

JEFFERIES

---

# Regulation Best Interest Disclosure

JULY 2023

**Jefferies**

## REGULATION BEST INTEREST DISCLOSURE

This document contains important information regarding your account(s) or prospective account(s) with Jefferies LLC (“Jefferies”), an introducing broker-dealer, registered with the Securities and Exchange Commission (SEC). An introducing broker-dealer like Jefferies arranges for another firm to handle certain administrative and other tasks on its behalf. In this regard, Jefferies has arranged for Pershing to handle these tasks. As a result, you may receive documents from Pershing, such as new account forms, account statements, trade confirmations, or account statements in connection with your Jefferies account. However, your account is with Jefferies and your Financial Adviser (also known as an Account Executive) is associated with and supervised by Jefferies.

Please review this document carefully. It provides you with information about the scope and terms of your relationship with Jefferies and describes potential material conflicts of interest that may arise in connection with recommendations you may receive from Jefferies and its Financial Advisers (collectively referred to as “Jefferies” in this document unless otherwise noted) regarding securities transactions or investment strategies involving securities, including recommendations regarding types of securities accounts.

You may also have, or are considering opening, an account(s) with Jefferies Investment Advisers LLC (“JIA”), our affiliated registered Investment Adviser. As a practical matter, Investment Advisers like JIA and broker-dealers like Jefferies have different types of relationships with their clients, offer different services, and have different compensation models. Further, they are subject to different legal, regulatory, and operational requirements. For example, Jefferies and JIA are held to different standards of conduct. As a broker-dealer, Jefferies is required to act in the best interest of our retail clients at the time we recommend to you a securities transaction or strategy involving securities, without placing our financial or other interests ahead of yours. In contrast, an Investment Adviser like JIA owes clients a fiduciary duty that applies to its entire relationship with clients. For more information about JIA accounts, please visit <https://adviserinfo.sec.gov/firm/summary/325421>.

## TABLE OF CONTENTS

1. SCOPE AND TERMS OF YOUR BROKERAGE RELATIONSHIP WITH JEFFERIES	3
A. Fees and Costs	3
Equities, Exchange Traded Products (ETPs), American Depository Receipts (ADRs)	2
Equity Options	3
Fixed Income	3
Mutual Funds	3
Structured Products	4
Alternative Investment Products	4
Lending Products	4
Sweep Program	4
Financial Planning Products	4
Other Fees and Costs	5
B. Capacity	5
C. Type and Scope of Services	5
Account Opening and Maintenance Requirements	5
Account Monitoring Services	5
Material Limitations	5
Equities	5
Leveraged and Inverse Exchange-Traded Funds (ETFs) or Structured Notes	5
Volatility-Linked Exchange-Traded Products (VIX-based ETPs)	5
Penny Stocks	5
D. Other Material Facts	6
General basis for Jefferies recommendations	6
Risks associated with Jefferies recommendations	6
2. CONFLICTS OF INTEREST ASSOCIATED WITH OUR RECOMMENDATIONS	6
A. Compensation	6

## 1. SCOPE AND TERMS OF YOUR BROKERAGE RELATIONSHIP WITH JEFFERIES

### A. Fees and Costs

Brokerage clients pay transaction-based fees in connection with the products they buy and sell and the services they receive. This section discusses the material fees and costs that apply to these transactions and services in connection with your Jefferies brokerage account. See also the information about Jefferies fees and costs at <https://jefferies.com/FooterPages/2/1667>.

Jefferies is compensated in a variety of ways, including through commissions, mark-ups/mark-downs, selling concessions, transaction fees, sales charges, or expenses that are embedded in the purchase price of a product. The amount of these commissions or fees, which are subject to negotiation, can vary based on a number of things such as transaction size, transaction type and complexity, product type and features, the size and value of your account(s), and your frequency of trading, among other things. Any commissions or fees that Jefferies charges you for a transaction or service may be more or less than commissions or fees that Jefferies charges other clients or that are charged by other firms for similar transactions or services. The source and amount of other commissions received in connection with a transaction will be furnished on request. In addition, your account may be charged other fees and costs related to the products and services Jefferies provides to you.

Jefferies has established guidelines and maximums for the commissions and fees clients are charged for transactions and services.

A summary of Jefferies fees by product type is listed below:

#### **Equities, Exchange Traded Products (ETPs), American Depositary Receipts (ADRs)**

- Clients can be charged a commission of a \$35.00 flat rate per transaction up to 4% of the principal value of the purchase or sale.
- The amount of commission charged is reflected on the confirmation the client receives after the transaction is executed.

#### **Equity Options**

- Clients generally are charged on a per contract basis, not exceeding \$5 per contract.
- The amount of commission charged is reflected on the confirmation the client receives after the transaction is executed.

#### **Fixed Income (e.g., corporate debt, treasury, and municipal bonds)**

- Clients are generally charged a mark-up on fixed income purchases and a mark-down on fixed income sales. The amount of a mark-up or mark-down can vary and is based on a variety of things, such as: the security's maturity date or stated average life, whether the security represents government or corporate debt, and the principal value of the underlying transaction. For example, the amount clients are charged for fixed income transactions can be nominal for the purchase of a short-term U.S. treasury bond and up to 3% of the principal value for a long-term high yield corporate bond.
- The amount of mark-up/mark-down charged on a particular transaction is reflected on the confirmation the client receives after the transaction is executed.

#### **Mutual Funds**

- Fees related to **domestic** mutual funds are designated by the fund's issuer and are listed in the fund's prospectus, which is delivered after the transaction, in accordance with the delivery method selected by the client. Jefferies may charge a commission and may also receive a fee on your fund transactions, but receives a fee from the fund for its sale efforts.
- Fees related to **offshore** mutual funds are similarly set by the fund's issuer and are disclosed in the fund offering documents or term sheets, which are delivered after the transaction, in accordance with the delivery method selected by

the client. Jefferies may charge a commission on your fund transactions; furthermore, they may receive a Trailer Fee as compensation depending on the fund share class purchased.

- Other mutual fund fees, such as 12b-1 fees and trails, are discussed in the “Conflicts” section below.

### Structured Products

- **New Issues** (domestic and off-shore/Reg-S) – Fees for structured products vary based on the product’s complexity and duration. Total fees for a structured product investment generally range from a total of 3 to 4.5% of the principal invested. This amount includes a selling concession Jefferies receives. Information about total fees and the amount of Jefferies selling concession are included in the product’s prospectus or offering documents delivered to the client after the transaction, in accordance to the client’s selected method of delivery.
- **Secondary Transactions** – For purchases, clients can be charged a mark-up of up to 2% of the underlying investment principal and a mark-down of up to 0.5% of the underlying investment principal for sales. Jefferies fee is embedded in the transaction price. The FA can advise the client of Jefferies fee upon request.
- See the “Conflicts” section below for further discussion about structured product fees.

**Alternative Investment Products** (e.g., hedge funds, fund of funds, private equity and real estate funds, SPACs, private placements, syndicate transactions, etc.)

- Generally, Jefferies compensation for these types of products is embedded in the total fees your account is charged upon purchase. For example, Jefferies may receive placement fees from the alternative investment of up to 2% of your investment commitment. Jefferies may also receive a portion of the management fee the fund charges you, which can be up to 1% of the investment’s value.
- Details of fees and other charges to your account are listed in each product’s offering document, which maybe called a prospectus, subscription agreement, offering memorandum, or private placement memo, something similar, depending on the product.
- See the “Conflicts” section below for further discussion about alternative product fees.

### Lending Products

- **Margin Loans** – The rate Jefferies charges its clients for margin loans is reflected in a Margin Agreement included in the account documents provided at the time the account is opened or when the client requests the ability to transact on margin.
- **Non-Purpose Loans** (e.g., a line of credit using the securities in account as collateral) - The charge for non- purpose loans is a floating rate based on Jefferies’ borrowing cost at the time of the loan and will not exceed 3 percentage points above the Prime Rate published in the Wall Street Journal at the time of the loan. The rate and other loan terms will be reflected in the LoanAdvance™ application the client executes at the time of the loan.

### Sweep Program

- A sweep program is a service whereby free cash balances are automatically deposited into an interest bearing bank deposit account or money market fund based on the client’s eligibility and sweep election.
- Clients who elect to have their excess free cash balance automatically swept into a money market fund, choose such fund from the options provided by Jefferies. Jefferies does not charge clients to participate in a sweep program, but receives revenue sharing payments of up to 0.4% per annum from the fund the client chose for his account.

### Financial Planning Products

- Jefferies offers brokerage clients financial planning services and/or related services, such as asset allocation analyses. Jefferies does not charge any fees for this service.
- This service does not include or create an obligation to perform on-going monitoring of the client’s account(s).

## Other Fees and Costs

- Additional fees and costs pertaining to your account are disclosed in Jefferies Fee Schedule, noted in the link: [https://www.jefferies.com/CMSFiles/Jefferies.com/files/WealthManagement/Fee\\_Schedule.pdf](https://www.jefferies.com/CMSFiles/Jefferies.com/files/WealthManagement/Fee_Schedule.pdf)

## B. Capacity

All recommendations regarding your Jefferies account(s) will be made in a broker-dealer capacity. Similarly, all recommendations regarding your account(s) at JIA, if any, will be made in an advisory capacity. Please consult your Financial Adviser about any questions you have regarding your account.

## C. Type and Scope of Services

### Account Opening and Maintenance Requirements

- Jefferies does not have any account opening or maintenance requirements, other than a \$50 inactivity fee per year for retail accounts. The inactivity fee is described in the client's account opening documentation

### Account Monitoring Services

- Jefferies does not offer or perform ongoing monitoring of the investments in client brokerage accounts.

### Material Limitations

- Jefferies has imposed certain limitations on the securities and investment strategies that FAs may recommend to retail clients. Such limitations include:
  - Equities**
    - Generally, FAs may not recommend transactions in an equity security (other than ETFs and closed-end funds) that:
      - Has not been approved by Jefferies; or
      - Is not listed on a national securities exchange (e.g., NYSE, NASDAQ) and does not meet certain minimum rating or price criteria; or
      - Is not part of a Jefferies syndicate offering.
    - IPO allocations to clients may not be pro rata to indications of interest.
  - Leveraged and Inverse Exchange-Traded Funds (ETFs) or Structured Notes** – Generally, FAs may not recommend transactions in these securities to retail clients.
  - Volatility-Linked Exchange-Traded Products (VIX-based ETPs)** – Generally, FAs may not recommend transactions in these securities.
  - Penny Stocks**
    - As may not recommend transactions in penny stocks (low-priced equities or those that do not meet certain minimum criteria).
  - Jefferies Financial Group Inc. (JEF) & Affiliates Securities**
    - FAs may not recommend transactions in Jefferies stock or options or those of its affiliates.
  - Options Strategies and Alternative Products**
    - FAs may not recommend options strategies to clients who do not meet certain financial and other criteria.
  - Mutual Funds**
    - FAs may not recommend aggregate Class B share purchases in the amount of \$100,000 or greater.

## D. Other Material Facts

### General basis for Jefferies recommendations

- Jefferies and our FAs' general investment approach is based on an understanding of certain key topics -- our client's investment profile and objectives, and our reasonable belief that the recommended securities or investment strategy is appropriate to such client's needs and objectives. To this end, we seek to understand the client's investment goals, financial situation, and risk tolerance, among other factors, so that we can consider the types of products and services to recommend.
- We may recommend transactions or strategies regarding various types of financial products such as equities, fixed income, derivative securities, mutual funds, structured products, alternative investments, etc. based on our understanding of material information about the relevant product. The information we consider may be derived from a variety of sources, including, but not limited to, research materials prepared by Jefferies research analysts or third parties, company press releases and marketing materials, market data services, and financial periodicals, among other things.
- Jefferies may limit recommendations of certain products to the offerings of only certain issuers or sponsors, who we have vetted based on criteria Jefferies deems relevant (e.g., solvency, credit worthiness, etc.), including whether and the amount of selling concessions or other fees we may receive from the issuer or sponsor (see conflicts, below). Accordingly, this limits the scope of investments we recommend.

### Risks associated with Jefferies recommendations

- While Jefferies will take reasonable care in developing and making recommendations to you, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals, or that our recommended investment strategy will perform as anticipated. Please consult any available offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you or help you to find them.
- Jefferies may recommend products which require the disclosure to you of certain product-specific risks. Generally, you will receive a document that outlines these risks, such as a prospectus or offering document or other written notice. Alternatively, we may refer you to an external source that explains the product's risks, for example, FINRA's Mutual Fund Analyzer Tool at [https://tools.finra.org/fund\\_analyzer/](https://tools.finra.org/fund_analyzer/). Each product we recommend is unique, as are the risks relating to it. You should review any risk disclosure carefully and discuss any questions you may have about the product and its risks with your Financial Adviser. In addition, your Financial Adviser will discuss with you any disclosures that do not apply.

## 2. CONFLICTS OF INTEREST ASSOCIATED WITH OUR RECOMMENDATIONS

### A. Compensation

#### Financial Advisers

Jefferies compensates its financial professionals for the sale of products we offer which creates an incentive to recommend certain products over others. Jefferies' FAs receive compensation that increases proportionately to the amount of sales activity in your account, which creates an incentive for FAs to recommend more frequent transactions for your account.

Jefferies does not offer sales contests, quotas, or non-cash compensation for its financial professionals; however, FAs are eligible to receive incentive compensation and bonuses based upon the amount of their compensation, length of service and the revenue they produce. Jefferies may increase (or reduce) the rate of compensation it pays to FAs when commissions, fees, and other forms of compensation paid by clients are above (below) certain levels. This creates an incentive for FAs to charge commissions and fees at or above those levels and a disincentive to reduce commissions and fees below a level that will negatively impact the amount of revenue they produce.

Jefferies offers recruiting packages to FAs joining from other firms, which gives your FA an incentive to enter employment with Jefferies and to recommend opening an account with Jefferies regardless of the comparative benefits clients they service receive at other financial firms. The recruitment package may offer compensation in the form of an unsecured forgivable loan and other bonuses based on achieving certain revenue and asset thresholds at the time an FA joins the firm.

In addition, FAs receive cash compensation, such as trailer fees, from fund and product providers for recommending their products to clients. FAs also receive non-cash compensation such as conferences, entertainment, and gifts to the extent permitted by FINRA rules. The receipt of cash and non-cash compensation creates an incentive for your FA to recommend these products over others which do not provide such compensation.

## Jefferies

- **Mutual Fund 12b-1 Fees, Trailer Fees, etc.**

Jefferies or your FA receives compensation from a mutual fund and/or its affiliate in connection with your purchase of mutual fund securities that we recommended. These are commonly referred to as 12b-1 fees and trailer fees and compensate us for our selling efforts and/or other services with respect to your investment in the fund. The amount we receive is based, in part, on the value of total client assets in the mutual fund and is part of the management and operating fees and costs the fund charges your account. Accordingly, you are indirectly compensating us for your investment. These fees give rise to a conflict of interest in selecting which mutual funds we recommend. Additional information about the source and amount of the compensation Jefferies receives will be furnished to you upon request.

- **Alternative Investment Products** (e.g., hedge funds, fund of funds, private equity and real estate funds, SPACs, private placements, syndicate transactions, etc.)

Jefferies and/or our affiliates receive all or a portion of the placement agent fees you are charged in connection with your purchase of an alternative investment that we recommend. We may also receive a portion of the fund's management fee and/or trailer on an ongoing basis during the investment period. These fees give rise to a conflict of interest in determining which investments we recommend. Details about the total fees and charges for a recommended alternative invest appear in the product's prospectus or offering documentation and can be discussed with your Financial Adviser. Additional information about the source and amount of Jefferies' compensation will be provided furnished upon request.

- **Proprietary Products and Affiliate Relationships**

Proprietary products are those issued or managed by Jefferies or its affiliates. Jefferies has an incentive to recommend these investments because we or our affiliates receive fees and other types of compensation in connection with their sale, including management fees and performance compensation from the investment. Additional information about our compensation for proprietary products is provided in the relevant prospectus or offering document and can be discussed with your FA.

- **Securities in Which Jefferies Has an Interest**

When appropriate, we or our affiliates may recommend that you buy or sell securities or investment products in which we, our officers, directors, affiliates and representatives (together, "Related Persons") have a financial interest. For example, we or our Related Persons may recommend that you purchase securities in which Jefferies makes a market or with respect to which Jefferies or its affiliates otherwise earn fees. Jefferies status as a market maker is disclosed on the confirmation you receive upon your purchase or sale of such securities.

- **Rollover Recommendations**

Jefferies may recommend that a retail client initiate a rollover from an employer sponsored retirement plan, such as a 401k or profit-sharing plan to an IRA. A conflict of interest exists due to Jefferies and its employees receiving a financial benefit for the transfer of retirement assets to Jefferies.



- **Sweep program**

Clients who elect to have their excess free cash balance automatically swept into a money market fund, choose such fund from the options provided by Jefferies. Jefferies receives revenue sharing payments from these funds of up to 0.4% per annum.

- **Margin Loans**

Jefferies may make margin lending recommendations that take into account the cost to the Firm for effecting the transaction or strategy on behalf of the client and receives compensation as a result of this recommendation.

---

Jefferies LLC

520 Madison Avenue  
New York, New York 10022  
212.284.2300

© 2023 Jefferies

**Jefferies**