

## **Safety of Customer Assets**

Jefferies LLC (“Jefferies” or “firm”), is the principal U.S. operating subsidiary of Jefferies Group LLC, a global securities and investment banking firm, which has served companies and investors for over 50 years. Headquartered in New York, with offices in over 30 cities around the world, the firm provides clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth management. The firm provides research and execution services in equity, fixed income, derivatives and foreign exchange markets, and a full range of investment banking services including underwriting, mergers and acquisitions, restructuring and recapitalization, and other advisory services, with all businesses operating in the Americas, Europe and Asia. Jefferies Group LLC is a wholly-owned subsidiary of Jefferies Financial Group Inc. (NYSE: JEF). Additional information about Jefferies is available at [www.jefferies.com](http://www.jefferies.com).

### **Regulatory Compliance**

Jefferies is a registered U.S. broker-dealer whose primary regulator is the Securities and Exchange Commission (the “SEC”). The firm is also regulated by the Financial Industry Regulatory Authority (“FINRA”) and other self-regulatory organizations. Jefferies’ policies, procedures and practices are regularly reviewed internally and by regulators and external auditors to ensure compliance with the applicable rules and regulations, including those that govern net capital requirements and the segregation and protection of clients’ assets as described below.

### **Account Protection**

Customer assets (securities and funds) held by Jefferies are protected by the regulatory net capital of Jefferies and by Jefferies’ segregation of customer assets in accordance with the SEC’s customer protection rule. Jefferies is also a member of the Securities Investor Protection Corporation (“SIPC”). In the unlikely event of a liquidation of Jefferies, losses of cash or securities in the securities account of each Jefferies’ “customer” (within the meaning of the Securities Investor Protection Act of 1970 (“SIPA”)) will be covered by SIPC and the excess SIPC insurance coverage purchased by Jefferies as further described below.

**Regulatory Net Capital.** Jefferies is subject to the minimum net capital requirement under Rule 15c3-1 of the Securities Exchange Act of 1934 (“Rule 15c3-1”). The primary purpose of Rule 15c3-1 is to ensure that registered broker-dealers maintain at all times sufficient liquid assets to promptly satisfy the claims of customers, creditors, and other broker-dealers, and to provide a cushion of liquid assets in excess of liabilities to cover potential market, credit, and other risks if they should be required to liquidate. As of November 30, 2019, Jefferies had regulatory net capital (as defined by Rule 15c3-1) of \$1,645.0 million, which exceeded the minimum net capital required under Rule 15c3-1 by \$1,527.9 million.

**Control and Segregation of Customer Assets.** Jefferies is also subject to the customer protection requirements under Rule 15c3-3 of the Securities Exchange Act of 1934 (“Rule 15c3-3”), which provides regulatory safeguards regarding the custody and use of customer securities and cash held by broker-dealers. Under Rule 15c3-3, Jefferies is required to promptly obtain and maintain the physical possession or control of all fully paid and excess margin customer securities. Whether registered in the customer’s name or in “street name,” customer’s fully paid assets are clearly identified on Jefferies’ books and records and cannot be used in the firm’s proprietary business. To ensure their safety, securities are held at central depositories and leading banking institutions, as well as in Jefferies’ vault. Net customer cash balances not required to be used for customer transactions are maintained in a customer reserve bank account segregated for the exclusive benefit of customers and not available for the general use of Jefferies or its affiliates.

**SIPC Coverage.** In the event of a bankruptcy of a SIPC covered firm, SIPC is obligated to cover a shortfall in customer assets, on a per customer basis for each customer (within the meaning of the SIPA), up to \$500,000 (including up to \$250,000 for cash). While SIPC does not protect against a decline in the market value of your securities, customers under SIPA receive preferential treatment in any liquidation and are not general creditors of a failed broker-dealer. A brochure regarding SIPC coverage is available upon request or at [www.sipc.org](http://www.sipc.org).

In addition, Jefferies has purchased excess SIPC insurance coverage from Lloyd’s of London to provide excess SIPC coverage to customer accounts that have a net equity value in excess of \$500,000. Lloyd’s carries an A+ rating from S&P and an A rating from A.M. Best. The Lloyd’s excess SIPC insurance purchased by Jefferies covers up to \$24,500,000 per customer account (in addition to the coverage from SIPC), with an aggregate limit of \$100,000,000 for all accounts. There is no additional coverage for cash claims beyond the \$250,000 included in the \$500,000 SIPC coverage.

### **Soft Dollar Commission Credit Balances**

Jefferies accounts for soft dollar commission credit balances as accrued liabilities on a customer-by-customer basis. The aggregate balance is included as credits in Jefferies’ weekly reserve calculation under Rule 15c3-3, and net cash balances are maintained in a customer reserve bank account segregated for the exclusive benefit of customers and not available for the general use of Jefferies or its affiliates.

**Important Legal Notice**

This information set forth above is given for informational purposes only; it is not a comprehensive discussion of any of the matters set forth herein. It is not to be regarded as legal, regulatory, tax or investment advice and may not be relied upon by anyone as such. You should consult such legal or other professional advice as you deem appropriate. Jefferies has no ongoing obligation to update the information contained above.

December 2019