News Release

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FINRA Sanctions Stifel, Nicolaus & Co., Inc. More Than $3.6 Million for Violations Involving Unit Investment Trusts

WASHINGTON—FINRA announced today that it has ordered Stifel, Nicolaus & Company, Incorporated to pay approximately $1.9 million in restitution, plus interest, to more than 1,700 customers in connection with early rollovers of Unit Investment Trusts (UITs). FINRA also fined the firm $1.75 million for providing inaccurate information to customers related to rollover costs incurred, and for related supervisory violations.

A UIT is an investment company that offers investors shares, or "units," in a fixed portfolio of securities in a one-time public offering that terminates on a specific maturity date, often after 15 or 24 months. UITs generally are intended as long-term investments and have sales charges based on their long-term nature, including an initial and deferred sales charge and a creation and development fee. A registered representative who recommends that a customer sell his or her UIT position before the maturity date and then "rolls over" those funds into a new UIT causes the customer to incur increased sale charges over time, raising suitability concerns.

From January 2012 through December 2016, Stifel executed approximately $10.9 billion in UIT transactions – $935.2 million of which were early rollovers. However, FINRA found the firm's supervisory system and procedures were not reasonably designed to supervise the suitability of those early rollovers. As a result, Stifel did not identify that its representatives recommended potentially unsuitable early rollovers that, collectively, may have caused customers to incur approximately $1.9 million in sales charges that they would not have incurred had they held the UITs until their maturity dates. In addition, during the same time period, Stifel sent approximately 600 letters to customers that contained inaccurate information or were missing information about the costs incurred by customers in connection with early UIT rollovers or "switches." On average those letters understated the costs to customers by approximately 49 percent.

Jessica Hopper, Executive Vice President and Head of FINRA's Department of Enforcement, said, "Firms must have an adequate supervisory system in place to detect potentially unsuitable UIT rollovers, and also provide customers with accurate information so they can make informed decisions about those rollover recommendations. We are pleased that customers will receive restitution for sales charges incurred as a result of the recommendations."

This action resulted from a 2016 targeted examination with respect to UITs. Additionally, FINRA's 2018 Regulatory and Examination Priorities Letter advised that FINRA would be reviewing firms' supervisory controls related to UITs.

In settling this matter, Stifel neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

About FINRA

FINRA is a not-for-profit organization dedicated to investor protection and market integrity. It regulates one critical part of the securities industry—brokerage firms doing business with the public in the United States. FINRA, overseen by the SEC, writes rules, examines for and enforces compliance with FINRA rules and federal securities laws, registers broker-dealer personnel and offers them education and training, and informs the investing public. In addition, FINRA provides surveillance and other regulatory services for equities and options markets, as well as trade reporting and other industry utilities. FINRA also administers a dispute resolution forum for investors and brokerage firms and their registered employees. For more information, visit www.finra.org.

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