

**THE NASDAQ STOCK MARKET LLC  
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  
New York, NY 10022**

**FROM: The NASDAQ Stock Market LLC ("Nasdaq")  
c/o Financial Industry Regulatory Authority ("FINRA")  
Department of Enforcement  
9509 Key West Avenue  
Rockville, MD 20850**

**DATE: December 18, 2017**

**RE: Notice of Acceptance of Letter of Acceptance, Waiver and Consent No. 20130371845-01**

**Please be advised** that your above-referenced Letter of Acceptance, Waiver and Consent ("AWC") has been accepted on **December 18, 2017** by the Nasdaq Review Council's Review Subcommittee, or by the Office of Disciplinary Affairs on behalf of the Nasdaq Review Council, pursuant to Nasdaq Rule 9216. A copy of the AWC is enclosed herewith.

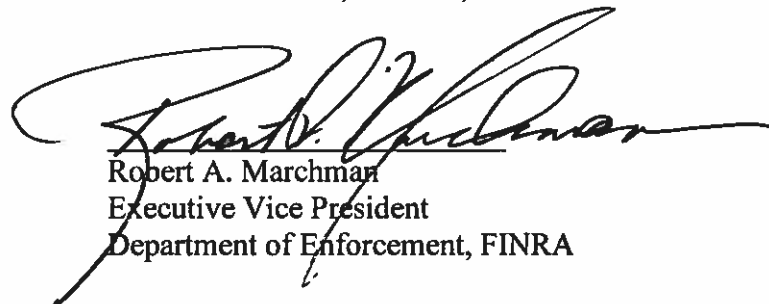
You are again reminded of your obligation, if currently registered, immediately to update your Uniform Application for Broker-Dealer Registration ("Form BD") to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA (or NASDAQ if you are not a member of FINRA) in 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, Department of Enforcement, 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 NASDAQ's Finance Department regarding the payment of any fine if a fine has been imposed.

Jefferies LLC  
Page 2

If you have any questions concerning this matter, please contact John Hewson, Counsel,  
at (646) 430-7041.



Robert A. Marchman  
Executive Vice President  
Department of Enforcement, FINRA  
Signed on behalf of NASDAQ

Enclosure

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

MaryJeanette Dee, Esq.  
Counsel for Respondent  
Sheppard Mullin Richter & Hampton LLP  
30 Rockefeller Plaza  
New York, NY 10112-0015

**THE NASDAQ STOCK MARKET LLC  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20130371845-01**

TO: The NASDAQ Stock Market LLC  
c/o Department of Enforcement  
Financial Industry Regulatory Authority ("FINRA")

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

Pursuant to Rule 9216 of The NASDAQ Stock Market LLC ("Nasdaq") Code of Procedure, Jefferies LLC ("JEFF" or 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, Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

**BACKGROUND**

JEFF has been a FINRA member since March 1, 1963, a Nasdaq member since July 12, 2006, and a member of the U.S. Securities and Exchange Commission ("SEC") since September 17, 1969. JEFF's registrations remain in effect.

**RELEVANT PRIOR DISCIPLINARY HISTORY**

In AWC 20110286830 (December 21, 2011) (the "2011 AWC"), the Firm was fined \$20,000 for its failure to have risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders by rejecting orders that exceed appropriate price and/or size parameters, on an order-by-order basis or over a short period of time. The Firm also agreed to an undertaking to revise its controls and written supervisory procedures ("WSPs") for its violations of Rule 15c3-5(c)(1)(ii) of the Securities Exchange Act of 1934 ("SEC Rule 15c3-5") and Nasdaq Rules 2110 and 3010 (the "2011 Undertaking").

**SUMMARY**

1. This matter involves the Firm's inadequate SEC Rule 15c3-5 controls from February 2012 through the present (the "Review Period"). Although the Firm had been sanctioned for inadequate SEC Rule 15c3-5 procedures and controls in the

above-cited 2011 AWC, JEFF did not start a comprehensive review of its SEC Rule 15c3-5 controls and procedures until 2016.

2. The 2011 Undertaking required the Firm to revise its WSPs and its pre-order controls to bring the Firm into compliance with SEC Rule 15c3-5(c)(1)(ii). Although the 2011 Undertaking did not specify the precise pre-order controls to be revised, the Firm understood that, based on the conduct cited in the 2011 AWC, it was to reduce its maximum share quantity (“SOQ”) controls. By letter dated February 16, 2012, the Firm represented to FINRA that it had met the obligations of the 2011 Undertaking by implementing revised controls and WSPs.
3. Subsequently, as the result of an erroneous order entered on Nasdaq by JEFF on June 3, 2013, the Market Regulation Department of FINRA (the “MRD Staff”) began an investigation and discovered, contrary to written representations to FINRA, that although the Firm had revised its WSPs by February 16, 2012, it failed to reduce its SOQ control in its order management system (Fidessa) (the “SOQ Control”) until August 30, 2013. As a result, the Firm was not in compliance with the 2011 Undertaking for 18 months after the Firm represented otherwise to FINRA. This failure was a direct result of a lack of an adequate supervisory system to ensure compliance with regulatory undertakings.
4. Additionally, when the Firm learned of its failure to reduce the SOQ Control pursuant to the 2011 Undertaking, it failed to correct its previous misstatement to FINRA and provided misleading and/or inaccurate information to FINRA.
5. Based on the above paragraphs, the Firm violated Nasdaq Rules 2110 (for conduct before November 21, 2012) and 2010A (for conduct on or after November 21, 2012) for failing to comply with the 2011 Undertaking and for failing to correct its previous misstatement to FINRA that the Firm was in compliance with the 2011 Undertaking.
6. Additionally, based on the above paragraphs, the Firm violated Nasdaq Rules 3010, 2110 (for conduct before November 21, 2012), and 2010A (for conduct on or after November 21, 2012) because the Firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to securities laws and regulations, and the rules of the Nasdaq, to ensure compliance with the 2011 Undertaking.
7. Furthermore, based on the above paragraphs, the Firm violated SEC Rules 15c3-5(b), (c)(1)(i), (c)(1)(ii), and (e)(1); and Nasdaq Rules 3010, 2110 (for conduct before November 21, 2012), and 2010A (for conduct on or after November 21, 2012).
8. Finally, based on the above paragraphs, the Firm violated Nasdaq Rules 8210, 2110 (for conduct before November 21, 2012), and 2010A (for conduct on or after November 21, 2012) for providing FINRA with misleading and/or inaccurate information in connection with an investigation.

## FACTS AND VIOLATIVE CONDUCT

### Background

#### *The 2011 AWC and Undertaking*

9. The 2011 AWC was triggered by the entry of an order for a customer as a market, not-held order instead of separate limit on close orders on July 27, 2011. The Firm filed a clearly erroneous petition with Nasdaq regarding the purchase of 388,970 shares of XYZ<sup>1</sup> stock. As a result of the investigation, the Firm was fined \$20,000 for its failure to have risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders by rejecting orders that exceed appropriate price and/or size parameters, on an order-by-order basis or over a short period of time. Additionally, the Firm also agreed to an undertaking to revise its controls and WSPs for its violations of SEC Rule 15c3-5(c)(1)(ii) and Nasdaq Rules 2110 and 3010.
10. In response to the 2011 Undertaking, the Firm made the decision to lower its SOQ Control and subsequently represented to FINRA in a letter dated February 16, 2012, that it had implemented revised controls and WSPs to address the deficiencies outlined in the 2011 AWC.
11. However, in the course of investigating another erroneous order by JEFF in 2013, discussed below, FINRA discovered that the Firm did not actually lower the SOQ Control until August 30, 2013, and did not correct its previous misstatement to FINRA.

#### *2013 Market Event*

12. On June 3, 2013, JEFF filed a clearly erroneous petition in ABC security with Nasdaq MarketWatch (“MarketWatch”) at approximately 9:31 a.m. for the entry of an order that resulted in the execution of 26,800 shares between the prices of \$51.32 and \$51.94 (the “ABC Market Event”). Nasdaq cancelled all trades at or below \$51.96 that executed on the Nasdaq between 9:31:00 and 9:32:00.
13. The Firm utilized Fidessa to execute the order in ABC. The Firm filed the clearly erroneous petition because it entered a market order, instead of a limit order, that also had an incorrect quantity. Specifically, the Firm received a client limit order to sell 2,500 shares of ABC with a \$53.50 limit; however, its trader inadvertently entered an order to sell 247,700 shares at the market. The order resulted in the execution of 26,800 shares between the prices of \$51.32 and \$51.94. Immediately prior to the order at 9:31:42, the Protected Best Bid was \$52.01 and the Protected Best Offer (collectively “PBBO”) was \$52.33. The Firm incurred a loss of approximately \$65,631.

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<sup>1</sup> A generic modifier has been used in place of the name of referenced securities.

14. The number of shares in the clearly erroneous filing (26,800) was 2.59% of ABC's average daily volume ("ADV") during the month of June 2013 (1,035,200), and 2.39% of the ADV for the month prior to the ABC Market Event (1,119,332). Moreover, the market order (247,700) was 23.93% of ABC's ADV during the month of June 2013, and was 22.13% of the ADV for the month prior to the ABC Market Event. As a result of the erroneous market order, the inside market moved 2.47%. No other market impact was identified by FINRA.

#### **Failure to Comply with 2011 Undertaking**

15. At the time the Firm entered into the 2011 AWC, the Firm did not have a supervisory system reasonably designed to achieve compliance with regulatory undertakings.<sup>2</sup> Instead, the Firm relied on personnel familiar with the regulatory undertaking to achieve compliance. Accordingly, it was not clear who at the Firm had ultimate responsibility for compliance with the 2011 Undertaking as between the Compliance Department and the Equities Department, including its Operations and Technology group.
16. In order to comply with the 2011 Undertaking, a former Senior Compliance Officer ("Former Compliance Officer") instructed the Equities Department, including Technology, to reduce the SOQ Control on February 14, 2012.
17. The Firm also revised its WSPs to reflect that the SOQ Control was lowered. On February 16, 2012, the Firm represented to FINRA that it had complied with the 2011 Undertaking.
18. However, the Firm did not change the SOQ Control because the Equities Department decided that additional discussion was needed prior to making the requested change to avoid the possibility of impairing customer trading.
19. As a result, as both the Equities and Compliance Departments knew or should have known, the Firm did not change the SOQ Control in response to the 2011 Undertaking. Rather, the Firm only did so after it was contacted by FINRA in response to the ABC Market Event in August 2013.
20. Additionally, during the period from February 2012 through August 2013, there were multiple internal communications indicating that the Equities Department had not lowered the SOQ Control.
21. For example, on April 26, 2012, the Former Compliance Officer received an e-mail from a Senior Vice President in Technology stating, in relevant part, "[i]n Feb, you said decrease the 15c3-5 limit . . . . The limits are still [the same] as of today. If they should be changed, we should discuss new levels[.]"
22. Additionally, in June 2012 and June 2013, the Former Compliance Officer was again notified that the SOQ Control remained unchanged. However, despite these

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<sup>2</sup> The Firm has since implemented a tracking system through web application platforms.

indications, FINRA was not notified of the Firm's failure to lower the SOQ Control in compliance with the 2011 Undertaking until MRD Staff sought additional information from the Firm in 2015.

23. The Firm finally lowered the SOQ Control on August 30, 2013, after it received requests from FINRA regarding the ABC Market Event. However, as described below, the Firm did not correct its previous misstatement to FINRA that it was in compliance with the 2011 Undertaking.
24. During the Review Period, Nasdaq Rule 3010 required every member to establish and maintain a system designed to supervise the activities of its registered representatives and associated persons, and that such system was reasonably designed to achieve compliance with applicable federal securities laws and regulations and Nasdaq rules. Additionally, Nasdaq Rules 2110 and 2010A required every member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.
25. The acts, practices, and conduct described above in paragraphs 15 to 24 constitute violations of Nasdaq Rules 2110 (for conduct before November 21, 2012) and 2010A (for conduct on or after November 21, 2012) by failing to (a) comply with the sanction imposed by the 2011 AWC requiring the imposition of the 2011 Undertaking; and (b) correct its previous misstatement to FINRA that the Firm was in compliance with the 2011 Undertaking.
26. The acts, practices, and conduct described above in paragraphs 15 to 24 constitute violations of Nasdaq Rules 3010, 2110 (for conduct before November 21, 2012), and 2010A (for conduct on or after November 21, 2012) because the Firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to securities laws and regulations, and the rules of the Nasdaq, to ensure compliance with the 2011 Undertaking.

#### **Misleading and/or Inaccurate Information Provided to FINRA**

27. In two written responses to FINRA information requests in September 2013, the Firm submitted misleading and/or inaccurate responses related to its compliance with the 2011 Undertaking.
28. The first letter was sent by the Former Compliance Officer to FINRA on September 5, 2013, and stated, in relevant part, that the SOQ controls were changed in February 2012, consistent with the 2011 AWC.
29. That letter was inaccurate because, although the Firm revised its WSPs to reflect that the SOQ controls were lowered in February 2012, the controls were not actually changed until August 30, 2013.
30. Further, on September 9, 2013, FINRA sent a follow-up inquiry regarding when the Firm's SOQ Control and WSPs were changed. The Firm responded on September 16, 2013, stating that Firm's WSPs were amended in February 2012.

However, with respect to when the SOQ Control was actually reduced, the Firm stated, "changes have been made," without including information as to the date of implementation. Additionally, the Firm failed to correct its prior misstatements.

31. Upon learning of the Firm's non-compliance in September 2013, certain Legal and Compliance personnel discussed the need to telephone FINRA and report that, while the Firm had been prompt in updating its WSPs in compliance with the 2011 Undertaking, the SOQ controls had not been lowered until August 30, 2013. A call with FINRA was scheduled but ultimately did not take place.
32. Therefore, the above responses remained unaddressed, and the Firm's failure to correct prior misstatements persisted until 2015 when MRD Staff sought additional information from the Firm that led to FINRA's discovery of the Firm's violations.
33. Upon the Firm's senior management learning in 2015 that the SOQ Control had not been lowered and that FINRA had been given misleading and/or inaccurate information, the Firm promptly instructed outside counsel to review all relevant facts and circumstances. As part of that review, the Firm cooperated with FINRA by voluntarily waiving all relevant privileges with respect to internal communications. In addition, it shared conclusions and findings of its internal investigation with FINRA.
34. The acts, practices, and conduct described above in paragraphs 27 to 32 constitute violations of Nasdaq Rules 8210, 2110 (for conduct before November 21, 2012), and 2010A (for conduct on or after November 21, 2012) by providing FINRA with misleading and/or inaccurate information in connection with an investigation.

#### The Firm's 15c3-5 and Supervisory Violations

##### *Applicable Rules*

35. During the Review Period, SEC Rule 15c3-5(b) required broker-dealers that have market access to establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks associated to the firm's market access.<sup>3</sup>
36. During the Review Period, SEC Rule 15c3-5(c)(1)(i) specifically required market access broker-dealers to have financial risk management controls and supervisory procedures reasonably designed to prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each client and the broker-dealer.

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<sup>3</sup> SEC Rule 15c3-5 requires that, as gatekeepers to the financial markets, broker-dealers that have market access must "appropriately control the risks associated with market access so as not to jeopardize their own financial condition, that of other market participants, the integrity of trading on the securities markets, and the stability of the financial system." *Risk Management Controls for Brokers or Dealers With Market Access*, 75 Fed. Reg. 69792 (Nov. 15, 2010).



37. During the Review Period, SEC Rule 15c3-5(c)(1)(ii) specifically required market access broker-dealers to have financial risk management controls and supervisory procedures reasonably designed to prevent the entry of erroneous orders, by rejecting orders that exceed appropriate price or size parameters, on an order-by-order basis or over a short period of time, or that indicate duplicative orders.
38. During the Review Period, SEC Rule 15c3-5(e) required market access broker-dealers to “establish, document, and maintain a system for regularly reviewing the effectiveness of its risk management controls . . . and for promptly addressing any issues.”<sup>4</sup> This provision is intended to ensure that a broker-dealer “implements supervisory review mechanisms to support the effectiveness of its risk management controls and supervisory procedures on an ongoing basis.”<sup>5</sup> Moreover, market access broker-dealers are required to adjust their controls and procedures “to help assure their continued effectiveness in light of any changes in the broker-dealer’s business or weaknesses that have been revealed.”<sup>6</sup>

#### *Inadequate Pre-Trade Controls for Erroneous Orders*

39. During the course of MRD Staff’s investigation, JEFF had a number of pre-trade controls designed to prevent the entry of erroneous orders. However, JEFF’s pre-trade controls were not reasonable for the reasons set forth below.
40. There were several primary deficiencies with JEFF’s pre-trade price and size controls during the Review Period. For example, for most of the Review Period, the Firm’s controls in its Fidessa system consisted of soft blocks that could be overridden by the Firm’s traders, causing them to be ineffective without additional reasonable controls.
41. Further, the Firm did not have real-time supervisory reviews of soft-block overrides or an approval process for such overrides. Moreover, the Firm did not conduct a post-trade review of overrides, including on an annual basis. Additionally, the Firm’s WSPs did not address the appropriate use of overrides, and the Firm did not conduct any training related to the appropriate use of overrides.
42. In addition, for most of the Review Period, the Firm did not have Fidessa controls that took into account the individual trading characteristics of a security, such as a particular securities liquidity and/or ADV. Further, when it did implement an ADV control, the parameter was set too high to be effective and was therefore not reasonably designed, absent additional controls. Similarly, the Firm’s single order notional value and SOQ controls were set too high to be effective without additional reasonable controls.

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<sup>4</sup> 17 C.F.R. § 240.15c3-5(e).

<sup>5</sup> 75 Fed. Reg. at 69811.

<sup>6</sup> *Id.*

43. The acts, practices, and conduct described above in paragraphs 39 through 42 constitute violations of SEC Rules 15c3-5(b) and (c)(1)(ii), and Nasdaq Rules 3010, 2110 (for conduct before November 21, 2012), and 2010A (for conduct on or after November 21, 2012).

#### *Inadequate Pre-Set Capital Thresholds*

44. During the Review Period, SEC Rule 15c3-5(c)(1)(i) specifically required market access broker-dealers to have financial risk management controls and supervisory procedures reasonably designed to prevent the entry of orders that exceed appropriate pre-set credit or capital thresholds in the aggregate for each client and the broker-dealer.
45. In determining appropriate credit thresholds, broker-dealers will conduct “appropriate due diligence as to the customer’s business, financial condition, trading patterns, and other matters, and document that decision.”<sup>7</sup>
46. From June 2013 through the present, the Firm bucketed clients into credit limit tiers on a “case by case” basis. New clients, however, were previously defaulted to a credit limit without the required due diligence. Moreover, JEFF failed to maintain sufficient documentation related to the due diligence it conducted in assigning clients to tiers.
47. Additionally, the Firm did not have any controls that addressed how the Firm’s system prevented the entry of orders that exceeded appropriate capital thresholds for the broker-dealer.
48. Prior to 2015, the Firm did not have any capital thresholds. Since 2015, the Firm implemented soft capital limits but did not have real-time supervisory reviews of soft-block overrides.
49. Additionally, prior to 2015, the Firm’s did not have WSPs for the supervisory review of credit and capital limit breaches.
50. The acts, practices, and conduct described above in paragraphs 45 through 49 constitute violations of SEC Rules 15c3-5(b) and (c)(1)(i), and Nasdaq Rules 3010, 2110 (for conduct before November 21, 2012), and 2010A (for conduct on or after November 21, 2012).

#### *Inadequate Periodic Review*

51. SEC Rule 15c3-5(c)(1) requires a broker-dealer to review, no less frequently than annually, the overall effectiveness of its risk management controls and supervisory procedures.

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<sup>7</sup> 75 Fed. Reg at 69802. “In addition, the Commission expects the broker-dealer will monitor on an ongoing basis whether the credit thresholds remain appropriate, and promptly make adjustments to them, and its controls and procedures, as warranted.” *Id.*

52. During June 2013 through 2016, the majority of the Firm's pre-trade equities Fidessa controls for erroneous orders, credit limits, and capital thresholds involved the use of soft blocks. Prior to December 2016, however, the Firm did not have real-time supervisory reviews of soft-block overrides or an approval process for such overrides. Additionally, prior to 2015, the Firm did not conduct any post-trade review of overrides, including on an annual basis.
53. Although the Firm periodically reviewed the effectiveness of its pre-trade risk management controls and supervisory procedures, such review was unreasonable because it did not include a review of soft-blocks overrides. The Firm also failed to conduct a regular review of instances in which a soft block was triggered or overridden for potentially erroneous orders. Thus, it was not possible for the Firm to assure the overall effectiveness of its risk management controls and supervisory procedures for the prevention of erroneous orders.
54. Moreover, JEFF's failures in this regard also prevented the Firm from being able to adequately adjust their controls and procedures to help assure their continued effectiveness or to determine whether there were any weaknesses in their controls or procedures.
55. Accordingly, during the Review Period, the Firm failed to establish, document, and maintain a reasonable system for regularly reviewing the effectiveness of its risk management controls and supervisory procedures.
56. The acts, practices, and conduct described above in paragraphs 52 through 55 constitute violations of SEC Rules 15c3-5(b) and (e)(1), and Nasdaq Rules 3010, 2110 (for conduct before November 21, 2012), and 2010A (for conduct on or after November 21, 2012).

#### OTHER FACTORS

In determining to resolve this matter in the manner set forth herein, FINRA has taken into consideration that the Firm voluntarily engaged an outside consultant to review and make recommendations to enhance controls and procedures with respect to the Firm's market access controls and related supervisory procedures for compliance with SEC Rule 15c3-5.

- B. The Firm also consents to the imposition of the following sanctions:
1. A censure;
  2. A fine in the amount of \$1,000,000; and
  3. An undertaking requiring the Firm to address the SEC Rule 15c3-5 deficiencies described in this AWC, and to ensure that it has implemented controls and procedures that are reasonably designed to achieve compliance with the rules and regulations cited herein, including the identification of a senior executive responsible for ensuring compliance with the undertaking.

- a. Within 90 days of the date of the issuance of this AWC, the Firm shall submit to the COMPLIANCE ASSISTANT, DEPARTMENT OF ENFORCEMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a written report, certified by senior executive Firm official, to MarketRegulationComp@finra.org that provides 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 this was completed.
- b. Between 90 and 120 days after the submission of the written report, the Firm shall submit a supplemental written report to FINRA to provide an update on the effectiveness of the enhancements and changes made by the Firm to its risk management controls and procedures as describe above.
- c. FINRA may, upon a showing of good cause and in its sole discretion, extend the time for compliance with these provisions.

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 Nasdaq'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 Nasdaq 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 prejudgment of the Chief Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq 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 Rule 9143 or the separation of functions prohibitions of 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

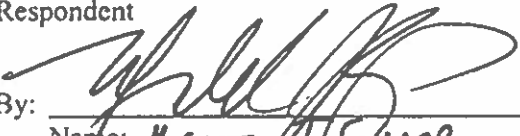
The Firm understands that:

- 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 Enforcement and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq 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 Nasdaq or any other regulator against the Firm;
  - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq 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 Nasdaq, nor does it reflect the views of Nasdaq 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.

12/15/17  
Date

Jefferies LLC  
Respondent

By:   
Name: MICHAEL D. SHARP  
Title: EVP + General Counsel

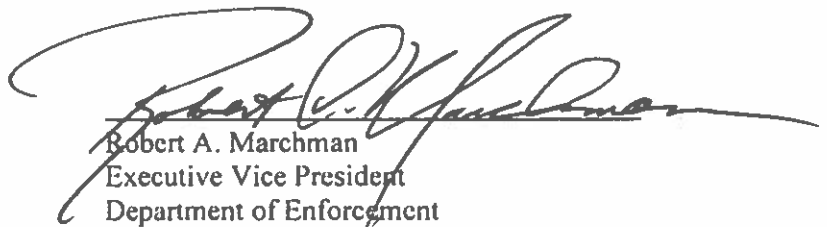
Reviewed by:

  
Mary Jeanette Dee, Esq.  
Sheppard Mullin Richter & Hampton LLP  
30 Rockefeller Plaza  
New York, NY 10112-0015

12/15/17  
Date

Accepted by Nasdaq:

12/18/17  
Date

  
Robert A. Marchman  
Executive Vice President  
Department of Enforcement  
Signed on behalf of Nasdaq, 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

Respectfully submitted,

Respondent

Jefferies LLC

12/15/2017  
Date

By:   
Name: Michael J. Sharp  
Title: EVP & General Counsel

**Billing and Payment Contact**

Please enter the billing contact information below. Nasdaq MarketWatch will contact you with billing options and payment instructions. *Please DO NOT submit payment until Nasdaq has sent you an invoice.*

Billing Contact Name: VICKI ANDREADIS  
Billing Contact Address: 570 MADISON AVENUE, 13FL  
NEW YORK, NY 10022  
Billing Contact Email: vandreadis@jefferies.com  
Billing Contact Phone Number: 212-284-2235