

**THE NASDAQ OPTIONS MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017056214407**

TO: The Nasdaq Options 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”)¹ Code of Procedure, Jefferies LLC (“Jefferies” 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

Jefferies has been a Nasdaq Options Market (“NOM”) member since 2012, and a FINRA member since 1963, and its registrations remain in effect. The firm is headquartered in New York, NY, and employs approximately 2,200 registered representatives. The firm provides brokerage, investment banking, research, and trading, execution and clearing services to institutional and individual customers and other broker-dealers.

Jefferies has no relevant disciplinary history.

SUMMARY

This matter arose from an investigation conducted by FINRA’s Department of Market Regulation.

From September 2016 to April 2018 (the “Relevant Period”), Jefferies violated NOM Rule Chapter III, Sections 1 and 2, NOM Rule Chapter V, Section 1(b)(iv), and Nasdaq Rules 3010(a) and 2010A by failing to establish and maintain a supervisory system, including written supervisory procedures (“WSPs”), reasonably designed to detect and

¹ All Nasdaq Options Market LLC disciplinary matters are governed by the Nasdaq Code of Procedure.

prevent marking the close activity in options trading. As a result, the firm failed to detect that two proprietary traders submitted orders at or near the close of the trading day on NOM and other exchanges that affected the last reported bids and/or offers in various options series on more than 100 occasions.

FACTS AND VIOLATIVE CONDUCT

1. NOM Rule Chapter III, Section 1 prohibits an Options Participant from engaging in conduct in violation of the Exchange Act or Rules thereunder, the Rules of the Exchange, or the Rules of the Clearing Corporations insofar as they relate to the reporting or clearance of any Exchange transaction, or any written interpretation thereof.² The rule also requires Options Participants to supervise persons associated with the Participant to assure compliance therewith.
2. NOM Rule Chapter III, Section 2 requires, among other things, that each Options Participant ensure compliance with the Options Participant's and associated persons' obligations under the Rules of the Exchange, the Rules of the Clearing Corporation, and any other relevant laws, rules, interpretations, and obligations.³
3. NOM Rule Chapter V, Section 1(b)(iv) prohibits an Options Participant from failing to maintain adequate procedures and controls that permit the Options Participant to effectively monitor and supervise the entry of orders by users to prevent the prohibited practices set forth in paragraph (b) and Chapter III, Section 2 of NOM Rules.⁴
4. Nasdaq Rule 3010(a) requires each member to establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to ensure compliance with applicable securities laws and regulations and Nasdaq rules.⁵
5. Nasdaq Rule 2010A requires each member, in the conduct of its business, to observe high standards of commercial honor and just and equitable principles of trade.⁶ A violation of Nasdaq Rule 3010(a) also constitutes a violation of Nasdaq Rule 2010A.
6. During the Relevant Period, Jefferies failed to establish and maintain a supervisory system reasonably designed to detect and prevent potentially manipulative trading, specifically marking the close activity in options trading.
7. The Firm's WSPs prohibited Firm traders from engaging in "activity intended to artificially raise or lower the closing price of a[n] ... option (i.e., marking the close)." But Jefferies did not have any supervisory systems specifically designed to detect and prevent marking the close activity in executed options transactions until January 2018

² As of December 6, 2019, NOM Chapter III, Section 1 was relocated to Options 9, Section 2(a).

³ As of December 6, 2019, NOM Chapter III, Section 2 was relocated to Options 9, Section 2(b).

⁴ As of December 6, 2019, NOM Chapter V, Section 1 was relocated to Options 3, Section 21.

⁵ As of December 6, 2019, Nasdaq Rule 3010 was relocated to Nasdaq General 9, Section 20.

⁶ As of December 6, 2019, Nasdaq Rule 2010A was relocated to Nasdaq General 9, Section 1(a).

and its WSPs did not indicate if the supervisory review for questionable or suspicious activity included marking the close or identify the documents and information the supervisors should use when conducting this review. Further, Jefferies did not provide its supervisors with access to applicable surveillance alerts its Compliance Department used to monitor for potentially manipulative activity, or require Compliance to inform supervisors of its Compliance reviews.

8. As a result, Jefferies did not detect that two proprietary traders submitted orders on NOM and other exchanges at or near the end of the trading day on more than 100 occasions that affected the last reported bids and/or offers in various options series until it received an inquiry from FINRA in December 2017.
9. Although Jefferies instructed both traders in January 2018 to stop entering orders at or near the close, Jefferies did not implement any other review of orders generally, or of the traders' activity specifically, to ensure that the traders discontinued their practice of submitting end of day orders for pricing purposes. As a result, Jefferies did not detect that one of the traders continued to submit orders at or near the end of the trading day until it implemented a month-end "marking the close" review of both executed options transactions and unexecuted option orders in April 2018.
10. Accordingly, Jefferies violated NOM Rule Chapter III, Sections 1 and 2, NOM Rule Chapter V, Section 1(b)(iv), and Nasdaq Rules 3010(a) and 2010A during the Relevant Period.

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

1. A censure; and
2. A total fine of \$450,000, of which \$48,333 shall be paid to NOM.⁷

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. It has submitted a Payment Information form showing the method by which it proposes to pay the fine imposed.

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 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:

⁷ The remainder of the fine shall be allocated to Cboe Exchange, Inc., Cboe C2 Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGX Exchange, Inc., Miami International Securities Exchange, LLC, Nasdaq GEMX, LLC, Nasdaq ISE, LLC, Nasdaq PHLX LLC, and NYSE Arca, Inc. for similar violations.

- 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.

December 7, 2023

Date

Jefferies LLC
Respondent
By: Michael Sharp
Name: Michael Sharp
Title: Executive Vice President

Reviewed by:

Michael D. Wolk
Michael D. Wolk
Sidley Austin LLP
1501 K. Street, N.W.
Washington, DC 20005
Counsel for Respondent

Accepted by The Nasdaq Options Market LLC:

December 12, 2023

Date

Shane Cralle
Shane Cralle
Principal Counsel
FINRA Department of Enforcement

Signed on behalf of The Nasdaq
Options Market LLC, by delegated
authority from the Director of ODA