

**INVESTORS EXCHANGE LLC
NOTICE OF ACCEPTANCE OF AWC**

Via Certified Mail, Return Receipt Requested (7020 0640 0001 3903 8337), First Class Mail and Email (lscoran@jefferies.com)

TO: Lauri A. Scoran, Chief Compliance Officer
Jefferies LLC
520 Madison Avenue
New York, NY 10022

FROM: Investors Exchange LLC (“IEX”)
c/o Financial Industry Regulatory Authority (“FINRA”)
Department of Enforcement
55 West Monroe Street, 26th Floor
Chicago, IL 60603

DATE: January 11, 2022

RE: Acceptance of Letter of Acceptance, Waiver, and Consent (AWC)
Jefferies LLC (CRD No. 2347), as successor to Jefferies Execution Services, Inc.,
(CRD No. 867), Matter No. 2017054588105

Please be advised that your above-referenced Letter of Acceptance, Waiver and Consent (“AWC”) has been accepted on **December 30, 2021** by the Office of Disciplinary Affairs, on behalf of the IEX Board, pursuant to IEX Rule 9.216. A copy of the AWC is enclosed herewith.

You are again reminded of your obligation, if currently registered, immediately to update your Form BD (Uniform Application for Broker-Dealer Registration) to reflect the conclusion of this disciplinary action. Additionally, you must also notify FINRA in writing of any change of address or other changes required to be made to your Form BD.

You will be notified by the Registration and Disclosure Department regarding sanctions if a suspension has been imposed and by the IEX’s Finance Department regarding the payment of any fine if a fine has been imposed.

If you have any questions concerning this matter, please call Kerry Adler, Counsel, at 312-230-5095.



Kerry Adler
Senior Counsel
Department of Enforcement, FINRA

Signed on behalf of IEX

cc: Cynthia Adams, Jefferies (via email)
Gregory Rose, Jefferies (via email)

Enclosure(s)

**INVESTORS EXCHANGE LLC
LETTER OF ACCEPTANCE, WAIVER AND CONSENT
NO. 2017054588105**

TO: Investors Exchange LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Jefferies LLC, Respondent, as successor to Jefferies Execution Services, Inc.
Broker-Dealer
CRD No. 2347

Pursuant to Rule 9.216 of the Investors Exchange LLC (“IEX”) Code of Procedure, Respondent Jefferies LLC (the “firm”), as successor to Jefferies Execution Services, Inc. (“Jefferies”), 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, IEX 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 IEX, or to which IEX 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 IEX:

BACKGROUND

Jefferies Execution Services, Inc. (CRD No. 867) became an IEX Member in July 2016. In November 2017, it requested the termination of its IEX membership. Its registration with IEX was terminated on January 19, 2018. On January 19, 2018, Jefferies Execution Services, Inc. merged with and into Jefferies LLC (CRD No. 2347), an affiliated broker-dealer that became an IEX Member in September 2017.¹ Jefferies Execution Services, Inc.’s principal place of business was in New York, New York. Its business primarily consisted of electronic and manual execution services on exchanges and electronic marketplaces for financial institutions, including Jefferies LLC. Jefferies Execution Services, Inc. does not have any relevant disciplinary history.

SUMMARY

1. Between August 2016 and October 2017, Jefferies failed to establish and maintain a supervisory system, and failed to establish, maintain, and enforce written supervisory procedures (“WSPs”), reasonably designed to achieve compliance with applicable

¹ Jefferies LLC assumed all liabilities and obligations of Jefferies Execution Services, Inc. at the time of the merger.

securities laws and regulations, and IEX rules, concerning compliance with Rule 611(c) of Regulation National Market System (“NMS”) of the Securities Exchange Act of 1934 (“Exchange Act”) and IEX Rule 11.190(b)(12), in violation of IEX Rules 5.110 and 3.110.

FACTS AND VIOLATIVE CONDUCT

2. IEX Rule 5.110(a) provides that “[e]ach Member shall establish and maintain a system to supervise the activities of each associated person that is reasonably designed to achieve compliance with applicable securities laws and regulations, and with applicable IEX Rules. Final responsibility for proper supervision shall rest with the Member.”
3. IEX Rule 5.110(b) provides that “[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 IEX Rules.”
4. IEX Rule 3.110(a) provides that “[a] Member, in the conduct of its business, shall observe high standards of commercial honor and just and equitable principles of trade.” A violation of IEX Rule 5.110 constitutes a violation of IEX Rule 3.110.
5. Rule 600(b)(30) of Regulation NMS (“Rule 600(b)(30)”)² defined an intermarket sweep order (“ISO”) as a limit order for an NMS stock that: (i) is identified as an ISO when routed to a trading center; and (ii) simultaneously with the routing of the limit order identified as an ISO, one or more additional limit orders, as necessary, are routed to execute against the full displayed size of any protected bid, in the case of a limit order to sell, or the full displayed size of any protected offer, in the case of a limit order to buy, for the NMS stock with a price that is superior to the limit price of the limit order identified as an ISO. These additional routed orders also must be marked as ISOs.³
6. During the relevant period, Rule 611(c) of Regulation NMS (“Rule 611(c)”) required a trading center, broker, or dealer responsible for the routing of an ISO to take reasonable steps to establish that such order meets the requirements set forth in Rule 600(b)(30).

² After the review period, Rule 600(b)(30) became Rule 600(b)(38). Because the conduct in this matter occurred while Rule 600(b)(30) was still in effect, all references herein are to Rule 600(b)(30).

³ The Securities and Exchange Commission staff (Division of Trading and Markets) issued guidance stating that firms are not required to maintain a comprehensive database of quotation data if the firm (1) has implemented reasonable policies and procedures that include periodic review of its compliance with Rule 611, and (2) retains sufficient firm-specific quotation data to demonstrate the reasonableness of its Rule 611 compliance reviews. With regard to the second item, firms are required to maintain for a reasonable amount of time certain market data showing the protected quotations of all relevant market centers at the time they route ISOs so they can demonstrate the reasonableness of their policies and procedures. *See Responses to Frequently Asked Questions Concerning Rule 611 and Rule 610 of Regulation NMS*, Question 6.03.

7. IEX Rule 11.190(b)(12) requires firms to comply with Exchange Act Rule 611(c) and other IEX-specific requirements.
8. Between August 2016 and October 2017, Jefferies' supervisory system, including its WSPs, was not reasonably designed to achieve compliance with Exchange Act Rule 611(c).⁴
9. Jefferies did not establish a supervisory system or WSPs that were reasonably designed to ensure that Jefferies complied with Exchange Act Rule 611(c). Jefferies implemented a supervisory review of ISOs in May 2016, but this review was not documented in Jefferies' procedures until April 2017. Even after May 2016, Jefferies' review was unreasonable given that the ISOs reviewed by Jefferies represented a small fraction of the ISOs Jefferies handled each day.
10. In addition, Jefferies' programming errors and failure to maintain snapshot records of the market data supporting its routing of certain ISOs prevented it from performing a reasonable review of those ISOs for compliance with Exchange Act Rule 611(c). As a result, 51,041 violative ISOs were routed to the participating exchanges between October 2016 and October 2017.
11. Thus, during the period August 2016 to October 2017, Jefferies' supervisory system, including its WSPs, was not reasonably designed to achieve compliance with Exchange Act Rule 611(c) and IEX Rule 11.190(b)(12). Therefore, Jefferies violated IEX Rules 5.110(b) and 3.110.

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

1. A censure; and
2. A fine of \$7,149.⁵

The firm agrees to pay the monetary sanction in accordance with its executed Election of Payment Form.

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.

⁴ Because trading did not commence on IEX until August 2016, only the conduct beginning in August 2016 violated the IEX rules.

⁵ Additional fines will be paid to the New York Stock Exchange, LLC, NYSE Arca, Inc., NYSE American LLC, Cboe BZX Exchange, Inc., Cboe BYX Exchange, Inc., Cboe EDGX Exchange, Inc., Cboe EDGA Exchange, Inc., and FINRA.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under IEX'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 IEX Appeals Committee 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 General Counsel, Chief Regulatory Officer, the IEX Appeals Committee, or any member of the IEX Appeals Committee, 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 9.143 or the separation of functions prohibitions of Rule 9.144, 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 Office of Disciplinary Affairs ("ODA"), pursuant to IEX Rule 9.216;
- 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 IEX or any other regulator against the firm;
 2. IEX may release this AWC or make a public announcement concerning this agreement and the subject matter thereof in accordance with IEX Rule 8.340; 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 IEX, or to which IEX is a party, that is inconsistent with any part of this AWC. 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 IEX 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. Any such Statement does not constitute factual or legal findings by IEX, nor does it reflect the views of IEX 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 23, 2021

Date

Jefferies LLC, as successor to
Jefferies Execution Services, Inc.
Respondent

By: Cynthia Adams

Name: Cynthia Adams

Title: Managing Director, Legal

Accepted by IEX:

January 11, 2022

Date

Kerry Ann P. Adler
Kerry Ann P. Adler, Senior Counsel
FINRA Department of Enforcement

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

ELECTION OF PAYMENT FORM

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

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

Respectfully submitted,

Jefferies LLC, as successor to
Jefferies Execution Services, Inc.,
Respondent

December 23, 2021

Date

Cynthia Adams

By: _____

Name: Cynthia Adams

Title: Managing Director, Legal