

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20120310971-01**

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

**RE: Jefferies LLC, Respondent
Broker-Dealer
CRD No. 2347**

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Jefferies LLC (the "firm" or "JEFF") 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 Respondent 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

JEFF has been a FINRA member since March 1, 1963. JEFF's registration remains in effect.

RELEVANT DISCIPLINARY HISTORY

On November 21, 2012 FINRA accepted an AWC in which the firm was censured and fined in the amount 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).

SUMMARY

In connection with Matters Nos. 20120310971 and 20140418309, the Short Interest Team of the Department of Market Regulation (the "staff") conducted a review of the firm's compliance with FINRA Rules applicable to short interest reporting for periods January 15, 2010 through October 14, 2011 and March 14, 2014 through August 29, 2014.

In connection with Matter No. 20130367496, the TRACE Agency/SP Team of Market Regulation conducted a review of the firm related to transactions in TRACE-eligible securities during the period January 1, 2013 through March 31, 2013.

In connection with Matter No. 20130387469, the TRACE Agency/SP Team of Market Regulation conducted a review of the firm related to transactions in TRACE-eligible securities during the period April 1, 2013 through September 30, 2013.

In connection with Matter No. 20130377857, the staff of the TRACE Corporate Bonds Team of the Market Regulation conducted a review of the firm related to transactions in TRACE-eligible corporate bonds during the period April 1, 2013 through June 30, 2013.

In connection with Matter No. 20140400075, the TRACE Agency/SP Team of Market Regulation conducted a review of the firm related to transactions in TRACE-eligible securities during the period October 1, 2013 through December 31, 2013.

In connection with Matter No. 20150442577, the TRACE Agency/SP Team of Market Regulation conducted a review of the firm related to transactions in TRACE-eligible securities during the period October 1, 2014 through December 31, 2014.

FACTS AND VIOLATIVE CONDUCT

20120310971

1. For settlement dates January 15, 2010 through October 14, 2011, the firm reported 112 short interest positions in dually listed foreign securities totaling 8,944,854 shares, when it should have reported 112 short interest positions totaling 55,007,028 shares in violation of FINRA Rule 4560.
2. Additionally, for settlement dates January 15, 2010 through October 14, 2011, the firm failed to report 1,382 short interest positions in dually listed foreign securities totaling 179,838,025 shares in violation of FINRA Rule 4560.
3. During the period January 15, 2010 through October 14, 2011, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of FINRA, concerning the firm's short interest reports in violation of NASD Rule 3010 and FINRA Rule 2010.

20130367496

4. During the January 1, 2013 through March 31, 2013, the firm failed to report to the Trade Reporting and Compliance Engine ("TRACE") the correct contra-party's identifier for 63 S1 transactions in TRACE-eligible Agency Debt Securities, in violation of FINRA Rule 6730(c)(6). These 63 violations constituted 6.24% of the 1,009 S1 inter-dealer reports that the firm should have submitted to TRACE during 1Q13. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(6).

20130387469

5. During April 1, 2013 through September 30, 2013, as a Joint Lead Manager or Sole Manager, the firm failed to report 10 new issue offerings in TRACE-eligible Agency Debt securities to FINRA according to the time frames set forth in FINRA Rule 6760(c). These ten offerings constituted 28.57% of the new issue submissions in TRACE-eligible Agency Debt securities (35) that the firm submitted to FINRA pursuant to a FINRA Rule obligation during the period 2Q13 and 3Q13. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760(c).

20130377857

6. During April 1, 2013 through June 30, 2013 ("2Q13"), the firm reported to TRACE 109 S1 transactions in Corporate Debt Securities with a reported trade execution time that was inaccurate. These 109 inaccurate reports constituted 6.48% of the 1,682 S1 matched inter-dealer reports that the firm submitted to TRACE during the period 2Q13 in violation of FINRA Rule 6730(c)(8). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(c)(8).
7. During the period of 2Q13, the firm failed to report in a timely manner 109 S1 transactions in TRACE-eligible Corporate Debt Securities to TRACE within 15 minutes of execution in violation of FINRA Rule 6730(a). The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a).
8. During the period of 2Q13, the firm failed to report the correct execution time on the firm's order memoranda for the 109 S1 transactions in violation of the Securities Exchange Act of 1934 ("Exchange Act") Rule 17a-3 and FINRA Rule 4511. The conduct described in this paragraph constitutes separate and distinct violations of Exchange Act Rule 17a-3 and FINRA Rule 4511.
9. During the period of 2Q13, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of FINRA, concerning the accuracy of execution times reported to TRACE in violation of NASD Rule 3010 and FINRA Rule 2010. During the period of 2Q13, the Firm did not have in place a specific review for inter-dealer time mismatches.

20140400075

10. During the period October 1, 2013 through December 31, 2013, the firm failed to report 49 S1 transactions in TRACE-eligible Agency Debt securities within 15 minutes of the time of execution to TRACE. These 49 S1 transactions constituted 3.43% of the total number of S1 transactions in TRACE-eligible Agency Debt securities (1,429) that the firm should have reported to TRACE during 4Q13. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and

constituted a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

20150442577

11. During the period October 1, 2014 through December 31, 2014, the firm failed to report 54 S1 transactions in Agency Debt securities within 15 minutes of the time of execution to TRACE. These 54 S1 transactions constituted 3.95% of the total number of S1 transactions in TRACE Agency Debt securities (1,368) that the Firm should have reported to TRACE during 4Q14. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6730(a) and constitute a pattern or practice of late reporting without exceptional circumstances in violation of FINRA Rule 2010.

20140418309

12. For settlement dates March 14, 2014 through August 29, 2014, the firm reported 3,439 short interest positions totaling 104,234,568 shares, when it should have reported 2,158 short interest positions totaling 28,441,522 shares in violation of FINRA Rule 4560.
13. During the period March 14, 2014 through August 29, 2014, the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with respect to the applicable securities laws and regulations, and the Rules of FINRA, concerning the firm's short interest reports in violation of NASD Rule 3010 and FINRA Rule 2010.

- B. Respondent also consents to the imposition of the following sanctions:

Censure

Fine: A fine of \$235,000 (\$140,000 for violations of FINRA Rule 4560; \$25,000 for violations of NASD Rule 3010 and FINRA Rule 2010; \$7,500 for violations of FINRA Rule 6730(c)(6); \$7,500 for violations of FINRA Rule 6760(c); \$15,000 for violations of FINRA Rules 6730(c)(8), 6730(a), SEC Rule 17a-3 and FINRA Rule 4511, \$15,000 for violation of NASD Rule 3010 and FINRA Rule 2010; and \$25,000 for violations of FINRA Rules 6730(a) and 2010) and undertaking in which the firm will be required to revise its supervisory procedures to monitor execution times reported to TRACE. Within 30 calendar days of acceptance of this AWC by the National Adjudicatory Council ("NAC"), a registered principal of the firm shall submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, a signed, dated letter, or an e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, providing the following information: (1) a reference to this matter; (2) a representation that the firm has revised its written supervisory procedures to address the deficiencies described in paragraph I.A.9; and, (3) the date the revised procedures were implemented.

The firm agrees to pay the monetary sanction(s) upon notice that this AWC has been accepted and that such payment(s) are due and payable. It 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 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 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 Respondent; 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 accordance with FINRA Rule 8313;
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. 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 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 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.

2-24-10
Date

Respondent
Jefferies LLC

By: Cynthia B. Adams

Name: Cynthia B. Adams

Title: Managing Director, legal

Reviewed by:



MaryJeanette Dee, Esq.
Sheppard Mullin Richter & Hampton LLP
30 Rockefeller Plaza
New York, NY 10112-0015
212.653.8700

Accepted by FINRA:

3-28-16
Date

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



David E. Rosenstein
Senior Vice President
FINRA Department of Market Regulation