

**FINANCIAL INDUSTRY REGULATORY AUTHORITY
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 20150452112-01**

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, Respondent Jefferies LLC ("JEFF" 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 March 1, 1963, and its registration remains in effect.

On November 21, 2012, an AWC became final in which the firm was censured and fined \$7,500 for violations of FINRA Rule 7450.

On December 12, 2012, an AWC became final in which the firm was censured and fined \$23,500 for violations of FINRA Rule 7450 and NASD Rule 6955(a).

FACTS AND VIOLATIVE CONDUCT

In 20150452112, the staff in the Order Audit Trail System ("OATS") Compliance Section of FINRA's Department of Market Regulation ("Market Regulation") conducted a review to determine whether JEFF was in compliance with its OATS reporting obligations during the period January 1, 2012 through August 31, 2015.

In 20150477104, the staff in the Trade Reporting and Compliance Engine ("TRACE") Section of Market Regulation conducted a review to determine whether JEFF was in compliance with its TRACE reporting obligations pursuant to FINRA Rule 6760(c) during the period April 1, 2015 through September 30, 2015.

As a result of these two reviews, Market Regulation found that the firm violated FINRA Rules 7450, 6760(c), 3110 and 2010 and NASD Rule 3010. More specifically:

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In 20150452112, it was determined that certain Route Reports ("RTs") submitted by JEFF subsequent to a cancel/replace ("CR") were linked to the Firm Order ID ("FOID") of the original order instead of the modified order. Because the RT subsequent to a CR linked back to the original FOID, instead of the new FOID for the replaced order, the sequencing of events within the order lifecycle was inaccurate. Because FINRA uses OATS data as an integral part of its automated market surveillance program to detect customer harm, manipulative activity and other potential violations of FINRA rules and the federal securities laws, a failure to transmit ROEs, or the transmission of inaccurate or incomplete ROEs, can hamper FINRA's ability to detect potentially violative conduct and/or create false positive alerts requiring the expenditure of unnecessary resources to resolve the alerts. Moreover, these failures also caused the Audit Trail to be inaccurate.

In this review, it was determined that:

1. During the period reviewed, the firm transmitted to OATS approximately 49.1 million Reportable Order Events ("ROEs") that contained inaccurate, incomplete, or improperly formatted data. Specifically, the ROEs contained inaccurate FOIDs. These inaccurate ROEs represented 2.35 percent of all ROEs that the firm transmitted to OATS during the period reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 7450.
2. 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 ROEs submitted to OATS. Specifically, the firm's supervisory system: 1) did not include written supervisory procedures for providing for a statement of the supervisory steps to be taken by the identified person to ensure that the firm's Order IDs were accurate; and 2) the firm's OATS WSPs required the review of a small number of OATS reports to determine whether order events were properly sequenced. In light of the OATS reporting obligations, the scope of the firm's WSPs was not reasonably designed. The conduct described in this paragraph constitutes a violation of NASD Rule 3010 (or FINRA Rule 3110 on or after December 1, 2014) and FINRA Rule 2010.

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In 20150477104, it was determined that:

3. The firm, as a Joint Lead Manager or Sole Manager, failed to report 12 new issue offerings in TRACE-eligible Agency Debt securities to FINRA in accordance with the time requirements set forth in FINRA Rule 6760(c). These 12 offerings constituted 24 percent the new issue submissions in TRACE-eligible Agency Debt securities that JEFF submitted to FINRA during the period reviewed. The conduct described in this paragraph constitutes separate and distinct violations of FINRA Rule 6760(c).
4. 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 timeliness of TRACE new issue reports submitted to FINRA. Specifically, the firm's supervisory system: 1) did not include written supervisory procedures for providing for a statement of the supervisory steps to be taken by the identified person to ensure that the firm's TRACE new issue reports were timely submitted; and 2) did not include a statement concerning how frequently the supervisory steps were to be performed. 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;
- A fine of \$195,000 (\$120,000 for the OATS violations, \$60,000 for the OATS supervision violation, \$7,500 for the TRACE violations and \$7,500 for the TRACE supervision violation); and
- An undertaking to submit to the COMPLIANCE ASSISTANT, LEGAL SECTION, MARKET REGULATION DEPARTMENT, 9509 KEY WEST AVENUE, ROCKVILLE, MD 20850, no later than 30 days after the AWC becomes final, a signed, dated letter or e-mail from a work-related account of the registered principal to MarketRegulationComp@finra.org, acknowledging that the firm revised its written supervisory procedures to address the deficiencies described in paragraphs I.A.2 and I.A.4, above, and the date the revised procedures were implemented.

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.

5-3-2017
Date

Jefferies LLC
By: 
Name: MICHAEL J. SHARP

Title: EVP, GENERAL COUNSEL

Counsel for Respondent

5/23/17
Date


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