



Steven M. Tanner
Senior Counsel

Department of Enforcement

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Via Certified Mail, Return Receipt Requested (7022 0410 0000 0318 6569), First Class Mail and Email (grose@jefferies.com)

November 9, 2022

Mr. Gregory Rose
Jefferies LLC
101 Hudson St.
Jersey City, NJ 07302

RE: Payment of Fine in Connection with Executed Letter of Consent
FINRA Matter No. 2019061065707

Dear Mr. Rose:

Enclosed is an executed copy of the Letter of Consent (“LOC”), signed by Cynthia B. Adams, Managing Director, at Jefferies LLC (the “Firm”), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the MIAX PEARL, LLC (“PEARL”) on November 9, 2022. Please consider this correspondence as notice to the Firm that this LOC has been accepted, and as a result, the Firm must promptly remit payment of the agreed upon sanction. Please make the payment to MIAX PEARL, LLC.

By Mail:

Make a Firm check or Bank check payable to “MIAX PEARL, LLC” and return your payment to the following address:

MIAX PEARL
Attn: Tia Toms
7 Roszel Road, Suite 1A
Princeton, NJ 08540
Reference Number: MIAX PEARL, LLC Matter No. 2019061065707

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If you have any questions regarding this matter, please contact me at (212) 858-4219.

Sincerely,



Steven M. Tanner
Senior Counsel

Enclosure

cc: Larry O'Leary, VP Regulation, Miami International Securities Exchange, LLC
(via e-mail to loleary@miaxoptions.com)

This letter is issued on behalf of the MIAX PEARL, LLC, by FINRA Department of Enforcement pursuant to a grant of authority to FINRA. Accordingly, this constitutes a letter by the MIAX PEARL, LLC.

**MIAX PEARL, LLC
LETTER OF CONSENT
NO. 2019061065707**

TO: MIAX PEARL, LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Jefferies LLC, Respondent
Broker-Dealer
CRD 2347

Pursuant to Rule 1003 of the Rules of MIAX PEARL, LLC (“MIAX PEARL”), Jefferies LLC (“Jefferies” or the “firm”) submits this Letter of Consent (“LOC”) for the purpose of proposing a settlement of the alleged rule violations described below. This LOC is submitted on the condition that, if accepted, MIAX PEARL 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 MIAX PEARL, or to which MIAX PEARL 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 MIAX PEARL:

BACKGROUND

Jefferies has been a member of MIAX PEARL since February 2017 and a FINRA member since March 1963. It is a wholly-owned subsidiary of Jefferies Group LLC, which in turn is a wholly-owned subsidiary of Jefferies Financial Group Inc., a diversified holding company. Jefferies provides investment banking and brokerage services. The firm is headquartered in New York, New York, and has approximately 2,100 registered persons.

RELEVANT DISCIPLINARY HISTORY

The firm has prior relevant disciplinary history specifically relating to the accurate recording of order receipt and transmission times.

On July 17, 2019, and August 14, 2019, Jefferies consented to a censure and a fine of \$84,000 allocated among Nasdaq Phlx LLC, NYSE American LLC, and Cboe Exchange, Inc. for violations of Section 17(a) of the Securities Exchange Act of 1934 (the “Exchange Act”) and Exchange Act Rule 17a-3 thereunder and the recordkeeping and related supervisory rules of those exchanges, for the firm’s failure to maintain accurate

order receipt and order transmission times for certain of its manual options orders routed to exchange floor brokers in 2016.¹

SUMMARY

This matter arises from a 2019 examination of the firm conducted by FINRA's Department of Market Regulation on behalf of MIAX and other options exchanges. The examination found that from October 2018, through June 2020 (the "Relevant Period"), Jefferies failed to comply with the recordkeeping requirements of Exchange Act § 17(a) and Exchange Act Rule 17a-3, thereunder, and MIAX Rule 800. In addition, during the Relevant Period, Jefferies failed to establish, maintain, and enforce a supervisory system reasonably designed to achieve compliance with Exchange Act Rule 17a-3 and MIAX PEARL Rule 800 in violation of MIAX PEARL Rule 300.

FACTS AND VIOLATIVE CONDUCT

1. The recordkeeping provisions of the federal securities laws and MIAX PEARL rules are designed to ensure that regulators have access to important information about securities transactions. Access to complete and accurate transaction records is essential for effective surveillance and examination of broker-dealers by MIAX PEARL and other regulators.
2. Exchange Act §17(a) and Exchange Act Rule 17a-3(a)(6)(i) thereunder require broker-dealers, such as Jefferies, to create a memorandum of each brokerage order, and of any other instruction, given or received for the purchase or sale of securities, whether executed or unexecuted. The rule requires the memorandum to show, among other things, the time of order entry.²
3. MIAX PEARL Rule 800 provides, in relevant part, that "[e]ach Member shall make, keep current and preserve such books and records as the Exchange may prescribe and as may be prescribed by the Exchange Act and the rules and regulations thereunder."
4. During the Relevant Period, Jefferies failed to accurately record order receipt and/or transmission times within its order management system ("OMS") for certain options orders electronically routed on MIAX PEARL. Specifically, in October 2018 and February 2019, Jefferies implemented coding updates that caused its OMS to incorrectly capture the user's workstation time rather than the server time synchronized with the Network Time Protocol³ as the source for timestamps for all option orders. As a result, the firm failed to record accurate timestamps on approximately 2,941 options orders electronically routed on MIAX PEARL and other option exchanges.

¹ Matter No. 20160487695.

² Rule 17a-3(a)(6) defines the time of order entry as "the time when the member, broker or dealer transmits the order or instruction for execution."

³ Network Time Protocol is a protocol used to synchronize computer clock times in a network (i.e., from desktops to servers).

5. Accordingly, Jefferies violated Exchange Act § 17(a) and Exchange Act Rule 17a-3 thereunder, and MIAX PEARL Rule 800 during the Relevant Period.
6. MIAX PEARL Rule 300 provides that “[n]o Member shall engage in conduct in violation of the Exchange Act, the By-Laws or the Rules of the Exchange, or the Rules of the Clearing Corporation insofar as they relate to the reporting or clearance of any Exchange Transaction, or any written interpretation thereof. Every Member shall so supervise persons associated with the Member as to assure compliance therewith.”
7. During the Relevant Period, Jefferies’ procedures applicable to its Derivatives Trading Desk correctly described the documentation requirements of Exchange Act Rule 17a-3 and MIAX PEARL rules, including the requirement to record a timestamp on order memoranda when an options order is entered, transmitted, and executed. Jefferies’ procedures further required each desk head to review order tickets for accuracy and completeness.
8. Jefferies failed to have, however, a supervisory system reasonably designed to ensure that any updates or changes it made to its OMS did not impact the system’s accurate timestamp function. Specifically, the firm did not perform any testing to ensure that the October 2018 and February 2019 changes to its OMS would not impact the automated timestamping of its options orders.
9. Accordingly, Jefferies violated MIAX PEARL Rule 300 during the Relevant Period.

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

1. Censure; and
2. A total fine in the amount of \$225,000 (\$10,000 payable to MIAX PEARL).⁴

The firm agrees to pay the monetary sanction upon notice that this LOC 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.

⁴ The remainder of the fine shall be allocated to BOX Exchange LLC, Cboe Exchange, Inc., Cboe C2 Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGX Exchange, Inc., Miami International Securities Exchange, LLC, The Nasdaq Options Market, LLC, Nasdaq ISE, LLC, Nasdaq GEMX, LLC, Nasdaq Phlx LLC, NYSE American LLC, and NYSE Arca, Inc. for similar violations.

The sanctions imposed herein shall be effective on a date set by MIAX PEARL.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under MIAX PEARL Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 MIAX PEARL's Board of Directors 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 prejudice of the Chief Regulatory Officer ("CRO"), as well as the Business Conduct Committee ("BCC"), in connection with participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including acceptance or rejection of this LOC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of MIAX PEARL Rule 1006, in connection with such person's or body's participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO and the BCC, pursuant to MIAX PEARL Rule 1003;
- B. If this LOC 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 LOC will become part of the firm's permanent disciplinary record and may be considered in any future actions brought by MIAX PEARL or any other regulator against the firm;

2. This AWC will be published on a website maintained by MIAX PEARL; and
 3. 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 LOC or create the impression that the LOC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of MIAX PEARL, or to which MIAX PEARL is a party, that is inconsistent with any part of this LOC. 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 MIAX PEARL is not a party.
- D. The firm may attach a Corrective Action Statement to this LOC 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 LOC in this Statement. This Statement does not constitute factual or legal findings by MIAX PEARL, nor does it reflect the views of MIAX PEARL or its staff.

ELECTION OF PAYMENT FORM

The firm intends to pay the fine proposed in the attached Letter of Consent by the following method (check one):

- A firm check or bank check for the full amount
- Wire transfer

Respectfully submitted,
Respondent
Jefferies LLC

August 5, 2022

Date

By: Cynthia B. Adams

Name: Cynthia B. Adams

Title: Managing Director, Legal