

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20070107652-01**

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 & 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 AND RELEVANT DISCIPLINARY HISTORY

The firm became a member of FINRA on March 1, 1963, and its registration remains in effect. The firm has no relevant disciplinary history.

SUMMARY

In connection with matter 20070107652, the Short Sales Section of FINRA's Department of Market Regulation reviewed the firm's short-interest reporting during the period March 15, 2007 through August 15, 2008.

In connection with matter 20090209734, the Trade Reporting and Compliance Engine ("TRACE") Corporate Bonds Team of FINRA's Department of Market Regulation reviewed the firm's reporting of transactions in TRACE-eligible securities during the period October 1, 2008 through December 31, 2008.

In connection with matter 20090185358, the Order Audit Trail System ("OATS") Section of FINRA's Department of Market Regulation reviewed the firm's OATS reporting during the period January 1, 2009 through March 31, 2009.

In connection with matter 20100234346, the TRACE Corporate Bonds Team of FINRA's Department of Market Regulation reviewed the firm's reporting of transactions in TRACE-eligible securities during the period April 1, 2009 through June 30, 2009.

In connection with matter 20100247200, the TRACE Corporate Bonds Team of FINRA's Department of Market Regulation reviewed the firm's reporting of transactions in TRACE-eligible securities during the period April 1, 2010 through June 30, 2010.

In connection with matters 20110275230 and 20110276083, the TRACE Corporate Bonds Team of FINRA's Department of Market Regulation reviewed the firm's reporting of transactions in TRACE-eligible securities during the period January 1, 2011 through March 31, 2011.

FACTS AND VIOLATIVE CONDUCT

20070107652

1. The firm failed to report its short interest positions to NASD or FINRA in 114 securities from March 2007 through August 2008. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 3360.
2. In February 2008, the firm submitted to FINRA its short interest position report. This report included two short interest positions of 288,324 shares, when the actual short interest in the two positions was 1,381 shares. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 3360.

20090209734

3. During the review period, the firm reported to TRACE 45 transactions in TRACE-eligible securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of NASD Rule 6230 or FINRA Rule 6730.¹

¹ On December 15, 2008, NASD Rule 6230 converted to FINRA Rule 6730.

20090185358

4. During the review period, the firm transmitted to OATS 6,969 Reportable Order Events (“ROEs”) that were rejected by OATS for context or syntax errors and were repairable. The firm failed to repair 828 of these rejected ROEs during the review period, representing 12 percent of all rejected repairable ROEs. As a result of the firm's failure to repair these ROEs, the firm failed to transmit 828 ROEs to OATS during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.

20100234346

5. During the review period, the firm failed to report to TRACE 55 transactions in TRACE-eligible securities that it was required to report. These transactions constituted seven percent of the inter-dealer transactions in TRACE-eligible securities that the firm was required to report to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(b).
6. During the review period, the firm failed to report to TRACE the correct contra-party's identifier for 42 transactions in TRACE-eligible securities. These transactions constituted five percent of the inter-dealer transactions in TRACE-eligible securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(6).

20100247200

7. During the review period, the firm failed to report to TRACE 2,392 S1 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted five percent of the transactions in TRACE-eligible securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
8. During the review period, the firm failed to report to TRACE the correct time of trade execution for 30 transactions in TRACE-eligible securities. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).

20110275230

9. During the review period, the firm failed to report to TRACE 102 S1 transactions in TRACE-eligible securities within 15 minutes of the time of execution. These late transactions constituted five percent of the transactions in TRACE-eligible securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.
10. During the review period, the firm reported to TRACE 20 transactions in TRACE-eligible securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(e).

20110276083

11. During the review period, the firm reported to TRACE 54 P1 transactions in TRACE-eligible securities that it was not required to report. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.
12. During the review period, the firm failed to report to TRACE the correct market identifier for 46 S1 transactions in TRACE-eligible securities. The firm incorrectly reported the 46 transactions with the P1 market identifier. These transactions constituted four percent of the S1 inter-dealer transactions in TRACE-eligible securities that the firm reported to TRACE during the review period. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730.

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

- A censure and a fine of \$62,500 (comprised of \$15,000 for the short interest reporting violations, \$40,000 for the TRACE reporting violations, and \$7,500 for the OATS 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(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 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;

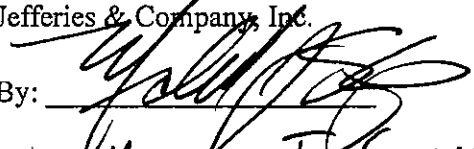
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the firm; and
- C. If accepted:
 - 1. this AWC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator 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 record;
 - 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.

10/16/12
Date

Respondent

Jefferies & Company, Inc.

By: 

Name: MICHAEL J. SHAAP

Title: EVP, General Counsel & Secretary

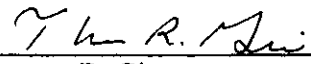
Reviewed by:

Attorney Name
Counsel for Respondent
Firm Name
Address
City/State/Zip
Phone Number

Accepted by FINRA:

11/21/12
Date

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



Thomas R. Gira
Executive Vice President
Department of Market Regulation