



## **DISCIPLINARY DECISION**

**Cboe Exchange, Inc.**

**File No. URE-28-01/Star No. 20170562144-01**

**Jefferies LLC**

Pursuant to Exchange Rule 13.3, attached to and incorporated as part of this Decision is a Letter of Consent.

### **Applicable Rules**

- Cboe 4.24 – Supervision.<sup>1</sup>

### **Sanction**

A censure and a monetary fine in the amount of \$40,000.<sup>2</sup>

### **Effective Date**

December 6, 2023

/s/ Greg Hoogasian

Greg Hoogasian, CRO, EVP

---

<sup>1</sup> Cboe Rule 4.24 was renumbered to Cboe Rule 8.16 as of October 7, 2019.

<sup>2</sup> This settlement relates to other settlements Jefferies LLC reached with Cboe C2 Exchange, Inc., Cboe BZX Exchange, Inc. Cboe EDGX Exchange, Inc., Miami International Securities Exchange, LLC, Nasdaq ISE, LLC, Nasdaq GEMX, LLC, Nasdaq Options Market, LLC, Nasdaq PHLX, LLC and NYSE Arca, Inc.

**Cboe Exchange, Inc.**  
**LETTER OF CONSENT**  
**File No. URE-28-01/Star No. 20170562144-01**

---

In the Matter of:

Jefferies LLC  
520 Madison Avenue  
New York, NY 10022

Subject

---

Pursuant to the provisions of Cboe Exchange, Inc. ("Cboe" or the "Exchange") Rule 13.3 - 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 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 Trading Permit Holder registered to conduct business on the Exchange to conduct a floor brokerage business. The Firm's registrations remain in effect.
2. This matter originated from an investigation conducted by FINRA's Department of Market Regulation in response to surveillance alerts identifying potential marking the close activity in options.

**VIOLATIVE CONDUCT**

**Applicable Rules**

3. During all relevant periods herein, the following rules were in full force and effect: Exchange Rules 4.24 - Supervision.<sup>1</sup>
4. During all relevant periods herein, Cboe Rule 4.24(e) required "[e]ach Trading Permit Holder [to] establish, maintain, and enforce written supervisory procedures, and a system for applying such procedures, to supervise the types

---

<sup>1</sup> Cboe Rule 4.24 was renumbered to Cboe Rule 8.16 as of October 7, 2019.

of business in which the Trading Permit Holder engages and to supervise the activities of all associated persons.” Cboe Rule 4.24(e) also provided that the “written supervisory procedures and the system for applying such procedures shall reasonably be designed to prevent and detect violations of applicable securities laws and regulations, and applicable Exchange rules.”

### **Supervisory System and Written Supervisory Procedures**

5. From September 2016 to April 2018 (the “Review Period”), Jefferies failed to establish and maintain a supervisory system, including written supervisory procedures (“WSPs”), that was reasonably designed to detect and prevent violations of applicable federal securities laws and Exchange Rules that prohibit manipulative trading activity—specifically, potential marking the close in options trading.
6. During the Review Period, Jefferies did not have a supervisory system in place designed to detect and prevent potential marking the close activity through a trader’s use of unexecuted orders. Specifically, Jefferies’s marking the close surveillance only looked at executed trades. As a result, during the Review Period, Jefferies failed to detect two Firm traders’ entry of orders at or near the close of the trading day between April 2017 and March 2018 that changed or appeared to change the last reported bids and/or offers in various options series in approximately 139 instances.
7. Although the Firm’s WSPs prohibited Firm traders from engaging in “activity intended to artificially raise or lower the closing price of a stock or option (*i.e.*, marking the close),” Jefferies did not have any supervisory systems or WSPs designed to detect and prevent marking the close activity in executed options transactions until January 2018. Jefferies’s supervisory systems and WSPs did not include a review of unexecuted orders that moved (or had the potential move) market prices until April 2018.
8. Although the WSPs tasked senior managers for its business units with “identify[ing] unusual, questionable or suspicious activity,” the WSPs did not describe whether this included marking the close or identify documents and information the supervisors should use when conducting this review. Jefferies also did not provide its supervisors with access to the surveillance alerts its Compliance Department used to monitor for potentially manipulative trading activity, or require Compliance to inform business unit supervisors of its review.
9. The acts, practices and conduct described in Paragraphs 5 to 8 constitute violations of Exchange Rule 4.24 by the Firm, in that the Firm failed to establish, maintain, and enforce a supervisory system, including WSPs,

reasonably designed to prevent and detect potentially manipulative trading activity.

### **SANCTIONS**

10. In December 2019, Jefferies Execution Services, Inc. ("Jefferies Execution")<sup>2</sup> was sanctioned \$215,000 by FINRA and ten exchanges, with \$75,200 of the sanction payable to Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe EDGX Exchange, Inc. and Cboe EDGA Exchange, Inc. (collectively, the "Cboe Exchanges") for the firm's alleged violation of Rules 5.1 and 3.1 of the Cboe Exchanges due to the firm's failure to (i) implement a supervisory system reasonably designed to monitor for potential layering or spoofing and (ii) detect and review 150,000 instances of potential layering or spoofing by direct market access customers from January 2014 through February 2015.
11. In light of the alleged rule violations described above, the Firm consents to the imposition of the following sanctions:
  - a. A censure; and
  - b. A monetary fine in the amount of \$40,000.<sup>3</sup>

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 13.3, 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 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

---

<sup>2</sup> Jefferies Execution merged its business into Jefferies in October 2017.

<sup>3</sup> This settlement relates to other settlements the Firm reached with Cboe C2 Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGX Exchange, Inc., Miami International Securities Exchange, LLC, Nasdaq ISE, LLC, Nasdaq GEMX, LLC, Nasdaq Options Market LLC, Nasdaq PHLX LLC, and NYSE Arca, Inc.

to Exchange Rule 13.3. 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 the Exchange or any other regulator against the Firm.

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: 11/21/2023 | 7:02 EST

**Jefferies LLC**

By: 

Name: Michael Sharp

Title: Executive Vice President