

**NASDAQ PHLX LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2020066386506**

TO: Nasdaq PHLX 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 Nasdaq PHLX LLC (“Phlx”) Code of Procedure,¹ 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, Phlx will not bring any future actions against the firm 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 Phlx, or to which Phlx 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 Phlx:

BACKGROUND

Jefferies became a member of Phlx in May 2012, 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

From at least January 2018 through September 2022, Jefferies’s supervisory system, including written supervisory procedures (“WSPs”), was not reasonably designed to prevent and detect violations of Regulation M and related Phlx notification rules in

¹ The Nasdaq Stock Market LLC Rules General 5 Section 9000 et al. are incorporated by reference into Phlx Rule General 5, Section 3, and are thus Phlx Rules and thereby applicable to Phlx members, member organizations, persons associated with member organizations, and other persons subject to Phlx’s jurisdiction.

violation of Phlx Rules General 9, Sections 1(c) and 20, and their predecessor Phlx Rules 748,² 707,³ and Phlx Rule Options 9, Section 1.

FACTS AND VIOLATIVE CONDUCT

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. Phlx Rule General 9, Section 20(h), like its predecessor Phlx Rule 748, states “[e]ach member or member organization shall establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types of business(es) in which the member or member organization engages in and to supervise the activities of all registered representatives, employees, and associated persons. The written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect, insofar as practicable, violations of the applicable securities laws and regulations, including the By-Laws and Rules of [Phlx].”
3. Phlx Rule General 9, Section 1(c), like its predecessors Phlx Rule Options 9, Section 1 and Phlx Rule 707, states “[a] member, member organization, or person associated with or employed by a member or member organization shall not engage in conduct inconsistent with just and equitable principles of trade.”
4. 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.⁵ 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

² Phlx Rule General 9, Section 20 superseded Phlx Rule 748 on February 3, 2020.

³ Phlx Rule Options 9, Section 1 superseded Phlx Rule 707 on February 3, 2020. Then, effective January 22, 2021, Phlx Rule General 9, Section 1(c) superseded Phlx Rule Options 9, Section 1.

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 *See e.g.*, Phlx Rule Equity 2, Section 10.

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.

5. 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 in covered securities during their restricted periods.⁶
6. Accordingly, Jefferies violated Phlx Rule General 9, Sections 1(c) and 20, and their predecessors Phlx Rules 707, 748, and Options 9, Section 1.

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

1. A censure; and
2. A fine in the amount of \$15,600 (resolved simultaneously with similar matters for a total fine of \$250,000).⁷

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 Phlx'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;

⁶ In September 2022, Jefferies took steps to revise its supervisory system and WSPs.

⁷ Those matters were brought by FINRA, Investors Exchange LLC, The Nasdaq Stock Market LLC, Nasdaq BX, Inc., New York Stock Exchange LLC, NYSE American LLC, NYSE Arca, Inc., and NYSE National, Inc.

- 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 Exchange 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 Exchange Review Council, or any member of the Exchange Review Council, 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 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 Exchange Review Council, the Review Subcommittee, or the Office of Disciplinary Affairs ("ODA"), pursuant to Phlx 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 Phlx or any other regulator against the firm;
 - 2. Phlx may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with Phlx Rule 8310 and IM-8310-3;⁸ 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

⁸ Series 8000 of Nasdaq Rules are incorporated by reference into Phlx General 5, Section 2, and are thus Phlx Rules and thereby applicable to Phlx members, member organizations, persons associated with member organizations, and other persons subject to Phlx's jurisdiction.

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 Phlx, or to which Phlx 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 Phlx 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 Phlx, nor does it reflect the views of Phlx 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 the firm 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 23, 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 Phlx:

December 27, 2024

Date

Carly M. Kostakos

Carly M. Kostakos
Senior Counsel
Department of Enforcement

Signed on behalf of Phlx, by delegated
authority from the Director of ODA