

The investment industry continues to implement new rules and procedures in an effort to bring more transparency to the costs associated with investment services. We wanted to take this opportunity to inform you of additional information that we will be supplying on confirmations we send you for certain debt securities transacted with Stifel.

The Securities and Exchange Commission (SEC) approved amendments to Financial Industry Regulatory Authority (FINRA) and Municipal Securities Rulemaking Board (MSRB) rules on customer confirmations effective May 14, 2018. Those revised rules require member firms to disclose additional transaction-related information to retail customers for trades in certain fixed income securities. Specifically, the rules require a member to disclose the amount of markup or markdown from “prevailing market prices” for trades with retail customers in all municipal, corporate, and agency debt securities if the member executes an offsetting principal trade(s) of equal or greater size in the same security on the same trading day. The information disclosed will be the total markup or markdown from the prevailing market price in both total dollars and percentage per transaction.

The prevailing market price for a security will not always be the same as our actual cost for the security. Also, markup and markdown take into account a number of out-of-pocket costs, such as regulatory fees, so markup and markdown are not necessarily the same as our profit or loss on a transaction. We are required to pay you a price, or sell you securities at a price, that is fair and reasonable under market conditions at the time of your trade. If we paid more for a security than is fair and reasonable at the time of your trade, we may incur a loss. We will then disclose our markup or markdown as “N/A.”

The amended rule also requires members to disclose two additional items on all retail customer confirmations for municipal, corporate, and agency debt security trades:

- A reference, and a hyperlink if the confirmation is electronic, to a web page hosted by FINRA or the MSRB, and
- The execution time of the transaction.

On the MSRB website, you will be able to compare your price with other trades in the same security, review any offering document prepared for your security, check the current credit rating on your security, and review any disclosure about your security prepared after the date of issue. On the FINRA website, you will be able to compare your price with other trades in the same security, review any prospectus for your security, and check the current credit and other rating elements for your security. Both websites contain other information that may be useful to you as an investor.

If you have any questions about these disclosure rules, please feel free to contact your Stifel Financial Advisor.