

State of Missouri
Office of Secretary of State

Case No. AP-10-03

IN THE MATTER OF:

STIFEL NICOLAUS & COMPANY, INC.,

Respondent.

Serve at:

One Financial Plaza
501 North Broadway
St. Louis, MO 63102

CONSENT ORDER

SUMMARY OF ENFORCEMENT SECTION'S ALLEGATIONS

1. The Enforcement Section of the Missouri Securities Division ("Enforcement Section") has alleged that Respondent Stifel Nicolaus & Company, Inc ("Stifel" or "Respondent"), failed to reasonably supervise a Missouri-registered agent with regard to transactions in certain securities accounts of three Missouri residents and this constitutes grounds to discipline Respondent pursuant to Section 409.4-412(d)(9), RSMo. (Cum. Supp. 2009).
2. Respondent and the Enforcement Section desire to settle the allegations and the matters raised by the Enforcement Section relating to Respondent's alleged failure to reasonably supervise activities of one of Respondent's former agents.

CONSENT TO JURISDICTION

3. Respondent and the Enforcement Section stipulate and agree that the Commissioner has jurisdiction over Respondent and these matters pursuant to the Missouri Securities Act of 2003, Chapter 409, et seq.
4. Respondent and the Enforcement Section stipulate and agree that the Commissioner has authority to enter this Order pursuant to Section 409.6-604(h), RSMo. (Cum. Supp. 2009), which provides: "The commissioner is authorized to issue administrative consent orders in the settlement of any proceeding in the public interest under this act."

WAIVER AND EXCEPTION

5. Respondent waives its rights to a hearing with respect to this matter.
6. Respondent waives any rights that it may have to seek judicial review or otherwise challenge or contest the terms and conditions of this Order. Respondent specifically forever releases and holds harmless the Missouri Office of Secretary of State, Secretary of State, Commissioner of Securities and their respective representatives and agents from any and all liability and claims arising out of, pertaining to, or relating to this matter.
7. Respondent stipulates and agrees with the Enforcement Section that, should the facts contained herein prove to be false or incomplete, the Enforcement Section reserves the right to pursue any and all legal or administrative remedies at its disposal.

CONSENT TO COMMISSIONER'S ORDER

8. Respondent and the Enforcement Section stipulate and agree to the issuance of this Consent Order without further proceedings in this matter, agreeing to be fully bound by the terms and conditions specified herein.
9. Respondent agrees not to take any action or to make or permit to be made any public statement creating the impression that this Order is without a factual basis. Nothing in this paragraph affects Respondent's (a) testimonial obligations; or (b) rights to take legal or factual position in defense of litigation or in defense of other legal proceedings in which the Commissioner of Securities is not a party; or (c) rights to make public statements that are factual.
10. Respondent agrees that Respondent is not the prevailing party in this action since the parties have reached a good faith settlement.
11. Respondent neither admits nor denies the allegations made by the Enforcement Section, but consents to the Commissioner's Findings of Fact, Conclusions of Law, and Order as set forth below solely for the purposes of resolving this proceeding and any proceeding that may be brought to enforce the terms of this Consent Order.

COMMISSIONER'S FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

I. FINDINGS OF FACT

12. Respondent is a Missouri-registered broker-dealer with a Central Registration Depository ("CRD") number of 793. Respondent's principal place of business is located at One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102.
13. Respondent previously had registered agents located at One Financial Plaza, 501 North Broadway, St. Louis, Missouri 63102 ("downtown branch"). Around January 25, 2008 those agents were relocated to a new branch office at 903 South Lindbergh Boulevard, Suite 200, Frontenac, Missouri 63131 ("Frontenac branch").
14. Girard A. Munsch ("Munsch") was employed by Respondent during the period May 16, 1986, through February 29, 2008, as a Missouri-registered securities agent. Munsch worked out of the downtown branch between May 16, 1986, and January 25, 2008, and the Frontenac branch from approximately January 25, 2008, through February 29, 2008.
15. Respondent had supervisory authority over certain of its agents because it had the ability to control certain of its agents' conduct by, among other things, terminating employment, withholding compensation, levying fines, and requiring heightened supervision if Respondent determined there was a need for closer oversight, or any combination of these measures.
16. Respondent had written supervisory procedures, including procedures specifically pertaining to unsuitable transactions and excessive trading. Respondent was responsible for implementing its procedures, and was responsible for supervising certain of its agents to ensure that its policies and procedures were followed.
17. Respondent failed, during certain periods during 2004, 2005, and 2006, to reasonably supervise the activities of one of its agents - Munsch - by failing to act more aggressively than it did with regard to securities transactions and recommendations made to three Missouri residents and by failing to identify and act on the following:
 - a. excessive trading in these three customers' accounts; and
 - b. unsuitable recommendations to these three customers.

II. CONCLUSIONS OF LAW

18. The Commissioner finds Respondent failed to reasonably supervise a registered agent in Missouri, and that this conduct constitutes grounds to discipline Respondent under Section 409.4-412, (d)(9), RSMo. (Cum Supp. 2009).
19. The Commissioner, after consideration of the stipulations set forth above and on the consent of Respondent and the Enforcement Section, finds and concludes that the Commissioner has jurisdiction over Respondent and this matter and that the following Order is in the public interest, necessary for the protection of public investors and consistent with the purposes intended by Chapter 409 RSMo. (Cum Supp. 2009).

III. ORDER

NOW, THEREFORE, it is hereby Ordered that:

1. Respondent's registration is hereby CENSURED;
2. Respondent is ordered to disgorge seventy-eight thousand six hundred seventeen dollars (\$78,617.00) in commissions received by Respondent yet not previously disgorged by the agent as to the three Missouri residents referenced herein and as identified by the Enforcement Section. This money shall be sent to the Securities Division and made payable to the Missouri Investor Restitution Fund and will be distributed by that fund to the investors;
3. Respondent shall pay to the Missouri Secretary of State's Investor Education and Protection Fund the sum of eighty-five thousand dollars (\$85,000.00) immediately upon the effective date of this Order. This amount shall be sent to the Securities Division and the Division will send the money to the Missouri Secretary of State's Investor Education and Protection Fund;
4. Respondent shall pay a civil penalty of thirty-five thousand dollars (\$35,000.00) made payable to the State of Missouri, and delivered to the Securities Division, and the Secretary of State shall forward these funds to the state treasury for the benefit of county and township school funds as provided in Article IX, Section 7 of the Constitution of Missouri;
5. Respondent shall pay thirteen thousand dollars (\$13,000.00) as the cost of this investigation. This amount shall be payable to the Missouri Secretary of State's Investor Education and Protection Fund. This amount shall be immediately due and payable, and shall be submitted to the Securities Division at 600 W. Main Street, Jefferson City, Missouri 65101; and
6. Respondent shall pay its own costs and attorneys fees with respect to this matter.

SO ORDERED:

WITNESS MY HAND AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 10TH DAY OF MARCH, 2010.

ROBIN CARNAHAN
SECRETARY OF STATE

(Signed/Sealed)
MATTHEW D. KITZI
COMMISSIONER OF SECURITIES

Consented to by:

Mary S. Hosmer
Assistant Commissioner of Securities
Missouri Securities Division

Stifel Nicolaus & Company, Inc.

By: _____
Name: _____
Title: _____

Approved as to Form:

Jeffrey J. Kalinowski
Attorney for Respondent