

**FINANCIAL INDUSTRY REGULATORY AUTHORITY  
LETTER OF ACCEPTANCE, WAIVER AND CONSENT  
NO. 20150442324-01**

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

RE: Jefferies Execution Services, Inc., Respondent  
Broker-Dealer  
CRD No. 867

Pursuant to FINRA Rule 9216 of FINRA's Code of Procedure, Respondent Jefferies Execution Services, Inc. ("WDSB" 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 Respondent alleging violations based on the same factual findings described herein.

**I.  
ACCEPTANCE AND CONSENT**

- A. 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 AND RELEVANT DISCIPLINARY HISTORY**

The firm has been a member of FINRA since February 2, 1948, and its registration remains in effect.

On May 18, 2012, an AWC became final in which the firm was censured and fined \$10,000 for violations of FINRA Rules 7230(A) and 7330, and NASD Rule 6130(D).

**FACTS AND VIOLATIVE CONDUCT**

In 20150442324, the staff in the Trading and Financial Compliance Examination ("TFCE") Section of Market Regulation (the "staff") conducted the 2015 TFCE examination of the firm for trade dates February 26 and 27, 2015.

During the examination, the firm acknowledged that a coding issue on JET-X, the firm's Alternative Trading System ("ATS") which ceased operations in 2016, resulted in the firm failing to attach the short sale indicator to short sales executed in agency-cross

transactions reported to the FINRA/Nasdaq Trade Reporting Facility ("TRF"). JET-X was operational from November 12, 2013 through March 3, 2016, and the coding error existed during the entire life of the ATS. Based upon a three-month sample performed by the firm (whereby approximately 26,000 trade reports in each month lacked the requisite short sale modifier), it was determined that in total approximately 400,000 trade reports submitted to the TRF by the firm were required to have a short sale modifier but did not. Accordingly, it was determined that:

1. From November 12, 2013 through March 3, 2016, in approximately 400,000 instances, the firm submitted a trade report to the TRF in connection with a short sale in an NMS security and failed to indicate on the trade report whether the transaction was a short sale or a short sale exempt transaction. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6182.
2. In February, 2015, 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 trade reports submitted to the TRF. Specifically, the firm's supervisory system did not include written supervisory procedures for the ATS providing for: (1) the identification of the person(s) responsible for supervision with respect to the applicable rules; (2) a statement of the supervisory step(s) to be taken by the identified person(s); (3) a statement as to how often such person(s) should take such step(s); and (4) a statement as to how the completion of the step(s) included in the written supervisory procedures should be documented. The conduct described in this paragraph constitutes a violation of FINRA Rules 3110 and 2010.

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

- A censure; and
- A fine of \$60,000 (\$40,000 for the equity trade reporting violations and \$20,000 for the supervision violation).

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is 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 imposed in this matter.

The sanctions imposed herein shall be effective on a date set by FINRA staff.

## **II. WAIVER OF PROCEDURAL RIGHTS**

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 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, 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.

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 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 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. 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.

November 17, 2016  
Date

By: Vicki Amby

Name: Vicki Andreadis

Title: SVP, Assistant General Counsel

### Counsel for Respondent

12/7/16  
Date

Robert A. Marchman, Esq.  
Robert A. Marchman, Esq.  
Executive Vice President  
Department of Market Regulation