



DISCIPLINARY DECISION

Cboe BZX Exchange, Inc.

Star No. 20190610657-13 / File No. USE-2277-03/URE-41-03

Jefferies LLC

Pursuant to BZX Rule 8.3, attached to and incorporated as part of this Decision is a Letter of Consent.

Applicable Rules

- BZX Rules 24.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information, 18.1 – Adherence to Law and 5.1 – Written Procedures.
- Section 17(a) of the Exchange Act and Rule 17a-3 – Records to Be Made by Certain Exchange Members, Brokers and Dealers

Sanction

A censure and a monetary fine in the amount of \$5,000.¹

Effective Date

August 8, 2022

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

¹ This settlement relates to other settlements the Firm reached with BOX Exchange, LLC, Cboe C2 Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe Exchange, Inc., Miami International Securities Exchange, LLC, MIAX PEARL, LLC, Nasdaq Phlx LLC, Nasdaq ISE, LLC, Nasdaq GEMX, LLC, The Nasdaq Options Market LLC, NYSE American LLC, and NYSE Arca, Inc.

Cboe BZX Exchange, Inc.
LETTER OF CONSENT
Star No. 2019061065713/File No. USE-2277-03/URE-41-03

In the Matter of:

Jefferies LLC
520 Madison Avenue
New York, NY 10022

Subject

Pursuant to the provisions of Cboe BZX Exchange, Inc. (“BZX” or the “Exchange”) Rule 8.3 – Expedited Proceeding, Jefferies LLC (“Jefferies” or the “Firm”) submits this Letter of Consent for the purpose of proposing a settlement of the alleged rule violations described below.

The Firm neither admits nor denies that violations of Exchange Rules or the Securities Exchange Act of 1934, as amended (“Exchange Act”) and Exchange Act rules have been committed, and the stipulation of facts and findings described herein do not constitute such an admission.

BACKGROUND

1. During all relevant periods herein, Jefferies was acting as a registered Broker-Dealer and was an Exchange Member. The Firm’s registrations remain in effect.
2. This matter originated from a 2019 examination of the Firm conducted by the Financial Industry Regulatory Authority’s (“FINRA”) Department of Market Regulation on behalf of BZX and other options exchanges. The examination included, among other things, a review of 143 sampled options orders handled by the Firm for compliance with the recordkeeping requirements of Section 17(a) of the Exchange Act and Exchange Act Rule 17a-3 thereunder, and BZX recordkeeping rules, as well as related supervision, from October 2018 to June 2020.

VIOLATIVE CONDUCT

Applicable Rules

3. During all relevant periods herein, the following rules were in full force and effect: BZX Rule 24.1 – Maintenance, Retention and Furnishing of Books, Records and Other Information, BZX Rule 18.1 – Adherence to Law, BZX Rule 5.1 – Written Procedures, and Section 17(a) of the Exchange Act and Rule 17a-3 – Records to Be Made by Certain Exchange Members, Brokers and Dealers, thereunder.

4. During all relevant periods herein, Exchange Act Rule 17a-3(a)(6)(i) required 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. In relevant part, Rule 17a-3(a)(6)(i) requires the brokerage order memorandum to show, among other things, the time of order receipt and entry. The SEC has recognized that records must be accurate to comply with Rule 17a-3.¹
5. During all relevant periods herein, BZX Rule 24.1 provided, in part: “Each Options Member shall make, keep current and preserve such books and records as the Exchange may prescribe pursuant to Exchange Rules and as may be prescribed by the Exchange Act and the rules and regulations thereunder. No Options Member shall refuse to make available to the Exchange such books, records or other information as may be called for under Exchange Rules.”
6. During all relevant periods herein, BZX Rule 5.1 required members to “establish, maintain and enforce written procedures which will enable it to supervise properly the activities of associated persons of the Member and to assure their compliance with applicable securities laws, rules, regulations and statements of policy promulgated thereunder, with the rules of the designated self-regulatory organization, where appropriate, and with Exchange Rules.”

Supervision

7. In October 2018 and February 2019, Jefferies implemented coding updates that caused its order management system (“OMS”) to capture inaccurate timestamps. After the updates, the OMS incorrectly captured the user’s workstation/desktop time rather than the server time synchronized with the Network Time Protocol² as the source for timestamps for all option orders.
8. From in or about October 2018 through in or about June 2020, Jefferies’ procedures applicable to its Derivatives Trading Desk correctly described the documentation requirements of Exchange Act Rule 17a-3 and BZX 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.
9. Jefferies failed to have, however, a supervisory system to enable it to supervise properly the activities of associated persons of the Member to reasonably 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

¹ *Voss & Co., Inc.*, 1981 SEC LEXIS 915, at n.16 (SEC Aug. 11, 1981) (“[A]s we have repeatedly held, the requirement that records be kept embodies the requirement that such records be true and correct.”).

² Network Time Protocol is a protocol used to synchronize computer clock times in a network (i.e., from desktops to servers).

that the October 2018 and February 2019 changes to its OMS would not impact the automated timestamping of its options orders.

10. The acts, practices and conduct described in Paragraph 9 constitute violations of BZX Rule 5.1 by the Firm, in that the Firm failed to establish, maintain, and enforce a supervisory system to enable it to supervise properly the activities of associated persons of the Member to reasonably assure compliance with the recordkeeping provisions of the federal securities laws and BZX rules that require the accurate documentation of option order timestamps.

SANCTIONS

11. The Firm has prior relevant disciplinary history specifically relating to the accurate recording of order receipt and transmission times. In July and August 2019, Jefferies consented to a censure and a total fine of \$84,000³ allocated among Cboe Exchange, Inc., Nasdaq Phlx LLC, and NYSE American LLC for violations of Exchange Act § 17(a) and Exchange Act Rule 17a-3 thereunder, and the recordkeeping and related supervisory rules of those exchanges, for its failure to maintain accurate order receipt and order transmission times for certain of its manual options orders routed to exchange floor brokers in 2016.⁴
12. In light of the alleged rule violations described above, and the Firm's prior relevant disciplinary history, the Firm consents to the imposition of the following sanctions:
 - a. A censure; and
 - b. A monetary fine in the amount of \$5,000.⁵

If this Letter of Consent is accepted, the Firm acknowledges that it shall be bound by all terms, conditions, representations, and acknowledgements of this Letter of Consent, and, in accordance with the provisions of Exchange Rule 8.3, waives the right to review or to defend against any of these allegations in a disciplinary hearing before a Hearing Panel. The Firm further waives the right to appeal any such decision to the Board of Directors, the U.S. Securities and Exchange Commission, a U.S. Federal District Court, or a U.S. Court of Appeals.

The Firm waives any right to claim bias or prejudgment of the Chief Regulatory Officer ("CRO") in connection with the CRO's participation in discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including acceptance or rejection of this Letter of Consent. The Firm further waives any claim that a person violated the ex parte prohibitions of Exchange Rule 8.16, in connection with such person's participation in

³ Cboe Exchange, Inc. received \$20,000 of the \$84,000 settlement.

⁴ Matter No. 20160487695.

⁵ This settlement relates to other settlements the Firm reached with BOX Exchange, LLC, Cboe Exchange, Inc., Cboe C2 Exchange, Inc., Cboe EDGX Exchange, Inc., Miami International Securities Exchange, LLC, MIAX PEARL, LLC, Nasdaq Phlx LLC, Nasdaq ISE, LLC, Nasdaq GEMX, LLC, The Nasdaq Options Market LLC, NYSE American LLC, and NYSE Arca, Inc.

discussions regarding the terms and conditions of this Letter of Consent, or other consideration of this Letter of Consent, including its acceptance or rejection.

The Firm agrees to pay the monetary sanction upon notice that this Letter of Consent has been accepted and that such payment is due and payable. 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 Firm understands that submission of this Letter of Consent is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO, pursuant to Exchange Rule 8.3. If the Letter of Consent is not accepted, it will not be used as evidence to prove any of the allegations against the Firm.

The Firm understands and acknowledges that acceptance of this Letter of Consent will become part of its disciplinary record and may be considered in any future actions brought by BZX or any other regulator against the Firm. The Letter of Consent will be published on a website maintained by the Exchange in accordance with Exchange Rule 8.18.

The Firm understands that it may not deny the charges or make any statement that is inconsistent with the Letter of Consent. The Firm may attach a Corrective Action Statement to this Letter of Consent that is a statement of demonstrable corrective steps taken to prevent future misconduct. Any such statement does not constitute factual or legal findings by the Exchange, nor does it reflect the views of the Exchange 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 Letter of Consent and has been given a full opportunity to ask questions about it; that it has agreed to the Letter of Consent's provisions voluntarily; and that no offer, threat, inducement, or promise of any kind, other than the terms set forth herein, has been made to induce the Firm to submit it.

Date: August 5, 2022

Jefferies LLC

By: 

Name: Cynthia B. Adams

Title: Managing Director, Legal