

**COMMONWEALTH OF MASSACHUSETTS  
OFFICE OF THE SECRETARY OF THE COMMONWEALTH  
SECURITIES DIVISION  
ONE ASHBURTON PLACE, ROOM 1701  
BOSTON, MASSACHUSETTS 02108**

IN THE MATTER OF:	)	CONSENT ORDER
STIFEL, NICOLAUS & COMPANY, INC.,	)	Docket No. E-2022-0052 and
RESPONDENT.	)	Docket No. E-2023-0004

**I. PRELIMINARY STATEMENT**

This Consent Order (the “Order”) is entered into by the Enforcement Section of the Securities Division of the Office of the Secretary of the Commonwealth of Massachusetts (the “Enforcement Section” and the “Division,” respectively) and Stifel, Nicolaus & Company, Inc. (“Stifel” or “Respondent”) with respect to investigations identified by Docket No. E-2022-0052 and E-2023-0004 into whether Respondent engaged in acts or practices that violated the Massachusetts Uniform Securities Act, Mass. Gen. Laws c. 110A (the “Act”), and the regulations promulgated thereunder at 950 Code Mass. Regs. 10.01-14.413 (the “Regulations”). The Division’s investigations concluded that Stifel did not take timely action to address customer harm and did not ensure its agents were acting in the best interest of their customers. In particular, the Division uncovered a compliance system and supervisory program which did not take timely action to address red flags that elderly Massachusetts residents, a non-profit organization, and churches were being charged excessive, and in some instances, unauthorized fees.

On April 28, 2023, Stifel submitted an Offer of Settlement (the “Offer”) to the Division. Stifel admits the facts set forth in the enumerated paragraphs in Sections II

through IV and neither admits nor denies the violations of law set forth in Section V below, and consents to the entry of this Order by the Division, consistent with the language and terms of the Offer, settling the above-captioned matters with prejudice. This Order is necessary or appropriate in the public interest or for the protection of investors and consistent with the purposes fairly intended by the policy and provision of the Act.

## **II. JURISDICTION**

1. The Division has jurisdiction over matters relating to securities pursuant to the Act, codified at Chapter 110A of the Massachusetts General Laws.
2. This Order is entered in accordance with the Act and with Section 10.10 of the Regulations.
3. The acts and practices that are the subject of the Division's investigations occurred while Stifel was registered as a broker-dealer in Massachusetts.

## **III. RESPONDENT**

4. Stifel, Nicolaus, & Company, Inc. ("Stifel") is a broker dealer registered in Massachusetts with a main address of 501 North Broadway, St. Louis, Missouri. Stifel is identified by Financial Industry Regulatory Authority ("FINRA") CRD No. 793.

## **IV. STATEMENT OF FACTS**

### **Stifel's Recent History of Relevant Disciplinary Actions**

5. Stifel has been the subject of several regulatory actions over the past five years concerning its failure to supervise employees or deficiencies with its internal controls

resulting in Stifel paying over \$14 million dollars in fines, civil penalties, disgorgement of profits, and restitution to customers.

6. Two such regulatory actions were with the Division:

- i. On December 19, 2018, Stifel entered into a consent order on docket E-2018-0013. The consent order resolved the Division's finding that Stifel violated M.G.L. c. 110A § 204(a)(2)(J) when it failed to supervise representatives of a Massachusetts branch who charged Massachusetts advisory clients over \$1,000,000 in commissions from 2012 through 2017. The consent order required Stifel to pay a fine of \$300,000 and make written offers of remuneration to the harmed customers; and
- ii. On March 31, 2021, Stifel entered into a consent order on docket E-2019-0005. The consent order resolved the Division's finding that Stifel violated M.G.L. c. 110A § 204(a)(2)(J) when it failed to supervise a broker-dealer agent who recommended unsuitable and over-concentrated investments in precious metals causing Massachusetts customers to suffer over \$430,000 in losses. Despite being on notice of the broker's misconduct after conducting reviews of an individual investor's trust account in July 2014 and of the broker's book of business in February 2016, Stifel failed to require the broker's customers to reallocate their accounts. To resolve the matter, Stifel was ordered to pay a fine of \$100,000, reimburse one customer \$133,907.84, and offer other harmed customers remuneration.

### **Stifel's Compliance System**

7. Stifel employed Joseph Crespi, an individual identified by CRD number 1110919 who was formerly registered with the Division as a broker-dealer agent ("Former Registered Individual" or "FRI") from December 14, 2018, through February 9, 2022, as a broker-dealer agent in Stifel's Private Client Group ("PCG") located in a satellite branch office in Massachusetts.

8. At the time Stifel hired FRI, FRI's FINRA CRD Regulatory Archive and Z Records reflected three customer complaints alleging unauthorized trading activity, all of which were denied.

#### *Stifel's Compliance System and Supervisory Program Did Not Prevent Customer Harm*

9. Initially, Stifel assigned FRI's former college classmate and person who recruited FRI to Stifel to serve as his branch manager.

10. Stifel assigned Branch Manager supervisory responsibility over FRI on May 28, 2019 after Director of Branch Offices expressed concern with FRI's onboarding under his first branch manager.

11. Part of Branch Manager's compensation was a percentage of the fees and commissions paid by FRI's clients ("FRI's Production"). Accordingly, the greater FRI's Production, the greater Branch Manager's compensation would be.

12. Other Stifel branch employees expressed frustration for the number of ProSurv<sup>1</sup>

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<sup>1</sup> ProSurv is the software program Stifel uses to monitor trading activity. Certain trading activity will trigger an "alert" requiring review of a particular transaction to ensure that it complies with Stifel policy and applicable laws and FINRA rules.

alerts triggered by proceeds transactions.<sup>2</sup>

13. On January 14, 2019, FRI's original branch manager told the then current Branch Manager that FRI would be "one more guy that will be flabbergasted to hear of this nonsensical b.s." in reference to a request from a Central Supervision employee that two transactions in a client's account be rebilled and the commissions adjusted by \$89.99.

14. On August 27, 2019, FRI recommended a client sell a long-term UIT with a maturity date of April 6, 2020, triggering a ProSurv alert. After FRI provided Central Supervision Employee and Branch Manager with the reasoning for the transaction, Central Supervision Employee stated to Branch Manager that he could "make the case for this justification" and further advised Branch Manager that although Stifel had "not written the new policy for UITs since [Stifel was] fined" there existed a "gentleman's agreement with compliance" that UITs could be sold within 60 days of maturity. The e-mail communication describing this "gentleman's agreement" was then forwarded to FRI.

15. On January 7, 2020, Branch Manager told FRI that FRI's explanation for a trade where a client sold a long-term mutual fund purchased on November 11, 2019—less than two months prior—with a 4.24% front-end load, didn't "make sense." Branch Manager later forwarded FRI's explanation to a Central Supervision Employee's statement who responded that he could "work with" an explanation FRI provided. Branch Manager then expressed that he was "not sure [he] [felt] comfortable with this." Despite Branch Manager's statements, the trade was approved.

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<sup>2</sup> Stifel's ProSurv program defines "Proceeds Transactions" as those where the "total commissions charged on sales of similar products and amounts, combined with the current commission, exceed the allowable threshold as a percent of the current principal amount [5.000%]."

16. The Central Supervision Employee also stated, in the context of an upcoming supervisor change for Massachusetts branches and in response to a question from Branch Manager regarding whether the incoming supervisor had a “similar philosophy to [Central Supervision Employee], that he was “not sure how much [the incoming supervisor] plays in the grey areas like [he does].”

*Branch Manager Had Growing Concerns Related to FRI’s Business Practices*

17. FRI was Stifel’s sixth highest revenue-producing employee in New England as of June 30, 2019 (as considered year-to-date) and continued to be a top producing agent of Stifel thereafter.

18. Branch Manager requested a complete review of FRI’s book of business after receiving a complaint in October 2019 from one of FRI’s clients concerning “the unsatisfactory performance, the evident tactics to avoid/coverup any record of [FRI’s] actions/inactions and the unprofessional demeanor by” FRI, and Branch Manager recognizing some of FRI’s client accounts carried high ROAs and were the subject of “flip trade” alerts.

19. On November 19, 2019, FRI’s trading activity in a non-profit organization’s account triggered a ProSurv alert for excessive trading activity. The client’s ROA<sup>3</sup> was 4.03%. FRI provided an explanation of the trading strategy for this client and the branch accepted FRI’s explanation without further inquiry.

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<sup>3</sup> “Return on Assets,” or, more simply, the percentage of the total assets in a client’s account paid to Stifel in fees and commissions over a given time period. As an example, an account with a balance of \$100 which paid \$5 in commissions and did not withdraw any funds would have an ROA of 5.0%.

20. On January 17, 2020, the Compliance Surveillance unit prepared a report upon encouragement from Branch Manager (the “January 2020 Report”) which identified a number of potential issues with FRI’s activity. Notably, the January 2020 Report identified:

- i. A 2018 partial review of FRI’s business did not appear to have been completed;
- ii. In the previous twelve months, FRI’s accounts generated \$1.2 million dollars in commissions and fees;
- iii. FRI’s top 20 producing accounts had an ROA of 1.82%;
- iv. 74 of FRI’s accounts had an ROA greater than 2%;
- v. “The underlying cause for the elevated ROAs [was] the active trading strategy utilized in these accounts;”
- vi. The accounts with elevated ROAs “underperform[ed] not only the market as a whole, but also the PCG average by 73% and 51% respectively;”
- vii. FRI triggered 135 ProSurv alerts for proceeds transactions, more than any other employee in the same twelve-month period, and 18 alerts for flip trades in the second half of 2019;
- viii. Of the 74 accounts with an ROA above 2%, 63 accounts had portfolio turnover of at least 50%, 23 accounts had portfolio turnover over 100%, and 4 accounts had portfolio turnover over 150%;
- ix. 24 accounts had an ROA over 4%, and these accounts generated \$328,507 in the previous twelve months;
- x. FRI’s highest revenue-generating account had an ROA of 3.25%, and 11 of the top 20 highest revenue-generating accounts had an ROA above 2%;

- xii. The January Report identified 31 instances of proximity trading during Q4 for 2019, where trades occurred in both the same or different securities between multiple clients with an average of two minutes between each client's trades.
21. The January 2020 Report showed that FRI's performance was due, in part, to his active trading strategy, including in certain elderly client accounts.
  22. In addition, the January 2020 Report noted FRI's portfolios generally underperformed the market as a whole and Stifel's internal benchmarks.
  23. The January 2020 Report also provided facts suggestive of unauthorized trading based on the number of trades executed within two minutes of other trades, suggesting that FRI had not spoken to clients to obtain authorization prior to submitting trade orders.
  24. Stifel did not take disciplinary action against FRI after being made aware of the findings in the January 2020 Report.
  25. After reviewing the findings in the January 2020 Report, Branch Manager and the Senior Vice President and Director of Branch Offices ("Director of Branch Offices") encouraged FRI to begin converting high ROA accounts to advisory fee accounts.
  26. The effort to convert FRI's brokerage accounts with high ROAs to advisory fee accounts was referenced in the January 2020 Report, and was an ongoing effort undertaken by Branch Manager and Director of Branch Offices.
  27. Stifel received additional complaints from FRI's clients.
  28. On February 26, 2020, a client stated that FRI would not return his calls.

29. In March of 2020 a different customer alleged FRI's failures to timely inform him of a loan call forced the client to produce a check for \$50,000 in a matter of hours.

30. Stifel also received information indicating that FRI may have engaged in unauthorized trades in client accounts:

- i. In February of 2020, Stifel was notified that a FRI client, Customer One, came into the office stating that he received a trade confirmation on a bond purchase he had no knowledge of. Another client, Customer Two, had a daughter (who did not have authority over Customer Two's account herself) who complained to FRI after Customer Two received a trade confirmation for a sale that she did not know about; and
- ii. In April of 2020, Stifel learned that FRI placed a trade in the account of a client who was deceased, and then attempted to have the trade back-dated to a date on which the client was alive. Stifel did not permit this trade to be processed.

31. As a follow-up to the January 2020 Report, on May 19, 2020, the Compliance Surveillance group prepared another report (the "May 2020 Report"). The May 2020 Report again identified the same business practice concerns identified in the January 2020 Report, which still had not been corrected, as well as additional ones.

32. The May 2020 Report found that, as of close of business May 18, 2020, with respect to FRI's 20 highest revenue-generating accounts:

- i. The average age of customers was 76 years of age;
- ii. Eight accounts were held by a church, a non-profit organization, and customers with ages of 90, 88, 88, 85, 71, and 63 years;

- iii. Contained unrealized losses of \$820,000;
- iv. Had 15 accounts with an ROA over 2% and 9 accounts with an ROA over 3%; and
- v. The accounts underperformed the market. Since January of 2019 FRI's clients saw an overall return of only 3.43% despite the S&P 500 seeing a return of 21.14% in the same time period.

33. The May 2020 Report also noted that from February 1, 2020, through April 30, 2020, FRI's trading triggered 50 alerts for "Proceeds Transactions," more than any other Stifel employee during the same time period. Indeed, the average number of proceeds transaction alerts for all employees with at least one alert during the time was 3.3.

34. For the 50 proceeds transaction alerts FRI triggered, the average age of the client was 70 years of age.

35. After the May 2020 Report was prepared, Stifel's employees held a series of meetings to discuss the findings. Both Director of Branch Offices and a member from Stifel's legal department were present for at least one or more of these meetings.

36. In addition to these meetings to discuss the findings of the May 2020 Report, from at least June 2020 on numerous occasions Branch Manager informed Director of Branch Offices of his concerns with FRI.

37. At this point, Stifel did not discipline FRI, nor was FRI placed on heightened supervision.

38. Director of Branch Offices did not take formal disciplinary action against FRI. Instead he and Branch Manager encouraged FRI to convert accounts with elevated ROAs over 2% to advisory fee accounts. To this end, Branch Manager and Director of Branch

Offices identified accounts with elevated ROAs over 2% and asked FRI to focus on converting certain accounts to advisory fee accounts.

39. Advisory accounts charge a quarterly fee that represents a percentage of the overall assets under management (“AUM”) charged quarterly rather than brokerage accounts which charge clients commissions and fees associated with each individual trade. Certain of FRI’s clients with high trading volume brokerage accounts would have been charged less had their accounts been converted to advisory accounts.

40. On July 14, 2020, Branch Manager called one of FRI’s clients concerning a trade that had been entered. The client indicated that she had not spoken to FRI on that date. When Branch Manager spoke to FRI about the likely unauthorized trade, Branch Manager caught FRI in a lie. Branch Manager informed FRI that if Stifel discovered any more unauthorized trades “it will be over.”

41. On September 3, 2020, FRI informed Branch Manager that some accounts appearing on the list of accounts with elevated ROAs “are already transitioned to [advisory] accounts.”

42. Branch Manager continued to report his concerns about FRI to Director of Branch Offices. No disciplinary action was taken as of this time.

43. Branch Manager also spoke with senior compliance and human resources personnel regarding FRI on February 24, 2020.

44. After the Central Supervision Employee disallowed a FRI trade which would have resulted in FRI purchasing the same security as a client on the same day but for a lower price than that charged to the client the Central Supervision Employee speculated that FRI

would continue to attempt to violate the rule, stating that FRI would “try it again with all his family accounts” as “spots of a leopard” do not change.

45. In light of FRI’s continued conduct, the Central Supervision Employee sent branch Manager an e-mail on December 3, 2020, with the subject line “time” and the body of the e-mail showing an image of a bottle of bourbon.

46. On January 4, 2021, FRI was recognized by Stifel for his high production and invited to a recognition event reserved for top revenue producers known as the Chairman’s Council.

Stifel’s Failure to Discipline FRI or Place FRI on Heightened Supervision

47. On April 21, 2021, Stifel discovered that FRI placed a trade in another deceased client’s account. Stifel did not allow this trade to be processed, but took no further action against FRI.

48. Branch Manager’s increasing concern that FRI was continuing to make potential unauthorized trades in client accounts continued.

49. In the summer of 2021 the Compliance Surveillance unit reviewed FRI’s business practices and prepared another report (the “August 2021 Report”).

50. The August 2021 review found evidence of patterns of long time gaps between trades for the same client on the same day as well as trades for the same client being broken up by another client’s trades which included certain trades Branch Manager thought could have been unauthorized.

51. For example, one client account reflected securities sold on April 29, 2021, but no telephone call was logged by FRI to that client on the same date.

52. In connection with the August 2021 review, one Stifel employee examined certain trades occurring between May 4, 2021, and July 28, 2021, and compared the trades to FRI's office phone log and FRI's personal cell phone records. Numerous trades were identified where no record of any call prior to the trade being executed was identified, and a number of instances where the calls that were made lasted only seconds, on FRI's personal cell phone line.

53. The August 2021 Report also found that certain client accounts had large gaps in time between trading activity for the same client (or clients residing at the same address). In some instances trading would occur in one client's account only to be interrupted by trading in another client's account before the trading in the first client's account resumed.

54. The August 2021 Report also identified a client account with an ROA of 3.26%.

55. The August 2021 Report also found that FRI was accepting trade instruction via e-mail from unauthorized third-parties.

56. At around the same time, there was an "in-progress review of the authenticity of clients' signatures on select documents."

57. After the August 2021 Report was issued, Branch Manager believed that FRI should be terminated from Stifel. Branch Manager relayed this recommendation to Director of Branch Offices. Branch Manager did not have the authority to terminate broker-dealer agents.

58. No formal disciplinary action was taken against FRI immediately after the August 2021 Report.

59. In December of 2021, Compliance Surveillance prepared another report (the “December 2021 Report”) which contained some findings similar to those contained in the August 2021 Report.

60. The December 2021 Report summary noted that “[PCG Surveillance Director] met with HR, Branch Managers and [Director of Branch Offices] on 10/29/2021, 11/9/2021, [and two separate times on 12/6/2021], and recommended immediate termination of [FRI] due to potential misuse of discretion and concerns regarding the authenticity of client documents.”

61. Despite PCG Surveillance Director’s numerous recommendations to terminate FRI, Stifel did not terminate FRI until February 9, 2022.

**Stifel’s Branch Exams Did Not Detect FRI’s Misconduct**

62. Each year, Stifel conducted a branch exam of FRI’s satellite branch office as required by FINRA Rule 3110.

63. Despite Branch Manager informing the branch examiner of his concerns with FRI, the result of the November 2021 exam was that FRI’s branch “meets expectations.”

64. Branch exams conducted in October 2019 (for Exam Year 2019) and October 2021 (for Exam Year 2021) also found that FRI’s branch “meets expectations.”

**Stifel Did Not Ensure the Timely Conversion of Certain of FRI’s Customer’s Brokerage Accounts to Advisory Fee Accounts**

65. As early as January of 2019, FRI began converting brokerage accounts charging commissions for every trade to advisory fee accounts charging a fixed percentage of the assets in the account.

66. Converting some of FRI’s brokerage accounts with high ROAs to advisory fee accounts was referenced as an “Action” in the January 2020 Report, and was an ongoing

effort undertaken by FRI at the recommendation of Branch Manager and Director of Branch Offices.

67. FRI's customers were required to complete documents to convert brokerage accounts to advisory accounts. The documents used in the process used similar terminology to describe potentially covered accounts, i.e. "covered advisory accounts" versus "covered accounts," as well as including one exhibit identifying all of the customer's accounts.

68. In testimony, Branch Manager stated that he expected clients who received certain paperwork would go on to have their brokerage accounts converted to an advisory program without any further steps.

69. Despite the clear directive to convert some of FRI's customers to advisory accounts, some of FRI's customers remained in commission accounts after executing the letter of authorization and were charged fees greater than those which would have been charged in an advisory fee account. Some FRI customers never converted any accounts despite these accounts being flagged by Branch Manager and Director of Branch Offices as having an unusually high ROA.

70. Stifel's supervisors had the ability to track the progress of conversion to advisory accounts but did not flag any issue with the conversion of FRI's client accounts.

71. The Division determined that one client who signed a letter of authorization ended up paying fees 220% greater than he would have been charged had he timely converted the Covered Account to a Covered Advisory Account.

## **Other Misconduct Discovered by the Division**

### *Commissions Charged to Customers in Excess of 5%*

72. During the course of its investigation, the Division discovered that Stifel permitted certain clients to be charged a markup in excess of certain regulatory guidelines and firm policy. Upon review of a small sampling of client accounts, the Division identified 65 transactions where certain clients were charged in excess of these guidelines and firm policy.

### *Stifel Did Not Monitor Certain Employees' Business and Retail Communications Using Non-Stifel Electronic Devices*

73. In at least one instance, a direct report concerning FRI's misconduct was made to a Stifel employee using text messages sent on the employee's personal cellular telephone.

74. In connection with the August 2021 Report, Stifel became aware that FRI used his personal phone to communicate with customers.

75. In addition to FRI, when asked by the Division, other Stifel agents, including Branch Manager, testified to using personal devices to communicate with customers.

### *Stifel Did Not to Reasonably Supervise the Distribution of Certain Communications to Retail Investors*

76. According to FINRA rule 2210, "'retail communication' means any written (including electronic) communication that is distributed or made available to more than 25 retail investors within any 30 calendar-day period."

77. FINRA rule 2210 further provides, "communications" consist of correspondence, retail communications and institutional communications.

78. All retail communications as defined under FINRA rule 2210 must be approved by the broker-dealer prior to use, unless the communication is otherwise excepted from required pre-approval.

79. Prior to April 30, 2021, Stifel's policies and procedures defined retail communications as consisting of "any written, including electronic communication that is distributed or made available to 10 or more retail investors." On and after April 30, 2021, Stifel's policies and procedures defined retail communications as consisting of "any written, including electronic communication that is distributed or made available to 15 or more retail investors."

80. Stifel's policies and procedures in effect during the Relevant Time Period, stated, "[r]etail communications must be submitted to the Marketing, Advertising & Graphics Department for review and approval **prior** to publication or use." (emphasis in original).

81. During the relevant time period Stifel implemented a system, AdTrax, used by broker-dealer agents to submit items for review and approval.

82. From January 1, 2020, through December 4, 2022, Stifel broker-dealer agents with a principal place of business in Massachusetts distributed 15,239 e-mails to 10 or more recipients. From December 5, 2022, through January 24, 2023, Stifel broker-dealer agents with a principal place of business in Massachusetts distributed 560 e-mails to 15 or more external recipients.

83. From January 1, 2020, through January 24, 2023, Stifel broker-dealer agents with a principal place of business in Massachusetts distributed 9,060 e-mails to more than 25 recipients.

84. E-mails concerning recommendations or Stifel business were distributed to retail investors that may have required pre-approval or may have otherwise been prohibited by Stifel's own policies and procedures.

85. In other instances e-mails which may have required principal approval may have been reviewed by unregistered persons.

86. A compliance team lead reviewing a particular blast e-mail issue concerning the distribution of a research report, noted "the fact that [broker-dealer agent] sent it out to 10 or more people requires him to go through advertising and graphics for approval as this makes it a retail communication. So if [broker-dealer agent] didn't get approval from A&G, then we have an issue there."

## V. VIOLATIONS OF LAW

### Count I - Mass. Gen. Laws c. 110A, § 204(a)(2)(J)

87. Section 204 of the Act provides:

The secretary may by order deny, suspend, or revoke any registration if he finds (1) that the order is in the public interest and (2) that the applicant or registrant

...

(J) has failed reasonably to supervise agents, investment adviser representatives or other employees to assure compliance with this chapter[.]

*Id.* § 204(a)(2)(J).

88. Stifel's acts and practices, as described above, constitute a violation of Section 204(a)(2)(J) of the Act.

## VI. ORDER

### IT IS HEREBY ORDERED:

- A. Respondent shall permanently cease and desist from conduct in violation of the Act and Regulations in the Commonwealth;

- B. Respondent is to be censured by the Division;
- C. Respondent shall offer restitution to all FRI customers identified in Exhibit A that had a “high ROA” per the definition agreed to by Stifel and not unacceptable to the Division, at any time between December 14, 2018, and February 9, 2022, of all brokerage fees, charges, commissions, or other remuneration charged in excess of what the customer would have paid if Respondent applied a 1% advisory fee, in an aggregate amount no less than \$712,612.58;
- a. Offers of restitution made pursuant to Section VI, subsection C, shall be sent to the last known address of record for such customers, a draft of which shall be provided to the Division within 30 days of entry of the Order, and a finalized version not unacceptable to the Division shall be mailed within 15 days after approval by the Division (“Offer Letter One”). Offer Letter One will remain open for 60 days. Within 30 days of the mailing of Offer Letter One, Respondent shall provide the Division with a list of all Massachusetts residents for whom Respondent receives an offer as returned to sender (“Undeliverable Massachusetts Residents”). To the extent the Division has access to different mailing address information for Undeliverable Massachusetts Residents; Respondent shall mail a second Offer Letter One to Massachusetts residents within 15 days of the Division’s providing such different address. Massachusetts residents who choose to accept the offer of restitution shall be required to sign a release in a form not unacceptable to the Division, agreeing to waive any further claims against Respondent or its agents relating to any violation giving rise to the offer of restitution. The

offer of restitution shall be in the form of a bank check unless requested otherwise by the Massachusetts resident.

b. Within forty-five (45) days of the expiration of Offer Letter One, Respondent shall prepare and submit to the Division a report detailing the amount of funds reimbursed pursuant to the Order, which shall include:

- i. Identification of all accepted and verified offers;
- ii. Dates, amounts, and methods of the transfer of funds for all restitution payments;
- iii. Identification and detailed descriptions of any objections received by Respondent.

D. Respondent shall undertake the identification of all FRI's customers who were charged in excess of regulatory guidelines for either (i) the purchase or sale price of any one security, or (ii) any proceeds transaction not previously reviewed by Stifel. This identification process shall be completed within thirty (30) days of the entry of this Order and a list of all identified customers shall be provided to the Division. To each of those further Stifel customers identified pursuant to Section VI, subsection D (exclusive of those customers identified pursuant to Section VI, subsection C, unless such offer pursuant to subsection D would be for an amount greater than an offer of restitution made pursuant to subsection C, in which case Respondent shall offer the higher amount), Respondent shall offer restitution of all amounts charged.

a. Any offer of restitution made pursuant to Section VI, subsection D, shall be sent to the last known address of record for such customers, a draft of which

shall be provided to the Division within 30 days of entry of the Order, and a finalized version not unacceptable to the Division shall be mailed within 15 days after approval by the Division (“Offer Letter Two”). Offer Letter Two will remain open for 60 days. Within 30 days of the mailing of Offer Letter Two, Respondent shall provide the Division with a list of all FRI Massachusetts residents for whom Respondent receives an offer as returned to sender (“Undeliverable Massachusetts Residents”). To the extent the Division has access to different mailing address information for Undeliverable FRI Massachusetts Residents; Respondent shall mail a second Offer Letter Two to Massachusetts Residents within 15 days of the Division’s providing such different address. All Massachusetts Residents who choose to accept the offer of restitution shall be required to sign a release in a form not unacceptable to the Division, agreeing to waive any further claims against Respondent or its agents relating to any violation giving rise to the offer of restitution. The offer of restitution shall be in the form of a bank check unless requested otherwise by the Massachusetts Resident.

- b. To the extent that Respondent identifies identical customers pursuant to Section VI, subsections C, and D, Respondent shall send one offer letter covering all amounts offered in the form of restitution to the customer.
- c. Within forty-five (45) days of the expiration of Offer Letter Two, Respondent shall prepare and submit to the Division a report detailing the amount of funds reimbursed pursuant to this Order, which shall include:

- i. Identification of all accepted and verified offers;
  - ii. Dates, amounts, and methods of the transfer of funds for all restitution payments;
  - iii. Identification and detailed descriptions of any objections received by Respondent.
- E. Respondent shall pay an administrative fine within ten calendar days following the entry of this Order in the amount of \$2,500,000 (USD) (two million five hundred thousand dollars). Payment shall be: (1) made by United States postal money order, certified check, bank cashier's check, bank money order, or wire; (2) made payable to the Commonwealth of Massachusetts; (3) either hand-delivered, mailed to One Ashburton Place, Room 1701, Boston, Massachusetts 02108; or wired per Division instructions; and (4) submitted under cover letter or other documentation that identifies payment by Respondent and the docket number of the proceeding;
- F. The Chief Compliance Officer ("CCO") of Respondent shall certify in writing to the Division within sixty (60) days of the date of entry of this Order the following in a written report to the Division ("Report"):
  - a. That Respondent has conducted a comprehensive review of (1) Respondent's policies and procedures for the conversion of brokerage accounts to advisory fee based accounts; (2) Respondent's policies and procedures for the review of customer accounts with Returns on Assets in excess of 2%; (3) Respondent's policies and procedures for the review and approval of proceeds and excess commission transactions; and (4) Respondent's policies and procedures for branch examinations.

- b. At a minimum, Respondent shall certify that its policies and procedures include the following:
- i. Reasonably designed training for employees within Central Supervision, and for supervisors located in Massachusetts with supervisory responsibility concerning Massachusetts customer's accounts on reporting and escalation protocols;
  - ii. Business practices reasonably designed such that employees with supervisory responsibility are empowered to take action to address employee misconduct;
  - iii. Business practices reasonably designed to ensure that accounts held by or for the benefit of vulnerable clients, including elderly and those with intellectual disabilities are subject to reasonable review to ensure compliance with applicable securities rules and regulations, including SEC Regulation Best Interest;
  - iv. Business practices reasonably designed to ensure annual branch examinations conducted pursuant to FINRA Rule 3110(c) are conducted in a manner reasonably likely to detect and prevent irregularities or abuses in customer accounts;
  - v. Specific guidelines for the sale of UITs, front-load mutual funds, and other products which have not been held by the client long term;
  - vi. Required documentation in a timely and non-privileged fashion detailing the escalation of sales practice issues by employees or agents within the firm;

- vii. Required documentation in a timely and non-privileged fashion with details related to the firm's decision of whether any action, if any, will be taken in response to potential violations of sales practices by employees or agents;
  - viii. Reasonably designed training for Respondent's employees regarding submission, approval and distribution of retail communications; and
  - ix. Reasonably designed training for Respondent's employees regarding use of electronic devices to communicate firm business.
- c. That as a result of that review, Respondent has made findings and conclusions regarding the firm's practices, policies, and procedures together with recommendations for improvements and changes to such practices, policies and procedures, which shall be detailed in the Report;
  - d. That the CCO provided a copy of the Report to Senior Management for Respondent and engaged in a meaningful discussion with Senior Management concerning the findings and conclusions regarding the firm's practices, policies, and procedures together with any recommendations for improvements and changes to such practices, policies and procedures.
  - e. That Respondent has required as a condition of continued employment that any employee currently holding the title of Director of Branch Offices, any employee currently holding the title of Head of Central Supervision, and any employee who was assigned to Central Supervision with responsibility for Massachusetts branches in June of 2020 will be required to attend and

satisfactorily complete within twelve months of the date this Order is entered, no less than forty (40) hours of continuing education concerning supervisory responsibilities by a provider not unacceptable to the Division. Stifel shall notify the Division of the name and contact information of the provider of the continuing education at least ten (10) days prior to attending the program. Within thirty (30) days following the completion of the continuing education program, Stifel shall submit written proof that the continuing education program was satisfactorily completed to the Division. Upon written request showing good cause, the Division may extend any of the deadlines related to the continuing education component of this Order;

f. That Respondent has adopted all required remediation as set forth in paragraph F(b) above, as well as such other and further recommendations for changes in practices, policies, and procedures; provided, however, that in the case of any recommendations not yet adopted, an undertaking as to when such recommendations will be made effective;

G. One year after the termination of the process set forth above in Section VI, subsection F, Respondent shall undergo, at its own expense, a review by an internal unit not unacceptable to the Division to confirm the implementation of the recommendations set forth in the Report and to assess the efficacy of such changes to Respondent's practices, policies, and procedures. At the conclusion of this review, which in no case shall take more than sixty (60) days, Respondent shall issue a report of its findings and recommendations concerning Respondent's adherence to and the efficacy of the Report's recommendations. The report shall be

promptly delivered to the Division within ten (10) days of its completion. No later than thirty (30) days after receipt of the report, Respondent shall provide a detailed, written response to any and all findings and recommendations in the report to the Division, including, but not limited to, the reason(s) for any deficiencies identified, and a process and procedure to address deficiencies, recommendations, or other issues identified in the report.

- a. Respondent shall retain copies of any and all report(s) as set forth in paragraphs (a) through (e) above in an easily accessible place for a period of five (5) years from the date of the reports.

- H. Respondent shall not claim, assert, or apply for a tax deduction or tax credit with regard to any state, federal or local tax for any amounts that Respondent shall pay pursuant to this Order;
- I. Respondent shall not seek or accept, directly or indirectly, reimbursement or indemnification, including, but not limited to, any payments made pursuant to any insurance policy, with regard to any amount that Respondent shall pay pursuant to this Order;
- J. If Respondent is the subject of a voluntary or involuntary bankruptcy petition under Title 11 of the United States Code within three hundred sixty-five (365) days of the entry of this Order, Respondent shall provide written notice to the Enforcement Section within five (5) days of the date of the petition.
- K. Any fine, penalty, and/or money that Respondent shall pay in accordance with this Order is intended by Respondent and the Enforcement Section to be a contemporaneous exchange for new value given to Respondent pursuant to 11

U.S.C. § 547(c)(1)(A) and is, in fact, a substantially contemporaneous exchange pursuant to 11 U.S.C. § 547(c)(1)(B).

- L. If Respondent fails to comply with any of the terms set forth in this Order, the Enforcement Section may institute an action to have the agreement reflected in this Order declared null and void. Additionally, after a fair hearing and the issuance of an order finding that Stifel has not complied with this Order, the Enforcement Section may move to have this Order declared null and void, in whole or in part, and re-institute the associated proceeding that had been brought against Respondent; and
- M. For good cause shown, the Enforcement Section may extend any of the procedural dates set forth above. Respondent shall make any requests for extensions of the procedural dates set forth above in writing to the Enforcement Section.

#### **NO DISQUALIFICATION**

This Order waives any disqualification in the Massachusetts laws, or rules or regulations thereunder, including any disqualification from relying upon the registration exemptions or safe harbor provisions to which Stifel may be subject. This Order is not intended to be a final order based upon violations of the Act that prohibit fraudulent, manipulative, or deceptive conduct. This Order is not intended to form the basis of any disqualifications under Section 3(a)(39) of the Securities Exchange Act of 1934; or Rules 504(b)(3) and 506(d)(1) of Regulation D, Rule 262(a) of Regulation A and Rule 503(a) of Regulation CF under the Securities Act of 1933. This Order is not intended to form the basis of disqualification under the FINRA rules prohibiting continuance in membership absent the filing of a MC-400A application or disqualification under SRO rules prohibiting

continuance in membership. This Order is not intended to form a basis of a disqualification under 204(a)(2) of the Uniform Securities Act of 1956 or Section 412(d) of the Uniform Securities Act of 2002. Except in an action by the Division to enforce the obligations of this Order, any acts performed or documents executed in furtherance of this Order: (a) may not be deemed or used as an admission or, or evidence of, the validity of any alleged wrongdoing, liability, or lack of any wrongdoing or liability; or (b) may not be deemed or used as an admission of, or evidence of, any such alleged fault or omission of Stifel in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal.

**WILLIAM FRANCIS GALVIN  
SECRETARY OF THE COMMONWEALTH**

By:   
Diane Young Spitzer  
Director & General Counsel  
Securities Division  
Office of the Secretary of the Commonwealth  
John W. McCormack Building, 17th Floor  
One Ashburton Place  
Boston, MA 02108

Dated: April 28, 2023

## EXHIBIT A

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