Re Stifel Nicolaus Canada

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules

and

Stifel Nicolaus Canada Inc.

2024 CIRO 68

Canadian Investment Regulatory Organization
Hearing Panel (Ontario District)

Heard: August 14, 2024 in Toronto, Ontario via videoconference
Decision: August 14, 2024
Reasons for Decision: September 5, 2024

Hearing Panel:
Barry Bresner, Chair
Richard Austin, Industry Member
Emily Jelich, Industry Member

Appearances:
Rob DelFrate, Senior Enforcement Counsel
Jason Beitchman, for Stifel Nicolaus Inc.
Christopher Hill, Chief Compliance Officer, Stifel Nicolaus Inc.

REASONS FOR DECISION

I. INTRODUCTION

¶ 1 This hearing was held pursuant to sections 8215 (Settlements and Settlement Hearings) and 8428 (Settlement Hearings) of the Investment Dealer and Partially Consolidated Rules (the "IDPC Rules") to consider whether to accept a settlement agreement negotiated between Staff of the Enforcement Department of CIRO ("Staff") and Stifel Nicolaus Canada Inc. ("Stifel"), dated July 12, 2024 (the "Settlement Agreement"). A copy of the Settlement Agreement is attached as Appendix A to these Reasons. Part III of the Settlement Agreement recites the facts agreed to by the parties.

¶ 2 Pursuant to subsection 8428(6) of the IDPC Rules, the only facts disclosed to a hearing panel are the facts contained in the Settlement Agreement and such other facts as may be disclosed with the consent of all parties. In the present matter, on consent, Part III of the Settlement Agreement was augmented by the additional facts detailed in these Reasons.

¶ 3 In the Settlement Agreement, the Respondent admitted to contraventions of Dealer Member Rule 38.1, by having failed to enforce a system to supervise the activities of its employees regarding the receipt and containment of confidential information in connection with transactions in April and May 2020.

¶ 4 The sanction provided in the Settlement Agreement was a fine of $475,000 and costs of $25,000.

¶ 5 At the conclusion of the hearing, after due consideration of the agreed facts, the additional facts

disclosed on consent, the submissions of the parties, and the Sanction Guidelines, the Panel concluded that the Settlement Agreement was in the public interest and accepted it, with reasons to follow. These are those reasons.

II. OVERVIEW

¶ 6 In April and May 2020, in the course of seeking expressions of interest in connection with two unrelated proposed bought deal block trade transactions for publicly listed issuers, information which ought to have been identified as confidential or potentially confidential was communicated to certain hedge fund clients by Stifel's Managing Director, Institutional Equity Sales ("Employee A") and its Managing Director, Sales ("Employee B"). The circumstances are described in detail in the agreed facts but, for present purposes, can be summarized as follows:

The First Transaction

- In April 2020, while operating remotely due to the COVID-19 pandemic lockdown guidelines, Stifel contacted a shareholder ("Shareholder 1") of Issuer 1 to discuss the possibility of a block trade deal for its holdings in Issuer 1.
- The possibility of negotiating a transaction with the Shareholder 1 was discussed at an internal Stifel meeting attended by Employee A on May 6, 2020. Within minutes after that meeting, Employee A contacted a portfolio manager at Hedge Fund 1. Approximately 20 minutes later, without Stifel's knowledge, the portfolio manager at Hedge Fund 1 entered short sale orders with two different Dealer Members for a total of 200,000 shares of Issuer 1, of which 162,700 were filled at an average price of $6.687.
- On May 7, 2020, Employee A attended a Stifel Liability Committee call at which approval was granted to propose terms to Shareholder 1. A bought deal engagement letter was then sent to Shareholder 1. Later that same day, there were numerous communications between Employee A and the portfolio manager at Hedge Fund 1 regarding the potential transaction. By 2:25 pm on May 7, 2020, Stifel was advised that Shareholder 1 would be proceeding with the proposed block sale and that Stifel would co-lead the transaction.
- Employee A communicated with the portfolio manager at Hedge Fund 1 within minutes of learning of the terms and timing of the block trade deal. Unbeknownst to Stifel, at 3:01 pm on May 7, 2020, the portfolio manager immediately entered a short sale order for 100,000 shares of Issuer 1, which was fully filled at an average price of $6.99.
- At 4:31 pm on May 7, 2020, Shareholder 1 announced an offering of 20,000,000 units of Issuer 1, consisting of 1 share and one half of a private placement common share purchase warrant, at $6.35 per unit.
- In total, the portfolio manager at Hedge Fund 1 placed short sale orders for 300,000 shares of Issuer 1 of which 262,700 were filled at an average price of $6.80. Based on the unit offering price of $6.35, Hedge Fund 1 earned a potential profit of $118,945.

The Second Transaction

- On April 8, 2020, Stifel initiated discussions with a shareholder of Issuer 2 ("Shareholder 2") regarding a potential bought deal block trade transaction for Shareholder 2's interest in Issuer 2. On April 9, 2020, Employee A messaged representatives of Hedge Fund 1 to advise them that Stifel was trying to place 12 million shares of Issuer 2 on behalf of Shareholder 2 at a price of $9.50 to $10.00.
- Less than 4 minutes after receiving that information from Employee A, Hedge Fund 1 entered a short sale order with a different Dealer Member for 100,000 shares of Issuer 2, of which 91,000 was filled at an average price of $10.663. Shortly thereafter on April 9, 2020, Hedge Fund 1 entered short sale orders at two different Dealer Members for a total of 200,000 shares of Issuer

2, of which 175,751 were filled at an average price of $10,682. Later that afternoon, after further communications with Employee A, Hedge Fund 1 entered a short sale order at a different Dealer Member for 100,000 shares of Issuer 2, which was fully filled at an average price of $10.789. As a result of the short sale transactions, Hedge Fund 1 realized a potential profit of approximately $258,561.

- On April 8 and 9, Employee B was also in touch with several clients regarding the potential transaction with Shareholder 2, resulting in one of those clients, Hedge Fund 2, entering short sale orders on both the Canadian and U.S. markets for a total of 160,000 shares of Issuer 2, of which 152,600 were filled at an average price of $10.637, resulting in a potential profit to Hedge Fund 2 of $97,218.
- Stifel was unaware of any of the short sale transactions.
- On April 9, 2020, after the short sale transactions, Stifel's Liability Committee approved the block trade of 7.5 million shares of Issuer 2. Stifel and Shareholder 2 agreed to proceed with the sale of the units at $10.00 The Liability Committee convened again that evening to approve an increase to 12 million units. On Good Friday, April 10, 2020, the engagement letter between Shareholder 2, Stifel and a second Dealer Member was fully executed.
- On Monday, April 13, 2020, Shareholder 2 issued a press release announcing the sale of 12 million units, consisting of 1 share of Issuer 2 and a half warrant, at a price of $10.00. Hedge Fund 1 entered an expression of interest for 1.4 million units and received a full allocation. Hedge Fund 2 entered an expression of interest for 600,000 units and received a fill of 470,000 units.

¶ 7 At the material times, Stifel had policies and procedures in place to protect confidential information and which provided for the "exercise of judgment" when dealing with potentially confidential information and recognized that "any given piece of information must be considered in light of the circumstances in a particular case." The Hearing Panel was not provided with the full text of the relevant policies and procedures, but Staff advised that they were satisfied that the relevant policies and procedures were sufficiently robust. The issue was one of enforcement of those policies and procedures. None of the communications between Employees A and B and Hedge Funds 1 and 2 were brought to Stifel's compliance department for review.

¶ 8 The agreed facts contained in Part III of the Settlement Agreement make no mention of the remedial steps, if any, taken by Stifel to minimize the possibility of any future violations of its policies and procedures relating to the protection of confidential information. At the hearing, the Panel requested and counsel agreed to the disclosure of additional facts in that regard. Counsel for Stifel advised that, after these incidents came to light, outside counsel was retained to review the policies and procedures and the training on information barriers. Targeted refresher training was conducted. The Panel was also advised that Employee A and Employee B ceased to be employed by Stifel shortly after the incidents came to light.

III. ANALYSIS

¶ 9 The role of a hearing panel on a settlement hearing, as defined in subsection 8215(5) of the IDPC Rules, is to either accept or reject a proposed settlement. The principles applicable to that determination are well-established. As stated in the oft-cited decision of *Re Milewski*[1], the hearing panel must be satisfied that the sanctions agreed to in a settlement agreement are "within a reasonable range of appropriateness" and a settlement should not be rejected unless the panel views the penalty as clearly falling outside of that range.

¶ 10 It is also well-established that reasonable settlements serve the public interest by resolving disputes more quickly and less expensively and by freeing up system resources for other matters.[2] Settlements are the result of negotiation and compromise between the parties, who are in the best position to address the issues

[1] [1999] I.D.A.C.D. No.17

[2] *Re Donnelly* 2016 IIROC 23

and it is not the role of the hearing panel to second guess the parties. As stated in *Re Donnelly*:

> It is usually in the public interest that matters be settled where possible rather than be determined through contested hearings. The reasons for this are often that an earlier determination of a dispute is better than a later determination. Settlements are usually less expensive than contested litigation, and there is less congestion in the dispute settling system when matters are taken out of the system through settlements. Finally, where both parties agree, the result is often more palatable to the parties and society than in a contested hearing where the winner takes all.
>
> For these reasons, a panel considering the acceptance of a settlement agreement will try to reach a determination of acceptance. It will recognize that settlements are often hotly debated with much compromise and give-and-take between the parties in order to reach an acceptable position agreeable to both parties. Furthermore, the panel will recognize that it is not privy to all the facts and the motivation and considerations that each of the parties have in coming to a solution of the dispute that is agreeable to them.[3]

¶ 11 In the present matter, the settlement was only arrived at with the assistance of an experienced mediator and there was clearly the sort of give-and-take referred to in *Re Donnelly*.

¶ 12 In considering the reasonableness of the sanctions agreed to in the Settlement Agreement, the Panel considered the CIRO Sanction Guidelines (the "Guidelines"), which provide the general principles applicable to all disciplinary and settlement proceedings (Part I) and the key factors commonly taken into consideration (Part II). The Guidelines are designed to promote consistency, fairness and transparency in the disposition of such proceedings, but recognize that the determination of a sanction in a given case is both discretionary and fact-specific.

¶ 13 The formulation of an appropriate sanction turns on a balancing of the mitigating and aggravating factors in a given matter and a consideration of the sanctions imposed in relevant prior decisions. In the present matter, those factors are as follows:

Mitigating Factors

- Stifel does not have a prior disciplinary record.
- There was no financial harm to the public or financial gain to Stifel from the short sale transactions.
- The contraventions occurred over a roughly one-month period in 2020 and there has been no recurrence.
- The misconduct was neither intentional, wilfully blind nor reckless.
- Stifel retained outside counsel to review its policies and procedures and has conducted targeted refresher training.
- Stifel has admitted and accepted responsibility for the contraventions.

Aggravating Factors

- The failure to enforce the supervisory system for the containment of confidential information is a serious matter which has the potential to undermine the integrity of the capital markets.
- The misconduct involved two senior employees.

¶ 14 The Guidelines require the Panel to consider the sanctions imposed in similar circumstances in other cases. While there are prior decisions which have considered the appropriate sanction for a failure to contain confidential information, each case turns on its own unique circumstances. A similar issue arose in *Re Mackie*

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[3] *Ibid*, paras. 7 - 8

Research & McCarthy[4]. An institutional sales trader had failed to advise his compliance department that he was in possession of confidential information relating to a proposed financing. Mackie admitted that it failed to establish and enforce adequate policies and procedures for the containment of confidential information and agreed to a fine of $180,000 plus costs of $20,000.

¶ 15 In *Re Kingsdale Capital & Prange*[5], a very small two-person firm, failed to add certain issuers to its Grey List in a timely manner after it became aware of confidential information and to supervise employees trading in the securities of issuers on its Grey List. The firm agreed to a fine of $45,000. It is noted that the size of the firm is a relevant factor under the Guidelines.

¶ 16 In considering the reasonableness of a proposed settlement, a fundamental concern is the need to protect the public interest by restraining future conduct that might harm the capital markets by providing sanctions which are significant enough to deter future misconduct by the respondent (specific deterrence) and others (general deterrence). In the present matter, the absence of any prior disciplinary history, coupled with the remedial steps taken by Stifel, adequately address any concern of specific deterrence. However, the seriousness of a failure to contain confidential information is such that the goal of general deterrence warrants a substantial sanction.

¶ 17 The Panel agrees that the proposed sanction is within the reasonable range of appropriateness.

¶ 18 While the sanction is significantly greater than the sanctions reflected in prior decisions, in the particular circumstances of this case, a fine of $475,000 plus costs of $25,000 is justified by the serious nature of the contravention. The agreed sanction is at the high end of the range for a failure to supervise in circumstances where the misconduct was neither intentional nor reckless, there is no history of prior violations, the Respondent has not profited from the contravention and has taken meaningful steps to prevent a recurrence. However, the need for general deterrence puts the sanction comfortably within the reasonable range of appropriateness.

IV. CONCLUSION

¶ 19 Taking into account the Guidelines, the prior decisions and the particular facts of this matter, for the reasons stated above, the Panel accepted the Settlement Agreement.

DATED at Toronto, Ontario this 5th day of September 2024.

"Barry Bresner"

Barry Bresner, Chair

"Richard Austin"

Richard Austin, Industry Member

"Emily Jelich"

Emily Jelich, Industry Member

[4] 2019 IIROC 29

[5] 2019 IIROC 34

Appendix 'A'
Settlement Agreement

IN THE MATTER OF:

The Investment Dealer and Partially Consolidated Rules

and

Stifel Nicolaus Canada Inc.

SETTLEMENT AGREEMENT

PART I – INTRODUCTION

¶ 1 The Canadian Investment Regulatory Organization ("CIRO")i will issue a Notice of Application to announce a settlement hearing pursuant to sections 8215 and 8428 of the Investment Dealer and Partially Consolidated Rules (the "Investment Dealer Rules") to consider whether a hearing panel should accept this Settlement Agreement between Enforcement Staff and Stifel Nicolaus Canada Inc. ("Stifel" or the "Respondent").

PART II – JOINT SETTLEMENT RECOMMENDATION

¶ 2 Enforcement Staff and the Respondent jointly recommend that the hearing panel accept this Settlement Agreement in accordance with the terms and conditions set out below.

PART III – AGREED FACTS

¶ 3 For the purposes of this Settlement Agreement, the Respondent agrees with the facts as set out in Part III of this Settlement Agreement.

Overview

¶ 4 In April and May 2020, in the course of seeking expressions of interest in connection with two separate proposed bought deal block trade transactions for two publicly listed issuers, information was communicated to certain hedge fund clients by two Stifel employees: (1) the Managing Director, Institutional Equity Sales ("Stifel Employee A"); and (2) the Managing Director, Sales ("Stifel Employee B").

¶ 5 The information ought to have been identified as potentially confidential information and evaluated to determine what specific communications were permissible in the circumstances.

¶ 6 Following the communications of the information at issue, two of the hedge fund clients, entered short sell transactions at other Dealer Members which may have allowed them to profit on the information communicated to them. These short sale orders were undertaken without Stifel's knowledge and were not executed by Stifel.

¶ 7 The integrity of the capital markets requires Regulated Persons to adhere to the highest standards when dealing with potentially confidential information.

Facts

¶ 8 As of March 2020, Stifel was subject to and following federal and provincial lockdown guidelines regarding the COVID-19 pandemic, which required them to operate 100% remotely.

<u>Issuer 1 Transaction</u>

¶ 9 In May 2020, a shareholder ("Shareholder 1") of Issuer 1 entered into an agreement with Stifel and another Dealer Member to divest a portion of its holdings in Issuer 1 by way of a bought deal block trade (the "Issuer 1 Transaction").

¶ 10 On April 13, 2020, Stifel had contacted Shareholder 1 highlighting recent deals that Stifel had worked on, and proposed a discussion on how Shareholder 1 may want to consider a block trade deal for their holdings in Issuer 1.

Stifel Employee A Communications

¶ 11 At 12:00 p.m. on May 6, 2020, Stifel Employee A attended an internal meeting with Stifel's investment banking team at which a potential Issuer 1 Transaction was discussed. At that stage, there was no mandate from Shareholder 1 and there had been no meaningful discussions between Shareholder 1 and Stifel.

¶ 12 At 12:23 p.m., following the internal meeting, the Stifel Employee A contacted XX, a portfolio manager at Hedge Fund 1 asking, "Call me when free".

¶ 13 At 12:35 p.m., XX called Stifel Employee A and they had a conversation lasting approximately 3 minutes.

¶ 14 Approximately 20 minutes after their conversation, XX entered short sale orders at two different Dealer Members totaling 200,000 shares of Issuer 1, of which 162,700 was filled at an average price of $6.687. Stifel had no knowledge that these short sale orders had been entered.

¶ 15 Subsequent communications between the Stifel Employee A and XX indicate that they further discussed the broader market support in the potential Issuer 1 Transaction and Hedge Fund 1's specific interest in participating for 1 million shares or units.

¶ 16 At 9:00 a.m. on May 7, 2020, Stifel had an internal Liability Committee call seeking approval to propose terms to Shareholder 1. The Stifel Employee A was a member of the Liability Committee and confirmed his approval. Shortly thereafter, Stifel presented a bought deal engagement letter to Shareholder 1.

¶ 17 Between 9:30 a.m. and 12:20 p.m. on May 7, the Stifel Employee A and XX exchanged numerous Bloomberg messages relating to a potential Issuer 1 Transaction. In these messages, XX said "lets get the ball rolling" and "we trying?" to which Stifel Employee A responded "Yep." "Big time." Stifel Employee A later advised "Fish on the line", "Not on the boat" and "next call at 130 pm".

¶ 18 At 2:25 p.m. on May 7, 2020, Stifel was advised that Shareholder 1 would be proceeding with the Issue 1 Transaction and that Stifel would co-lead the offering.

¶ 19 At 2:55 p.m., the Stifel Employee A received an email sent to the Stifel Liability Committee advising of the terms and timing of the Issuer 1 Transaction.

¶ 20 At 2:57 p.m., the Stifel Employee A messaged XX "Tonight". At 3:01 p.m., XX entered a short sale order at a different Dealer Member for 100,000 shares of Issuer 1, which was fully filled at an average price of $6.99. Stifel had no knowledge that this short sale order was entered.

¶ 21 On May 7, 2020, at 4:31 p.m., Shareholder 1 announced an offering of 20,000,000 units at a price of $6.35. Each unit consisted of one Issuer 1 share and one half of a private placement common share purchase warrant. This offering was subsequently upsized to 23,900,000 units.

¶ 22 In total, following communications with Stifel Employee A, XX placed short sales of 262,700 shares of Issuer 1 on May 6 and 7 at an average price of approximately $6.80. These orders were entered within minutes of conversations between Stifel Employee A and XX, at other Dealer Members and without Stifel's knowledge. Based on the offering price of $6.35 per unit, these short sales resulted in a potential profit to the Hedge Fund of approximately $118,945.

Issuer 2 Transaction

¶ 23 In April 2020, Shareholder 2 entered into an agreement with Stifel and another Dealer Member to divest

a portion of its holdings in Issuer 2 by way of a bought deal block trade (the "Issuer 2 Transaction").

¶ 24 On April 8, 2020, Stifel initiated discussions with Shareholder 2 about a potential block trade deal of its shares in Issuer 2. These discussions were in part in response to a strong gold price reaction to news of U.S. stimulus in the face of the COVID-19 pandemic.

Stifel Employee A Communications

¶ 25 On April 9, 2020, the Stifel Employee A contacted two clients about a potential Issuer 2 Transaction. At 11:20 a.m., the Stifel Employee A messaged representatives of Hedge Fund 1 advising that Stifel was "trying to place 12 mm shares [Issuer 2] from [Shareholder 2] at $9.50 to $10".

¶ 26 Less than 4 minutes later, Hedge Fund 1 entered a short sale order at a different Dealer Member for 100,000 shares of Issuer 2, of which 91,000 was filled at an average price of $10.663. Stifel had no knowledge that this short sale order was entered.

¶ 27 At 11:30 and 11:38 a.m., the Stifel Employee A advised other Stifel employees that Hedge Fund 1 indicated that it would take 1 million shares of the Issuer 2 Transaction.

¶ 28 At 11:43 a.m. and 12:34 p.m., Hedge Fund 1 entered short sale orders at two different Dealer Members totaling 200,000 shares of Issuer 2, of which 175,751 was filled at an average price of $10.682. Stifel had no knowledge that these short sale orders were entered.

¶ 29 Between 1:33 and 1:58 p.m., the Stifel Employee A and XX exchanged numerous Bloomberg messages relating to the Issuer 2 Transaction.

¶ 30 At 2:27 p.m. the Stifel Employee A suggested to another colleague at Stifel that "[Issuer 2] could be 19mm shares at $10" and that "Hedge Fund 1 there for 1 mm shares+".

¶ 31 At 3:20 p.m., Issuer 2 was added to Stifel's "Watch List".

¶ 32 At 3:36 p.m., the Stifel Employee A messaged XX advising "Looks like 7.5 mm units at $10. 9 month ½ warrant at $13.50... they would do up to 12 mm units".

¶ 33 At 3:43 p.m., Hedge Fund 1 entered a short sale order at a different Dealer Member for 100,000 shares of Issuer 2, which was fully filled at an average price of $10.789. Stifel had no knowledge that this short sale order was entered.

¶ 34 At 4:00 p.m., Stifel's Liability Committee had a call to approve the block trade of 7.5 million units of Issuer 2. Shortly thereafter, Stifel and Shareholder 2 agreed to proceed with selling units at a price of $10.00, with the engagement letter to be settled concurrently.

¶ 35 At 8:03 p.m., Stifel's Liability Committee had a call to approve an upsize of the Issuer 2 Transaction to 12 million units. Stifel Employee A was a member of the Liability Committee and confirmed his approval.

¶ 36 On April 10, 2020 (Good Friday), the engagement letter between Shareholder 2, Stifel and the other Dealer Member was fully executed.

¶ 37 On Monday, April 13, 2020, at 7:00 a.m., Shareholder 2 issued a press release announcing the sale of 12 million units, consisting of one Issuer 2 share and ½ warrant at a price of $10.00.

¶ 38 Hedge Fund 1 entered an expression of interest for 1.4 million units and received a full allocation.

¶ 39 In total, following communications with Stifel Employee A, Hedge Fund 1 placed short sales of 366,751 shares of Issuer 2 on April 9 at an average price of approximately $10.71, at other Dealer Members and without Stifel's knowledge. Based on the offering price of $10.00 per unit, these short sales resulted in a potential profit to the Hedge Fund of approximately $258,561.

Stifel Employee B Communications

¶ 40 On April 8 and 9, 2020, Stifel Employee B contacted multiple clients about the Issuer 2 Transaction.

¶ 41 On April 9 at 11:38 a.m., YY of Hedge Fund 2 ("Hedge Fund 2") contacted Stifel Employee B asking "Hearing anythign [sic] [Issuer 2]?". Stifel Employee B replied "yes", "working on a block".

¶ 42 At 11:39 a.m., YY messaged Stifel Employee B "calling" and "have a quick q".

¶ 43 Less than 20 minutes after that message, YY began entering short sale orders on both Canadian and U.S. markets at another Dealer Member. YY entered four orders totaling 160,000 shares of Issuer 2, of which 152,600 was filled at an average price of $10.637. Stifel had no knowledge that these short sale order were entered. Based on the offering price of $10.00 per unit, these short sales resulted in a potential profit to Hedge Fund 2 of approximately $97,218.

¶ 44 At 12:11 p.m., YY messaged Stifel Employee B "Id buy at least 100k ifi something transpires [sic]". Hedge Fund 2 ultimately entered an expression of interest for 600,000 units and received a fill of 470,000 units.

¶ 45 Employee B also approached several other clients during regular trading hours on April 8 and April 9 about potential interest in the Issuer 2 Transaction. He specifically mentioned in these communications "Issuer 2", a "gold deal", "we have something big brewing on Issuer 2" "may have a unit deal in hand" and confirmed with one client that they would participate for $5m at "9.50 w 2yr full warrant". A number of these communications refer to or suggest a telephone call in which the Issuer 2 Transaction was discussed in further detail.

¶ 46 There is no evidence that these clients placed any trades in Issuer 2 on these days.

Stifel's Contravention

¶ 47 Stifel had policies and procedures ("P&Ps") in place at the time regarding information barriers. The P&Ps provide examples of information that may be considered confidential, and also recognize that "the exercise of judgement" is required when dealing with potentially confidential information and that "any given piece of information must be considered in light of the circumstances in a particular case" before a determination of confidentiality can be made. Stifel's employees are required to report any potential violation of its regulatory policies and procedures as soon as they become aware of it so that any necessary corrective action(s) can be taken as soon as possible.

¶ 48 The communications described above were not brought to the attention of Stifel's compliance department for review. By failing to do so, Stifel failed to determine whether any necessary corrective action(s) were required.

¶ 49 As a result, in April and May 2020, Stifel failed to enforce a system to supervise the activities of its employees with respect to the containment of confidential information contrary to Dealer Member Rule 38.1.

¶ 50 Stifel has a history of regulatory compliance and no prior regulatory enforcement record with CIRO.

¶ 51 Stifel cooperated by participating in a mediation process with an experienced mediator that ultimately led to this settlement.

PART IV – CONTRAVENTIONS

¶ 52 By engaging in the conduct described above, the Respondent committed the following contraventions of CIRO requirements:

(i) In April and May 2020, Stifel failed to enforce a system to supervise the activities of its employees regarding the receipt and containment of confidential information contrary to Dealer Member Rule 38.1.

PART V – TERMS OF SETTLEMENT

¶ 53 The Respondent agrees to the following sanctions and costs:

(i) Fine in the amount of $475,000

(ii) Costs in the amount of $25,000.

¶ 54 If this Settlement Agreement is accepted by the hearing panel, the Respondent agrees to pay the amounts referred to above within 30 days of such acceptance unless otherwise agreed between Enforcement Staff and the Respondent.

PART VI – STAFF COMMITMENT

¶ 55 If the hearing panel accepts this Settlement Agreement, Enforcement Staff will not initiate any further action against the Respondent in relation to the facts set out in Part III and the contraventions in Part IV of this Settlement Agreement, subject to the provisions of the paragraph below.

¶ 56 If the hearing panel accepts this Settlement Agreement and the Respondent fails to comply with any of the terms of this Settlement Agreement, Enforcement Staff may bring proceedings under Investment Dealer Rule 8200 against the Respondent. These proceedings may be based on, but are not limited to, the facts set out in Part III of this Settlement Agreement.

PART VII – PROCEDURE FOR ACCEPTANCE OF SETTLEMENT

¶ 57 This Settlement Agreement is conditional on acceptance by the hearing panel.

¶ 58 This Settlement Agreement shall be presented to a hearing panel at a settlement hearing in accordance with sections 8215 and 8428 of the Investment Dealer Rules, in addition to any other procedures that may be agreed upon between the parties.

¶ 59 Enforcement Staff and the Respondent agree that this Settlement Agreement will form all the agreed facts that will be submitted at the settlement hearing, unless the parties agree that additional facts should be submitted at the settlement hearing. If the Respondent does not appear at the settlement hearing, Staff may disclose additional relevant facts, if requested by the hearing panel.

¶ 60 If the hearing panel accepts this Settlement Agreement, the Respondent agrees to waive all rights under the Rules of CIRO and any applicable legislation to any further hearing, appeal and review.

¶ 61 If the hearing panel rejects this Settlement Agreement, Enforcement Staff and the Respondent may enter into another settlement agreement or Enforcement Staff may proceed to a disciplinary hearing based on the same or related allegations.

¶ 62 The terms of this Settlement Agreement are confidential unless and until this Settlement Agreement has been accepted by the hearing panel.

¶ 63 This Settlement Agreement will become available to the public upon its acceptance by the hearing panel and CIRO will post a copy of this Settlement Agreement on the CIRO website. CIRO will publish a notice and news release of the facts, contraventions, and the sanctions agreed upon in this Settlement Agreement and the hearing panel's written reasons for its decision to accept this Settlement Agreement.

¶ 64 If this Settlement Agreement is accepted, the Respondent agrees that neither they nor anyone on their behalf, will make a public statement inconsistent with this Settlement Agreement.

¶ 65 This Settlement Agreement is effective and binding upon the Respondent and Enforcement Staff as of the date of its acceptance by the hearing panel.

PART VIII – EXECUTION OF SETTLEMENT AGREEMENT

¶ 66 This Settlement Agreement may be signed in one or more counterparts which together will constitute a binding agreement.

¶ 67 An electronic copy of any signature will be treated as an original signature.

DATED this "12" day of "July", 2024.

"Witness"
Witness

"Stifel Nicolaus Canada Inc."
Per: "Christopher Hill"

Stifel Nicolaus Canada

"Rob DelFrate"
Rob DelFrate
Enforcement Counsel on behalf of Enforcement Staff of the
Canadian Investment Regulatory Organization

The Settlement Agreement is hereby accepted this "14" day of "August" 2024 by the following Hearing panel:

Per: Barry Bresner
Chair

Per: Richard Austin
Industry Member

Per: "Emily Jelich"
Industry Member