

**THE NASDAQ STOCK MARKET LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2020066386502**

TO: The Nasdaq Stock Market LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

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

Pursuant to Rule 9216 of The Nasdaq Stock Market LLC (“Nasdaq”) Code of Procedure, Jefferies LLC (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, Nasdaq 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 Nasdaq, or to which Nasdaq 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 Nasdaq:

BACKGROUND

Jefferies became a member of Nasdaq in July 2006, and its registration remains in effect. Jefferies is based in New York, New York and has approximately 2,400 registered representatives and 40 branch offices. The firm has no relevant disciplinary history.

SUMMARY

Between January 2018 and March 2021, Jefferies violated Nasdaq Rule Equity 2, Section 10(e)(1)(A), Nasdaq Rule General 9, Section 1(a), and their predecessors Nasdaq Rule 4619(e)(1)(A)¹ and Nasdaq Rule 2010A² when certain Restricted Period Notifications were submitted to Nasdaq that inaccurately requested passive market making status rather than to withdraw its quotations. From at least January 2018 through September 2022, Jefferies’s supervisory system, including written supervisory procedures (“WSPs”), was not reasonably designed to achieve compliance with Regulation M and related Nasdaq notification rules in

¹ Nasdaq Rule Equity 2, Section 10(e)(1)(A) superseded Nasdaq Rule 4619(e)(1)(A) on November 23, 2020.

² Nasdaq Rule General 9, Section 1(a) superseded Nasdaq Rule 2010A on December 6, 2019.

violation of Nasdaq Rules General 9, Sections 1(a) and 20, and their predecessors Nasdaq Rules 3010³ and 2010A.

FACTS AND VIOLATIVE CONDUCT

Jefferies submitted inaccurate Regulation M Restricted Period Notifications to Nasdaq.

1. Rule 101(a) of Regulation M under the Securities Exchange Act of 1934, in relevant part, makes it unlawful for underwriters, broker-dealers, and other distribution participants to directly or indirectly “bid for, purchase, or attempt to induce any person to bid for or purchase, a covered security during the applicable restricted period.”⁴ As defined in Rule 100(b) of Regulation M, a distribution participant’s restricted period for a covered security generally begins one or five business days prior to the determination of the offering price and ends upon the distribution participant’s completion of participation in the distribution. Thus, attempts by distribution participants to bid for, purchase, or induce others to bid for or purchase a covered security during the applicable restricted period are generally prohibited, absent the ability to rely upon an available exception. Such bids, purchases, or inducements can undermine the integrity of the market by artificially stimulating demand and supporting the pricing of the offering.
2. For purposes of monitoring compliance with the provisions of Regulation M, Nasdaq Rule Equity 2, Section 10(e) requires all member organizations participating in offerings of securities to submit certain Regulation M-related notifications.
3. Nasdaq Rule Equity 2, Section 10(e)(1)(A), like its predecessor Nasdaq Rule 4619(e)(1)(A), states “[a] member acting as a manager . . . of a distribution of a security that is a subject security . . . under SEC Rule 101 and any member that is a distribution participant . . . in such distribution that does not have a manager shall provide written notice to Nasdaq MarketWatch . . . no later than the business day prior to the first entire trading session of the one-day or five-day restricted period under SEC Rule 101.” The required notice, commonly known as a Restricted Period Notification, must include “a request on behalf of each Nasdaq Market Maker that is a distribution participant . . . to withdraw the Nasdaq Market Maker’s quotations, or . . . a request . . . that its quotations be identified as those of a passive market maker” as well as “the contemplated date and time of the commencement of the restricted period.”
4. Nasdaq Rule General 9, Section 1(a), like its predecessor Nasdaq Rule 2010A, states “[a] member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.”

³ Nasdaq Rule General 9, Section 20 superseded Nasdaq Rule 3010 on December 6, 2019.

⁴ A distribution participant is an underwriter, prospective underwriter, broker, dealer, or other person who has agreed to participate or is participating in a distribution. See Exchange Act Rule 100(b), 17 C.F.R. § 242.100. A covered security is any security that is the subject of a distribution, or any reference security. See *id.*

5. Between January 2018 and March 2021, Jefferies participated in 44 distributions of securities that were subject to Regulation M in which inaccurate Restricted Period Notifications were filed with Nasdaq. The Restricted Period Notifications were inaccurate because they mistakenly requested passive market making status⁵ instead of excused withdrawal status.⁶ The inaccurate notifications occurred due to miscommunication between two groups at the firm involved in the offering process.
6. Accordingly, Jefferies violated Nasdaq Rule Equity 2, Section 10(e)(1)(A) and Nasdaq Rule General 9, Section 1(a), and their predecessors Nasdaq Rules 4619(e)(1)(A) and 2010A.

Supervision

7. Nasdaq Rule General 9, Section 20, and its predecessor, Nasdaq Rule 3010, states “[e]ach member shall establish and maintain a system to supervise the activities of each registered representative and associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations and with applicable Nasdaq rules. Nasdaq members shall comply with FINRA Rule 3110 as if such Rule were part of Nasdaq’s Rules.”
8. FINRA Rule 3110(b) states “[e]ach member shall establish, maintain, and enforce written procedures to supervise the types of business in which it engages and the activities of its associated persons that are reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable FINRA rules.”
9. From at least January 2018 through September 2022, Jefferies’s supervisory system and WSPs were not reasonably designed to achieve compliance with Regulation M and related notification rules. The firm’s WSPs described the various requirements of Regulation M and related notification rules. However, the WSPs did not reasonably describe steps to achieve compliance with Regulation M and related notification rules, such as conducting supervisory reviews to verify whether an offering qualified as a distribution, that applicable restricted periods were accurate, the accuracy of Restricted Period Notifications, or to ensure that the Firm did not engage in impermissible trading or bidding activity during restricted periods.
10. During the relevant period, Jefferies did not conduct supervisory reviews of its determinations regarding whether an offering qualified as a distribution, whether its determinations of applicable restricted periods were accurate, or to ensure that the firm did not engage in impermissible trading or bidding activity during the restricted period. As a result, Jefferies did not identify whether it purchased shares or

⁵ If a distribution participant requests passive market making status in the Restricted Period Notification, during the restricted period the participant may engage in market making transactions, including publishing quotations, in covered securities if it meets certain limitations, such as restrictions on the number of shares purchased, requirements to lower bids, limiting the displayed size of a bid, and identifying bids as passive. *See* Exchange Act Rule 103 of Regulation M.

⁶ If a distribution participant requests excused withdrawal status in the Restricted Period Notification, the participant is excused from publishing quotations for the subject security during the restricted period.

maintained market making bids in covered securities during their restricted periods.⁷

11. Accordingly, Jefferies violated Nasdaq Rule General 9, Sections 1(a) and 20, and their predecessors Nasdaq Rules 3010 and 2010A.

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

1. A censure; and
2. A fine in the amount of \$98,200 (resolved simultaneously with similar matters for a total fine of \$250,000).⁸

The firm agrees to pay the monetary sanction upon notice that this AWC has been accepted and that such payment is due and payable. The firm has submitted a Payment Information 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

The firm specifically and voluntarily waives the following rights granted under Nasdaq's Code of Procedure:

- A. To have a Formal Complaint issued specifying the allegations against the firm;
- B. To be notified of the Formal 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 Nasdaq Review Council 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 Regulatory Officer, the Nasdaq Review Council, or any member of the Nasdaq Review Council, in connection with such person's or body's participation in discussions regarding the

⁷ In September 2022, Jefferies took steps to revise its supervisory system and WSPs.

⁸ Those matters were brought by FINRA, Investors Exchange LLC, Nasdaq BX, Inc., Nasdaq PHLX LLC, New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., and NYSE National, Inc.

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 Rule 9143 or the separation of functions prohibitions of 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 FINRA's Department of Enforcement and the Nasdaq Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Nasdaq 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 Nasdaq or any other regulator against the firm;
 - 2. Nasdaq may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Nasdaq Rule 8310 and IM-8310-3; 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 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 Nasdaq, or to which Nasdaq is a party, that is inconsistent with any part of this AWC. Nothing in this provision affects the firm's right to take legal or factual positions in litigation or other legal proceedings in which Nasdaq 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 Nasdaq, nor does it reflect the views of Nasdaq 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.

December 10, 2024

Date

Michael Sharp

Jefferies LLC
Respondent

By: Michael Sharp
Michael J. Sharp, Executive Vice President

Reviewed by:

Paul Tyrrell

Paul M. Tyrrell
Counsel for Respondent
Sidley Austin LLP
60 State Street, 36th Floor
Boston, MA 02109

Accepted by Nasdaq:

December 27, 2024

Date

Carly M. Kostakos

Carly M. Kostakos
Senior Counsel
Department of Enforcement

Signed on behalf of Nasdaq by delegated authority from the Director of ODA