

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2012030420201**

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

RE: Jefferies LLC, Respondent ("Jefferies" or the "Firm")
BD No. 2347

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent, 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, FINRA will not bring any future actions against the Respondent alleging violations based on the same factual findings described herein.

I.

ACCEPTANCE AND CONSENT

- A. The Respondent 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 Respondent has been a FINRA member firm since March 1963. It employs approximately 1,670 registered individuals at approximately 24 branch offices, and is headquartered in New York, New York. Jefferies conducts a full-service securities and investment banking business for an institutional and high-net-worth retail customer base.

RELEVANT DISCIPLINARY HISTORY

In March 2011, Jefferies entered into an AWC with FINRA through which it consented to the entry of findings of multiple sales practice and supervisory violations relating to the Firm's municipal auction rate securities ("ARS") business. These findings included, among other things, a failure by Jefferies to provide eight discretionary clients with Official Statements in connection with 20 purchases of municipal new-issue ARS, in violation of MSRB Rule G-32. The Firm was censured and fined \$1,500,000, a component of which related to the violation of Rule G-32.

Jefferies has no other relevant disciplinary history with the Securities and

Exchange Commission, FINRA, any other self-regulatory organization or any state securities regulator.

OVERVIEW

This matter concerns inadequate supervision of email correspondence in violation of NASD Conduct Rule 3010 and FINRA Rule 2010, and violations of Rule G-32 of the Municipal Securities Rulemaking Board.

FACTS AND VIOLATIVE CONDUCT

1. From October 4, 2011, through June 21, 2012 (the "Email Violation Period"), a combination of a transition to a new email system, together with changes deployed in the Firm's email review platform, caused system delays that impaired the Firm's ability to review correspondence sent to or from the U.S. Equities Research Department. While the Firm learned of the system delays as early as November 4, 2011, the Firm did not fully resolve the issue until June 21, 2012. During the Email Violation Period, the Firm failed to review nearly 49 per cent of those emails in the U.S. Equities Research Department that were flagged for review as part of its supervision of electronic correspondence.

By reason of the foregoing, the Firm violated NASD Conduct Rule 3010 and FINRA Rule 2010.

2. MSRB Rule G-32 generally requires municipal underwriters to submit a Form G-32 and related Official Statement (collectively, a "Rule G-32 Submission") to the Electronic Municipal Market Access system ("EMMA") within one business day after receipt from the issuer, and by no later than the closing date of an offering of municipal securities. Rule G-32 further provides that, for certain offerings in which an underwriter is not required to submit an Official Statement ("Exempt Limited Offerings"), underwriters must submit a notice to EMMA no later than the closing date that contains, *inter alia*, instructions for customers who wish to obtain the Official Statement.

From September 2010 through October 14, 2013 (the "Municipal Securities Review Period"), Jefferies:

- failed to timely file 23 Rule G-32 Submissions,
- filed nine Rule G-32 Submissions with inaccurate information, and
- failed to file one required notice in connection with an Exempt Limited Offering.

The Firm's late submissions were nearly four days late on average. Nearly

all of the late submissions were late by one week or less.

By reason of the foregoing, Jefferies violated MSRB Rule G-32.

- B. The Respondent also consents to the imposition of the following sanctions:
- a censure; and
 - a fine in the amount of \$55,000, \$25,000 of which pertains to the violations of MSRB Rule G-32.

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

The Respondent 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 Respondent 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 Respondent specifically and voluntarily waives any right to claim bias or prejudgment of the Chief Legal Officer, 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 Respondent 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 Respondent 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 me; and
- C. If accepted:
 - 1. this AWC will become part of the Respondent's permanent disciplinary record and may be considered in any future actions brought by FINRA or any other regulator against the Respondent;
 - 2. this AWC will be made available through FINRA's public disclosure program in response to public inquiries about the Respondent'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 Respondent 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 Respondent 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 Respondent'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 Respondent may attach a Corrective Action Statement to this AWC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The Respondent 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.

08-19-2014
Date (mm/dd/yyyy)

Jefferies LLC (BD No. 2347)
Respondent


By: MICHAEL J. SHARP
[Name and Title] VP, GENERAL COUNSEL

Accepted by FINRA:

September 3, 2014
Date

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

A handwritten signature in black ink, appearing to read "Michael Wajda", followed by a horizontal line.

Michael Wajda
Senior Regional Counsel
FINRA Department of Enforcement
One World Financial Center
200 Liberty Street
New York, NY 10281-1003
Tel: (212) 858-4298
Fax: (202) 721-6501

Accepted by FINRA:

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