

1. Jefferies International Limited

Jefferies International Limited (“JIL”) is a UK subsidiary of Jefferies International (Holdings) Limited (“JIHL”). Within the JIHL group there are the following regulated entities:

- Jefferies International Limited (FSA UK)
- Jefferies Investment Management Limited (JIM) (FSA UK)
- Helix Associates Limited (HAL) (FSA UK)
- Jefferies Singapore Limited (*MAS Singapore*)
- Jefferies (Japan) Limited Tokyo branch (JL) (*FSA Japan*)
- Jefferies (Switzerland) AG (JSA) (*FINMA*)

The ultimate parent undertaking of JIHL is Jefferies Group, Inc. a full-service global securities and investment banking firm.

2. Basel II

The Basel II Accord has been implemented in the European Union via the Banking Consolidation Directive and the Capital Adequacy Directive collectively known as the Capital Requirements Directive (“CRD”).

The Accord consists of three ‘pillars’. Pillar 1 sets out the minimum capital requirements firms will be required to meet for credit, market and operational risk. Under Pillar 2, firms and supervisors are required to assess the appropriateness of the Pillar 1 level of capital the Firm requires, taking into account risks not covered in Pillar 1 and must take action accordingly. The aim of Pillar 3 is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess certain specified information in relation to capital adequacy, particular risk exposures and risk management processes.

3. Interim Pillar 3 Disclosures

This document represents the annual public Pillar 3 qualitative disclosures required by the FSA prudential sourcebook rules for Banks, Building Societies and Investment Firms (“BIPRU”). These relate primarily to risk management practices.

The required quantitative disclosures will follow in the fourth quarter of 2009 with the filing of the JIHL group annual financial statements. These relate primarily to risk exposure.

Jefferies Group, Inc. is listed on the New York Stock Exchange and is required, by the U.S Securities and Exchange Commission (“SEC”), to file public disclosures, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. These disclosures can be found at:

<http://www.jefferies.com/secfilings>

4. Application of the Pillar 3 Framework

The application of the Pillar 3 framework applies to JIHL and all its subsidiaries. The basis of consolidation for prudential purposes is, in the main, the same as consolidation for accounting purposes. The JIHL group completes its prudential consolidation in compliance with the FSA BIPRU handbook Chapter 8.

The principal subsidiary undertakings of the JIHL group can be found in the annual financial statements of the group. The most significant of these subsidiaries is Jefferies International Limited ("JIL"), the results of which are so material to the group that the risk profile is materially the same as the JIHL group, and risk management policy and procedure are applied consistently. No separate disclosure for JIL will therefore be provided.

5. Capital Resources

Under FSA supervision, the JIHL group is required to maintain a minimum ratio of total capital resources to capital requirements. As of December 31 2008 the JIHL group was in full compliance with the FSA capital requirements as required by BIPRU. The full FSA handbook can be found at:

<http://fsahandbook.info/FSA/html/handbook/BIPRU>

6. Capital Requirements

The JIHL group calculates Pillar 1 capital requirements in accordance with the regulatory capital requirements of the FSA which implemented the EU Capital Requirements Directive.

Credit and Counterparty risk capital components reflect capital charges attributable to the risk of loss arising from a borrower or counterparty failing to meet its financial obligations. Risk weighted exposures are determined using the FSA's Standardised Approach. The calculation of Risk Weighted Assets relies on external ratings provided by the external credit assessment institution (ECAI), Fitch. The JIHL group applies credit risk mitigation in the form of legal netting and collateral: this is discussed in detail in the JIHL Annual Accounts lodged with Companies House.

Market risk capital components reflect capital charges attributable to the risk of loss resulting from adverse changes in market prices and other factors. A detailed discussion of market risk management is disclosed in the JIHL Annual Accounts.

Operational risk capital charges are designed to account for the risk of losses due to inadequate or failed internal processes, people and systems, or external events and also

legal risk. Capital requirements for operational risk are calculated under the Basic Indicator Approach in accordance with Basel standards.

The risk capital calculations will evolve over time as the JIHL group enhances its risk management strategy and develops modeling techniques appropriate to the business whilst in compliance with the regulatory requirements.

7. Application of the Pillar 2 Framework

The JIHL group uses a "Pillar 1 Plus" framework in order to meet its obligations under BIPRU 2.2 "Internal capital adequacy standards". An assessment is made as to whether the Pillar 1 minimum capital requirement captures Pillar 1 risks and whether additional capital should be allocated against Pillar 2 and external risks.

The "Pillar 1 Plus" framework is used to ensure that the JIHL group carries, or has access to, sufficient capital to support all material risks residing within the JIHL group, by providing a "cross check" on UK regulatory capital, based on regional management's own risk assessment. The JIHL framework is currently pending approval by FSA.

8. Risk Management Objectives and Policies

Risk is an inherent part of both Jefferies Group, Inc. and the JIHL group's business activity and is managed in accordance with the wider Jefferies Group, Inc. policies.

A detailed discussion of risk management is disclosed in the JIHL Annual Accounts and the Jefferies Group, Inc. Annual Report:

<http://www.jefferies.com/annualreports>