



Shane Cralle
Principal Counsel

Department of Enforcement

FINRA | 9509 Key West Ave.
Rockville, MD 20850
Phone: 301-258-8530
Email: shane.cralle@finra.org

Via Certified Mail, Return Receipt Requested (9314 8699 0430 0117 7466 11), First Class Mail, and Email (mwolk@sidley.com)

February 23, 2024

Jefferies LLC
c/o Michael D. Wolk, Esq.
1501 K Street, N.W.
Washington, DC 20005

RE: Payment of Fine in Connection with Executed Letter of Consent
FINRA Matter No. 2017056214406

Dear Mr. Wolk:

Enclosed is an executed copy of the Letter of Consent (“LOC”), signed by Michael Sharp, Executive Vice President, at Jefferies LLC (the “Firm”), and countersigned by Edward Deitzel, Executive Vice President and Chief Regulatory Officer, for the Business Conduct Committee, at the Miami International Securities Exchange, LLC (“MIAX” or the “Exchange”) on **February 23, 2024**. Please consider this correspondence as notice to the Firm that this LOC has been accepted, and as a result, the Firm must promptly remit payment of the agreed upon sanction. Please make the payment to Miami International Securities Exchange, LLC.

By Wire:

If payment is by wire, wiring instructions are as follows:

Michael D. Wolk, Esq.

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Pursuant to MIAX Rule 1011, after seven calendar days' notice in writing, the Exchange may summarily suspend a Member that fails to pay promptly a fine when such fine becomes finally due and payable.

If you have any questions regarding this matter, please contact me at 301-258-8530.

Sincerely,

A handwritten signature in blue ink, appearing to read "Shane Cralle".

Shane Cralle
Principal Counsel

Enclosure

cc: Larry O'Leary, VP Regulation, Miami International Securities Exchange, LLC
(via e-mail to loleary@miaxoptions.com)

This letter is issued on behalf of the Miami International Securities Exchange, LLC, by FINRA Department of Enforcement pursuant to a grant of authority to FINRA. Accordingly, this constitutes a letter by the Miami International Securities Exchange, LLC.

**MIAMI INTERNATIONAL SECURITIES EXCHANGE, LLC
LETTER OF CONSENT
NO. 2017056214406**

TO: Miami International Securities Exchange, LLC
c/o Department of Enforcement
Financial Industry Regulatory Authority (“FINRA”)

RE: Jefferies LLC, Respondent
Broker-Dealer
CRD No. 2347

Pursuant to Rule 1003 of the Rules of the Miami International Securities Exchange, LLC (“MIAX”), Jefferies LLC (the “firm”) submits this Letter of Consent (“LOC”) for the purpose of proposing a settlement of the alleged rule violations described below. This LOC is submitted on the condition that, if accepted, MIAX 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 MIAX, or to which MIAX 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 MIAX:

BACKGROUND

Jefferies has been a MIAX member since 2014, and a FINRA member since 1963, and its registrations remain in effect. The firm is headquartered in New York, NY, and employs approximately 2,200 registered persons. The firm provides brokerage, investment banking, research, and trading, execution and clearing services to institutional and individual customers and other broker-dealers.

Jefferies has no relevant disciplinary history.

SUMMARY

This matter arose from an investigation conducted by FINRA’s Department of Market Regulation.

From September 2016 to April 2018 (the “Relevant Period”), Jefferies violated MIAX Rules 1308(c)(1) and 500(b) by failing to develop and maintain adequate controls, including written procedures (“WSPs”), reasonably designed to detect and to ensure its associated persons complied with rules preventing marking the close in options trading. As a result, the firm failed to detect that two proprietary traders submitted orders at or near the close of the trading day on MIAX and other exchanges that affected the last reported bids and/or offers in various options series on more than 100 occasions.

FACTS AND VIOLATIVE CONDUCT

1. MIAX Rule 1308(c)(1) requires members to develop and maintain adequate controls over each of its business activities, and that such controls must provide for the establishment of procedures for verification and testing of those business activities.
2. MIAX Rule 500(b) prohibits members from engaging in conduct (i) inconsistent with the maintenance of a fair and orderly market; (ii) apt to impair public confidence in the operations of the exchange; or (iii) inconsistent with the orderly and efficient conduct of business. Activities that violate Rule 500(b) include, among other things, failing to supervise an employee or associated person “adequately to ensure that person’s compliance with [the rule.]”
3. During the Relevant Period, Jefferies failed to develop and maintain adequate controls, including WSPs, that were reasonably designed to detect and to ensure its associated persons complied with rules prohibiting manipulative trading activity, specifically marking the close activity in options trading.
4. The Firm’s WSPs prohibited Firm traders from engaging in “activity intended to artificially raise or lower the closing price of a[n] ... option (i.e., marking the close).” But Jefferies did not have any supervisory systems specifically designed to detect and prevent marking the close activity in executed options transactions until January 2018 and its WSPs did not indicate if the supervisory review for questionable or suspicious activity included marking the close or identify the documents and information the supervisors should use when conducting this review. Further, Jefferies did not provide its supervisors with access to applicable surveillance alerts its Compliance Department used to monitor for potentially manipulative activity, or require Compliance to inform supervisors of its Compliance reviews.
5. As a result, Jefferies did not detect that two proprietary traders submitted orders on MIAX and other exchanges at or near the end of the trading day on more than 100 occasions that affected the last reported bids and/or offers in various options series until it received an inquiry from FINRA in December 2017.
6. Although Jefferies instructed both traders in January 2018 to stop entering orders at or near the close, Jefferies did not implement any other review of orders generally, or of the traders’ activity specifically, to ensure that the traders discontinued their practice of submitting end of day orders for pricing purposes. As a result, Jefferies did not detect that one of the traders continued to submit orders at or near the end of the trading day until it implemented a month-end “marking the close” review of both executed options transactions and unexecuted option orders in April 2018.
7. Accordingly, Jefferies violated MIAX Rules 1308(c)(1) and 500(b) during the Relevant Period.

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

1. A censure; and

2. A fine of \$450,000 (\$48,334 payable to MIAX).¹

The firm agrees to pay the monetary sanction upon notice that this LOC has been accepted and that such payment is due and payable. It has submitted an Election of Payment 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 MIAX.

II.

WAIVER OF PROCEDURAL RIGHTS

The firm specifically and voluntarily waives the following rights granted under MIAX Rules:

- A. To have a Statement of Charges issued specifying the allegations against the firm;
- B. To be notified of the Statement of Charges 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 MIAX's Board of Directors 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 ("CRO"), as well as the Business Conduct Committee ("BCC"), in connection with participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including acceptance or rejection of this LOC.

The firm further specifically and voluntarily waives any right to claim that a person violated the ex parte prohibitions of MIAX Rule 1006, in connection with such person's or body's participation in discussions regarding the terms and conditions of this LOC, or other consideration of this LOC, including its acceptance or rejection.

III.

OTHER MATTERS

The firm understands that:

- A. Submission of this LOC is voluntary and will not resolve this matter unless and until it has been reviewed and accepted by the CRO and the BCC, pursuant to MIAX Rule 1003;
- B. If this LOC is not accepted, its submission will not be used as evidence to prove any of

¹ The remainder of the fine shall be allocated to Cboe Exchange, Inc., Cboe C2 Exchange, Inc., Cboe BZX Exchange, Inc., Cboe EDGX Exchange, Inc., Nasdaq ISE, LLC, Nasdaq GEMX, LLC, Nasdaq Options Market LLC, Nasdaq PHLX LLC, and NYSE Arca, Inc. for similar violations.

the allegations against the firm; and

C. If accepted:

1. This LOC will become part of the firm’s permanent disciplinary record and may be considered in any future actions brought by MIAX or any other regulator against the firm;
2. This AWC will be published on a website maintained by MIAX; 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 LOC or create the impression that the LOC is without factual basis. The firm may not take any position in any proceeding brought by or on behalf of MIAX, or to which MIAX is a party, that is inconsistent with any part of this LOC. 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 MIAX is not a party.

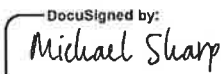
D. The firm may attach a Corrective Action Statement to this LOC that is a statement of demonstrable corrective steps taken to prevent future misconduct. The firm understands that it may not deny the charges or make any statement that is inconsistent with the LOC in this Statement. This Statement does not constitute factual or legal findings by MIAX, nor does it reflect the views of MIAX 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 LOC and has been given a full opportunity to ask questions about it; that it has agreed to the LOC’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.

11/27/2023 | 5:31 EST

Date

Respondent

By: 
902E2DB867E646F

Name: Michael Sharp

Title: Executive Vice President

Reviewed by:



Michael D. Wolk
Sidley Austin LLP

1501 K. Street, N.W.
Washington, DC 20005
Counsel for Respondent

Accepted by Miami International Securities Exchange, LLC:

2/23/2024
Date

Edward Deitzel
Edward Deitzel
Executive Vice President and
Chief Regulatory Officer
Miami International Securities Exchange, LLC

Decision of the Business Conduct Committee:

Accept Decline

2/23/2024
Date

Edward Deitzel
By: Edward Deitzel
For the Business Conduct Committee

