost

Title: Deputy General Counsel

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<sup>1</sup> The installment payment plan is only available for a fine of \$50,000 or more. Certain requirements apply.

**2009 Market Regulation Examination Samples**  
**Stifel, Nicolaus Co., Inc. (STFL)**  
**Exam No. 20090170160**  
**Sample Source/Period\*: October 14-15, 2009**

<u>Sample</u>	<u>Size</u>	<u>Sample Description</u>
	214	Sales reviewed for compliance with SEC Rule 200(g) long/short sale recording requirements
1	1	Short Sales reviewed for compliance with SEC Rule 203(b) security location requirements
0	0	Sales reviewed for compliance with SEC Rule 204 fail-to-deliver requirements
59	59	Sell trades reported to a TRF or OTCRF for compliance with sale indicator requirements, FINRA Rules 6182 or 6624
12	12	Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4755(a)(1)(A) long/short reporting requirements
32	32	Buy and Sell orders entered into Nasdaq Exchange execution system for compliance with Nasdaq Rule 4611 capacity reporting requirements
0	0	Sell orders entered into BATS Exchange execution system for compliance with BATS Rule 11.19 long/short reporting requirements
50	50	Limit orders for NMS securities in which the member acts as an exchange market maker for compliance with the display requirements of SEC Rules 602 and 604, and Nasdaq Rule 3390
125	125	Orders for compliance with best execution requirements of NASD Rule 2320 100 Held orders from the Held Order Protection Review 10 Not Held orders from the Not Held Order Review 5 Order executed with a .PRP (Prior Reference Price) trade modifier 10 Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
0	0	Orders for compliance with order protection requirements of NASD Rules 2110, IM-2110-2, 2111, and Nasdaq Rules 2110, IM-2110-2, and 2111
10	10	Open Limit orders to buy and/or open Stop orders to sell securities that traded ex-dividend for compliance with NASD Rule 3220 and Nasdaq Rule 4761
0	0	Order memoranda and Net Trading agreements for compliance with NASD Rule 2441 requirements
50	50	Orders in securities required to be submitted to OATS for compliance with FINRA Rules 7440 and 7450, and Nasdaq Rules 6954 and 6955 requirements
43	43	Customer confirmations prepared and maintained in connection with select samples for compliance with SEC Rule 10b-10

## 2009 Market Regulation Examination Samples

Stifel, Nicolaus Co., Inc. (STFL)

Exam No. 20090170160

Sample Source/Period\*: October 14-15, 2009

- 25 Orders for NMS securities in which the Firm acts as a market center for compliance with SEC Rule 605 order classification requirements
- 5 Data sets published for September 2009 monthly order execution report for compliance with SEC Rule 605 requirement to publish accurate data (a 'data set' encompasses all required statistical data for single security and order type/size category as described in SEC Rule 605)
- 1 Quarterly Routing Report for compliance with SEC Rule 606 requirements
- 16 CRD registration records for persons conducting and/or supervising Firm's trading and/or market making activities for compliance with NASD Rule Series 1020, 1030, 1040; Nasdaq Rule Series 1020, 1030, 1040; and BATS Rule 11.4
- 10 Customer orders in OTC equity securities for compliance with NASD Rule 3110(b) requirements to ascertain and document best interdealer market related to execution of orders
- All Provided Disclosures to customers relating to trading in the Extended Hours session for compliance with FINRA Rule 2265 and Nasdaq Rule 4631
- 484 Records prepared and maintained in connection with the above samples for compliance with SEC Rules 17a-3 and 17a-4, and NASD Rule 3110
- 756 Trades reported to a TRF or OTCRF for compliance with FINRA Rules 6380A and 7230A or 6622 and 7330
- All Provided Member's "Regular & Rigorous" review procedures regarding order execution quality for compliance with NASD Rules 2320 and 3010
- All Provided Member's supervisory and operational policies and procedures and documentation evidencing execution of the policies and procedures for compliance with SEC Regulation NMS Rule 611
- All Provided Member's supervisory system, written supervisory procedures ("WSPs") and documentation evidencing execution of the WSPs for compliance with NASD Rule 3010, Nasdaq Rule 3010, or BATS Rule 5.1 requirements