

NASDAQ OMX BX, INC.
NOTICE OF ACCEPTANCE OF AWC

Certified, Return Receipt Requested

TO: Jefferies LLC
Mr. Michael J. Sharp
Executive Vice President and General Counsel
520 Madison Avenue
16th Floor
New York, NY 10022

FROM: The NASDAQ OMX BX, Inc. (the "Exchange")
c/o Financial Industry Regulatory Authority ("FINRA")
Department of Market Regulation
9509 Key West Avenue
Rockville, MD 20850

DATE: January 15, 2016

RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20130362190-01

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **January 14, 2016** by the Exchange Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Exchange Review Council, pursuant to Nasdaq OMX BX Rule 9216. A copy of the AWC is enclosed herewith.

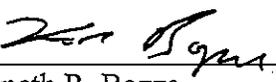
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or the Exchange if you are not a member of FINRA) in writing of any change of address or other changes required to be made to your Form BD.

You are reminded that Section I of the attached Letter of Acceptance, Waiver, and Consent includes an undertaking. In accordance with the terms of the AWC, a registered principal of the firm is required to notify the Compliance Assistant, Legal Section, Market Regulation Department, 9509 Key West Avenue, Rockville, MD 20850, of completion of the undertaking.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by the Nasdaq's Finance Department regarding the payment of any fine if a fine has been imposed.

Jefferies LLC
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If you have any questions concerning this matter, please contact Jason Harman, Senior Counsel, at 646-430-7046.



Kenneth R. Bozza
Chief Counsel, Legal Section
Department of Market Regulation

Signed on behalf of Nasdaq OMX BX, Inc.

Enclosure

FINRA District 10 – New York
Michael Solomon
Senior Vice President and Regional Director
(Via email)

NASDAQ OMX BX, INC.
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20130342190-01

TO: NASDAQ OMX BX, Inc.
c/o Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Jefferies LLC, Respondent
Broker-Dealer
CRD No. 2347

Pursuant to Chapter XXX of the Grandfathered Rules of NASDAQ OMX BX, Inc. (the "Exchange")¹ and Rule 9216 of the Exchange Code of Procedure, Jefferies LLC (the "Firm") submits this Letter of Acceptance, Waiver and Consent ("AWC") for the purpose of proposing a settlement of the alleged rule violations described below. This AWC is submitted on the condition that, if accepted, the Exchange will not bring any future actions against the Firm alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The Firm hereby accepts and consents, without admitting or denying the findings, and solely for the purposes of this proceeding and any other proceeding brought by or on behalf of the Exchange, or to which the Exchange is a party, prior to a hearing and without an adjudication of any issue of law or fact, to the entry of the following findings by the Exchange:

BACKGROUND

The Firm became a member of FINRA in March 1963, and became a member of the Boston Options Exchange ("BOX") in March 2008, and at all times relevant to this matter, its registrations remained in effect. From August 29, 2008 until May 14, 2012, BOX was a facility of the Exchange. Under the terms of its Options Participation Agreement with the Exchange, the Firm agreed, among other things, to be bound by the Rules of the Exchange, as amended, including the Grandfathered Boston Options Exchange Group LLC Rules, and to be subject to the Exchange's jurisdiction and oversight. The Firm has no relevant prior disciplinary history.

¹ The applicable Rules and authority for this action can be found in the By-Laws of the Exchange, the Rules of NASDAQ OMX BX and the Grandfathered Rules of the Exchange (collectively, the "BOX Rules").

SUMMARY AND OVERVIEW

In Matter Nos. 20130362190 and 20140401621, the Department of Market Regulation's ("Market Regulation") Options Regulation Staff conducted a review, on behalf of the Exchange, of the Firm's compliance with the rules related to the reporting of options positions to the Options Clearing Corporation's ("OCC") Large Options Position Reporting ("LOPR") system for the period of January 19, 2010 through May 13, 2012 (the "Review Period").

As a result of its reviews, Market Regulation determined that, during the Review Period, the Firm failed to report and/or inaccurately reported positions to the OCC LOPR in approximately 11,169 instances.¹ In addition, the Firm failed to establish and maintain adequate supervisory procedures, including written supervisory procedures ("WSPs"), and failed to implement an adequate system of follow-up and review, reasonably designed to ensure compliance with the proper reporting of positions on the LOPR.

FACTS AND VIOLATIVE CONDUCT

Review Nos. 20130362190 and 20140401621

1. LOPR data is used extensively by self-regulatory organizations to identify holders of large options positions who may be attempting to manipulate the market or otherwise violate securities rules and regulations. The accuracy of LOPR data is essential for the analysis of potential violations related to, among other things, insider trading, position limits, exercise limits, front-running, capping and pegging, mini-manipulation, and marking-the-close.
2. During the Review Period, in approximately 5,533 instances, the Firm inaccurately reported positions to the LOPR with the wrong effective date. The conduct described in this paragraph constitutes a violation of BOX Rules, Chapter III, Sec. 10.
3. During the Review Period, in approximately 3,118 instances, the Firm inaccurately reported positions to the LOPR without a proper tax identification code. The conduct described in this paragraph constitutes a violation of BOX Rules, Chapter III, Sec. 10.
4. During the Review Period, the Firm failed to report equity hedge positions to the LOPR in approximately 2,518 instances. The conduct described in this paragraph constitutes a violation of BOX Rules, Chapter III, Sec. 10.

¹ An "instance" is a single failure to report, or inaccurately report, a reportable option position. The number of instances is determined by multiplying a given reportable position by the number of trade dates the position was not reported or was reported incorrectly.

Supervision

5. During the Review Period, the Firm failed to establish and maintain a supervisory system that was reasonably designed to achieve compliance with the applicable securities laws and regulations, and BOX Rules, concerning the reporting of positions to the LOPR. In addition, the Firm's supervisory system did not include sufficient WSPs to ensure the proper reporting of positions to the LOPR, including a review of rejected LOPR submissions, reporting of hedge positions, reviews for accounts acting in-concert, and ensuring that positions were submitted with the appropriate address where the account is domiciled, tax type and tax identification data. The conduct described in this paragraph constitutes a violation of BOX Rules, Chapter III, Sec. 2(a)(i).

OTHER FACTORS

6. In determining to resolve this matter on the basis set forth herein, Market Regulation took into consideration the fact that the majority of the LOPR positions that were inaccurately reported by the Firm had either a minimal or, in certain instances, no impact on the ability of regulatory staff to conduct surveillances for potential violations of securities laws.

B. The Firm also consents to the imposition of the following sanctions:

1. A censure,
2. A fine of \$17,500, and
3. An undertaking requiring the Firm to address the LOPR reporting deficiencies described above to ensure that the Firm has implemented procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein. Within 60 days after the date of the issuance of a Notice of Acceptance of this AWC, a registered principal of the Firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter providing the following information: (i) a reference to this matter; (ii) a representation that the Firm has addressed the deficiencies described above; and (iii) the date(s) that this was completed.

The Firm agrees to pay the monetary sanction(s) in accordance with its executed Election of Payment Form.

The Firm specifically and voluntarily waives any right to claim that it is unable to pay, now or at any time hereafter, the monetary sanction(s) imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

II.

WAIVER OF PROCEDURAL RIGHTS

The Firm specifically and voluntarily waives the following rights granted under the Exchange's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the Firm;
- B. To be notified of the Formal Complaint and have the opportunity to answer the allegations in writing;
- C. To defend against the allegations in a disciplinary hearing before a hearing panel, to have a written record of the hearing made and to have a written decision issued; and
- D. To appeal any such decision to the Exchange Review Council and then to the U.S. Securities and Exchange Commission and a U.S. Court of Appeals.

Further, the Firm specifically and voluntarily waives any right to claim bias or prejudice of the Chief Regulatory Officer, the Exchange Review Council, or any member of the Exchange Review Council, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including acceptance or rejection of this AWC.

The Firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of Exchange Rule 9143 or the separation of functions prohibitions of Exchange Rule 9144, in connection with such person's or body's participation in discussions regarding the terms and conditions of this AWC, or other consideration of this AWC, including its acceptance or rejection.

III.

OTHER MATTERS

The Firm understands that:

- A. Submission of this AWC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by FINRA's Department of Market Regulation and the Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Exchange Rule 9216;
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and

C. If accepted:

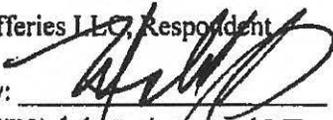
1. This AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by the Exchange or any other regulator against the Firm;
2. The Exchange may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Exchange Rule 8310 and IM-8310-3; and
3. The Firm may not take any action or make or permit to be made any public statement, including in regulatory filings or otherwise, denying, directly or indirectly, any finding in this AWC or create the impression that the AWC is without factual basis. The Firm may not take any position in any proceeding brought by or on behalf of the Exchange, or to which the Exchange is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the Firm's right to take legal or factual positions in litigation or other legal proceedings in which the Exchange is not a party.

D. The Firm may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Firm understands that it may not deny the charges or make any statement that is inconsistent with the AWC in this Statement. This Statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange or its staff.

The undersigned, on behalf of the Firm, certifies that a person duly authorized to act on its behalf has read and understands all of the provisions of this AWC and has been given a full opportunity to ask questions about it; that it has agreed to the AWC's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein and the prospect of avoiding the issuance of a Complaint, has been made to induce the Firm to submit it.

12-16-2015
Date

Accepted by the Exchange:
1/14/16
Date

Jefferies LLC, Respondent
By: 
Name: MICHAEL J. SHARP
Title: EVP, GENERAL COUNSEL

Kenneth R. Bozza
Kenneth R. Bozza
Chief Counsel, Legal Section
Department of Market Regulation

Signed on behalf of the Exchange, by
delegated authority from the Director of ODA

ELECTION OF PAYMENT FORM

The Firm intends to pay the fine proposed in the attached Letter of Acceptance, Waiver and Consent by the following method (check one):

- A Firm check or bank check for the full amount;
- Wire transfer;
- The installment payment plan.¹
 - Monthly
 - Quarterly

Respectfully submitted,
Respondent Jefferies LLC

12-16-2015
Date

By: 
Name: MICHAEL J. SHARP
Title: V.P., GENERAL COUNSEL

¹ The installment payment plan is only available for a fine of \$50,000 or more. Certain requirements apply.