

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2011030515301**

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

RE: Jefferies LLC, Respondent
CRD No. 2347

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Jefferies LLC, formerly known as Jefferies & Company, Inc. ("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, 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 became a FINRA member on March 1, 1963, and its registration remains in effect. Headquartered in New York, NY, Jefferies engages in a general securities business. It has 24 branches and approximately 1,670 registered individuals. Between January 2003 and November 2011 ("the relevant period"), the Firm was known as Jefferies & Company, Inc.

RELEVANT DISCIPLINARY HISTORY

The Firm has no relevant disciplinary history.

OVERVIEW

Jefferies employed a statutorily disqualified individual, SH, in a non-registered capacity from January 2003 through November 2011. By associating with a statutorily disqualified

individual, Jefferies violated FINRA By-Laws, Article III, Section 3, NASD Rule 2110, and FINRA Rule 2010.¹

FACTS AND VIOLATIVE CONDUCT

In a March 1996 final decision, arising from SH's activities at a previous member firm, FINRA's predecessor, NASD, barred SH from association with a member firm for selling property of his former firm to individuals who identified themselves as being employees of another member firm. By virtue of being barred, SH was subject to a statutory disqualification, and pursuant to Article III, Section 3 of FINRA's By-Laws, he could not be associated with a member firm in any capacity.

In January 2003, Jefferies hired SH to work in a non-registered capacity in the Firm's Purchase and Sales Department, where he reconciled trades. SH was statutorily disqualified at the time of his hire and remained so throughout his employment with Jefferies. SH failed to disclose his statutory disqualification to Jefferies. SH remained associated with Jefferies in a non-registered capacity in the Firm's Purchase and Sales Department until November 2011, when the Firm terminated his employment after becoming aware that he was statutorily disqualified in connection with its review of operations professionals, including SH, for the then newly established FINRA Series 99.

The Firm's initial review of SH's background was incomplete. The review did not reveal that SH had been barred and therefore was statutorily disqualified from associating with the Firm in any capacity. At the time SH was hired, Jefferies reviewed FINRA's Central Registration Depository ("CRD")² Composite Information screen for SH, which did not reflect the 1996 statutory disqualification. On that basis, the Firm erroneously concluded that SH was not statutorily disqualified or the subject of any other regulatory disclosures. The Firm did not examine other information available in CRD, among other sources, that disclosed SH's 1996 bar and would have informed Jefferies he was statutorily disqualified. As a result, Jefferies permitted SH to remain associated with the Firm for eight years.

By associating with a statutorily disqualified individual, Jefferies violated FINRA By-Laws Article III, Section 3, NASD Rule 2110, and FINRA Rule 2010.

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

- censure; and
- a fine of \$50,000.

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.

¹ NASD Rule 2110 was superseded by FINRA Rule 2010, effective December 15, 2008.

² CRD is the central licensing and registration system for the U.S. securities industry and its regulators.

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 FINRA's Code of Procedure:

- A. To have a Complaint issued specifying the allegations against it;
- 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;

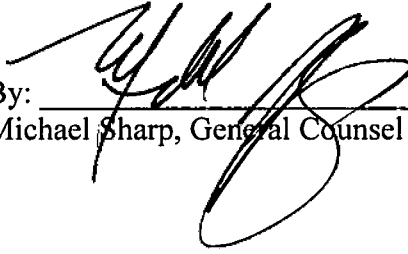
- B. If this AWC is not accepted, its submission will not be used as evidence to prove any of the allegations against the Firm; and
- C. If accepted:
1. this AWC will become part of the Firm's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator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

12/10/2013
Date (mm/dd/yyyy)

Respondent

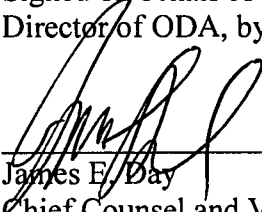
Jefferies LLC

By: 
Michael Sharp, General Counsel

Accepted by FINRA:

12/13/13
Date

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


James E. Day
Chief Counsel and Vice President
FINRA Department of Enforcement
15200 Omega Drive, 3rd Floor
Rockville, MD 20850
Telephone: 301-258-8520
Facsimile: 202-721-8303