

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070104658-01**

TO: Department of Market Regulation
Financial Industry Regulatory Authority ("FINRA")

RE: Jefferies & Company, Inc., Respondent
Broker-Dealer
CRD No. 2347

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Jefferies and Company, Inc. (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, FINRA 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 FINRA, or to which FINRA 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 FINRA:

BACKGROUND

The Firm has been a FINRA member since 1963, and its registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

The Firm has the following disciplinary history:

- On July 11, 2007 an AWC became final in which the Firm was censured and fined \$525,000 for violations arising from 22 separate FINRA investigations, of which \$200,000 was in connection with supervisory failures related to 13 regulatory areas including short sales. The Firm also agreed to an undertaking to revise its written supervisory procedures for each of these regulatory areas, including Rule 203(b)(3) of Regulation SHO ("Regulation SHO") of the Securities and Exchange Act of 1934 (the "Exchange Act").

SUMMARY

This matter arose out of the following reviews:

- In connection with Matter No. 20070104658, the Short Sale Staff of the Department of Market Regulation (the "Staff") conducted a review of the Firm's compliance with Rule 203(b)(3) of Regulation SHO for the period of April 2,

2007 through June 29, 2007. The Staff also reviewed the Firm's supervisory procedures regarding Regulation SHO.

- In connection with Matter No. 20080135308, the Staff conducted a review of the Firm's compliance with Rule 203(b)(3) of Regulation SHO for the period of January 1, 2008 through March 31, 2008. The Staff also reviewed the Firm's supervisory procedures regarding Regulation SHO.

FACTS AND VIOLATIVE CONDUCT

Matter No. 20070104658

1. During the review period of this matter, the Firm had a fail-to-deliver position at a registered clearing agency in three threshold securities for 13 consecutive settlement days and failed to immediately thereafter close out the fail-to-deliver position by purchasing securities of like kind and quantity. The securities and relevant time periods are identified on Exhibit A. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(3) of Regulation SHO.
2. During the review period of this matter, the Firm had a fail-to-deliver position at a registered clearing agency in two threshold securities for 13 consecutive settlement days, and, without closing out the fail-to-deliver position by purchasing securities of like kind and quantity, it failed to borrow the security or enter into a *bona fide* arrangement to borrow the security before executing proprietary short sales. The securities and number of proprietary short sales are reflected on Exhibit B. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(3) of Regulation SHO.
3. During the review period of this matter, the Firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to Rule 203(a) of Regulation SHO in that the Firm's supervisory system did not include written supervisory procedures providing for (1) a statement of the supervisory step(s) to be taken by the person(s) responsible for supervision; and (2) a statement as to how the completion of the step(s) included in the written procedures should be documented. The conduct described in this paragraph constitutes violations of NASD Rules 2110 and 3010.

Matter No. 20080135308

4. During the review period of this matter, the Firm had a fail-to-deliver position at a registered clearing agency in Luminent Mortgage Capital, Inc. (symbol: LUM), a threshold security, for 13 consecutive settlement days beginning February 26, 2008 and failed to immediately thereafter close out the fail-to-deliver position by purchasing securities of like kind and quantity. The conduct described in this

paragraph constitutes separate and distinct violations of SEC Rule 203(b)(3) of Regulation SHO.

5. During the review period of this matter, the Firm had a fail-to-deliver position at a registered clearing agency in LUM, a threshold security, for 13 consecutive settlement days beginning February 25, 2008, and, without closing out the fail-to-deliver position by purchasing securities of like kind and quantity, it failed to borrow the security or enter into a *bona fide* arrangement to borrow the security before executing two proprietary short sales in LUM. The conduct described in this paragraph constitutes separate and distinct violations of SEC Rule 203(b)(3) of Regulation SHO.
6. During the review period of this matter, the Firm failed to provide documentary evidence that it performed the supervisory reviews related to Rule 203(b)(3) of Regulation SHO set forth in its written supervisory procedures. The conduct described in this paragraph constitutes violations of NASD Rules 2110 and 3010.

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

A censure and a total fine of \$17,500 (comprised of \$12,500 for the Regulation SHO violations from the combined reviews and \$5,000 for the combined supervision violations).

The Firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The Firm has submitted an Election of Payment 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 sanction 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 FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against the Firm;
- B. To be notified of the 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 National Adjudicatory Council ("NAC") 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 General Counsel, the NAC, or any member of the NAC, 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 FINRA Rule 9143 or the separation of functions prohibitions of FINRA 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 the NAC, a Review Subcommittee of the NAC, or the Office of Disciplinary Affairs ("ODA"), pursuant to FINRA 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 FINRA or any other regulator against the Firm;
 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Firm's disciplinary records;
 3. FINRA may make a public announcement concerning this agreement and the subject matter thereof in accordance with FINRA Rule 8313; and
 4. 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 FINRA, or to which

FINRA 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 FINRA 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 FINRA, nor does it reflect the views of FINRA 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.

11/18/11

Date

Respondent

Jefferies & Company, Inc.

By: [Signature]

Name: Joseph Allgon

Title: SVP Assoc. GC

Accepted by FINRA:

12/16/11
Date

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

[Signature]

Thomas R. Gira
Executive Vice President
Department of Market Regulation

Exhibit A**Firm Name Jefferies & Company, Inc.
Matter No. 20070104658**

Security	Close-Out Obligation Began	Close-Out Obligation Ended	Duration (Days)
DNDN	June 15, 2007	June 22, 2007	6
DNDN	July 9, 2007	July 10, 2007	1
NEWCQ	May 29, 2007	June 18, 2007	15
GMBR	May 7, 2007	May 23, 2007	13

Exhibit B**Firm Name Jefferies & Company, Inc.
Matter Nos. 20070104658**

Security	Close-Out Obligation Began	Close-Out Obligation Ended	Duration (Days)	Number of Proprietary Short Sales
DNDN	June 15, 2007	June 22, 2007	6	1
NEWCQ	May 29, 2007	June 18, 2007	15	7