# Notice of Disciplinary Action against Jefferies LLC, Member Organization

**To:** Members, Member Organizations, Participants and Participant Organizations

**From:** John C. Pickford, Assistant General Counsel, NASDAQ PHLX[SM]

**DATE:** July 18, 2016

**Enforcement No. 2016-09**
**FINRA No. 20140399298**

On July 15, 2016, the Business Conduct Committee (the "Committee") of the NASDAQ PHLX LLC ("PHLX" or the "Exchange") issued a disciplinary decision against Jefferies LLC ("Jefferies" or the "Firm"), a member organization of the Exchange. In response to a Statement of Charges issued in this action, Jefferies submitted an Offer of Settlement. Solely to settle this proceeding, and without admitting or denying the charges, Jefferies consented to findings that on February 20, 2014, it violated Rule 17a-3(a)(6)(i) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Exchange Rules 1064(d), 707, 748(h) and 760. Specifically, Jefferies consented to findings that on February 20, 2014, it received a customer spread order in the options of Sprint Corp ("S") to purchase 10,455 Feb 6 calls, purchase 10,455 May 5 puts, and sell 10,455 May 7 calls. After receiving the customer's order but before exposing it to a trading crowd, Jefferies entered an order to purchase, and thereafter received a partial execution of 8,700 shares of S on an order to purchase, 100,000 shares of S for its proprietary account to hedge its anticipated facilitation of the customer's order. This conduct violated Exchange Rules 1064(d) and 707.

Additionally, Jefferies consented to findings that it had failed to: (i) maintain, or could not provide any evidence that it maintained, an accurate record of the time it had transmitted the aforementioned customer options order to a floor broker for representation and subsequent execution in a trading crowd; and (ii) maintain an accurate record of the order receipt time of that customer options order. This conduct violated Rule 17a-3(a)(6)(i) promulgated under the Exchange Act, and Exchange Rules 760 and 707.

Finally, the Firm consented to findings that it had failed to: (i) maintain, establish and enforce adequate written supervisory procedures ("WSPs") and an adequate supervisory system for reviewing, and documenting its review of, transactions for anticipatory hedging based on the undisclosed terms and conditions of impending customer orders; (ii) adhere, and failed to supervise its employees to ensure adherence, to the requirement in its WSPs to confirm prior to execution that order tickets captured, among other things, the time an order is transmitted for execution; and (iii) maintain an adequate supervisory system for reviewing electronic order memoranda that was reasonably calculated to detect erroneous or missing order receipt times. This conduct violated Exchange Rules 748(h) and 707.

The Committee found that Jefferies had violated Rule 17a-3(a)(6)(i) promulgated under the Exchange Act and Exchange Rules 1064(d), 707, 748(h) and 760, and ordered the imposition of the following sanctions against Jefferies: (i) a censure; and (ii) a fine in the amount of $50,000.

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For more information, contact:

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