

Edgar Filing: Jefferies Group LLC - Form 10-Q

Jefferies Group LLC

Form 10-Q

April 09, 2019

false--11-30Q120192019-02-2800010845800falseNon-accelerated

Filerfalse85000000139300000P10YP10YP1YP1Y0.020.160.300.20750.300.122500.850.151.171000.010.110.250.1010.120.00

0001084580 2018-12-01 2019-02-28 0001084580 2019-02-28 0001084580 2018-11-30 0001084580

jef:VariableInterestEntitiesMember 2019-02-28 0001084580 jef:VariableInterestEntitiesMember 2018-11-30

0001084580 2017-12-01 2018-02-28 0001084580 us-gaap:AccumulatedTranslationAdjustmentMember 2018-12-01

2019-02-28 0001084580 us-gaap:AccumulatedGainLossNetCashFlowHedgeParentMember 2017-12-01 2018-02-28

0001084580 us-gaap:ForeignPlanMember us-gaap:PensionPlansDefinedBenefitMember 2017-12-01 2018-02-28

0001084580 jef:AccumulatedChangesInInstrumentSpecificCreditRiskAttributableToParentMember 2017-12-01

2018-02-28 0001084580 us-gaap:AccumulatedTranslationAdjustmentMember 2017-12-01 2018-02-28 0001084580

us-gaap:AdditionalPaidInCapitalMember 2017-11-30 0001084580 us-gaap:AdditionalPaidInCapitalMember

2017-12-01 2018-02-28 0001084580 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-11-30

0001084580 us-gaap:AdditionalPaidInCapitalMember 2018-12-01 2019-02-28 0001084580

us-gaap:NoncontrollingInterestMember 2017-12-01 2018-02-28 0001084580 us-gaap:NoncontrollingInterestMember

2019-02-28 0001084580 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-12-01 2019-02-28

0001084580 us-gaap:ParentMember 2019-02-28 0001084580 2018-02-28 0001084580

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-02-28 0001084580

us-gaap:NoncontrollingInterestMember 2018-11-30 0001084580 us-gaap:AdditionalPaidInCapitalMember

2018-11-30 0001084580 us-gaap:AdditionalPaidInCapitalMember 2018-02-28 0001084580

us-gaap:NoncontrollingInterestMember 2018-12-01 2019-02-28 0001084580

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-12-01 2018-02-28 0001084580

us-gaap:AccumulatedOtherComprehensiveIncomeMember 2019-02-28 0001084580

us-gaap:AdditionalPaidInCapitalMember 2019-02-28 0001084580 us-gaap:NoncontrollingInterestMember

2018-02-28 0001084580 us-gaap:AccumulatedOtherComprehensiveIncomeMember 2018-11-30 0001084580

us-gaap:ParentMember 2018-02-28 0001084580 us-gaap:NoncontrollingInterestMember 2017-11-30 0001084580

2017-11-30 0001084580 jef:JefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2018-10-01 2018-10-01

0001084580 jef:BerkadiaCommercialMortgageLLCMember 2018-10-01 0001084580 country:DE

us-gaap:PensionPlansDefinedBenefitMember 2017-12-28 0001084580 jef:JefferiesBacheLimitedMember country:DE

us-gaap:PensionPlansDefinedBenefitMember 2017-12-28 0001084580 jef:JefferiesFinancialGroupInc.Member

srt:AffiliatedEntityMember 2018-10-01 0001084580 us-gaap:FairValueInputsLevel3Member

us-gaap:DerivativeMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel3Member

us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember

jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel3Member

us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-11-30 0001084580 srt:WeightedAverageMember

us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember

us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580

us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember

jef:MeasurementInputDefaultProbabilityMember jef:OptionModelDefaultRateValuationTechniqueMember

2018-11-30 0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member

jef:PrivateEquitySecuritiesMember us-gaap:MeasurementInputOfferedPriceMember

us-gaap:MarketApproachValuationTechniqueMember 2018-11-30 0001084580 srt:WeightedAverageMember

us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember

us-gaap:MeasurementInputPrepaymentRateMember jef:DiscountedCashFlowApproachMember 2018-11-30

0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member

jef:OtherAssetBackedSecuritiesMember jef:MeasurementInputCumulativeLossRateMember

jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 srt:WeightedAverageMember

us-gaap:FairValueInputsLevel3Member us-gaap:LongTermDebtMember

us-gaap:MeasurementInputOfferedPriceMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel3Member

jef:PrivateEquitySecuritiesMember us-gaap:MeasurementInputLongTermRevenueGrowthRateMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:ScenarioAnalysisMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember 2018-11-30 0001084580 us-gaap:TotalReturnSwapMember
us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember us-gaap:MeasurementInputOfferedPriceMember
us-gaap:MarketApproachValuationTechniqueMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:LoansMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
jef:MeasurementInputTransactionLevelMember us-gaap:MarketApproachValuationTechniqueMember 2018-11-30
0001084580 us-gaap:TotalReturnSwapMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
us-gaap:MeasurementInputOfferedPriceMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel3Member
jef:NonExchangeTradedSecuritiesMember jef:MeasurementInputTransactionLevelMember 2018-11-30 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:MeasurementInputLossSeverityMember
jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember jef:ScenarioAnalysisMember 2018-11-30 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember jef:ScenarioAnalysisMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:CorporateDebtSecuritiesMember
jef:MeasurementInputTransactionLevelMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:LongTermDebtMember 2018-11-30 0001084580 us-gaap:InterestRateSwapMember
us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember us-gaap:MeasurementInputOfferedPriceMember
us-gaap:MarketApproachValuationTechniqueMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDefaultRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember jef:ScenarioAnalysisMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
jef:MeasurementInputCumulativeLossRateMember jef:DiscountedCashFlowApproachMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:CorporateDebtSecuritiesMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:CorporateDebtSecuritiesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:EquitySecuritiesMember 2018-11-30 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:LoansMember
us-gaap:MeasurementInputOfferedPriceMember 2018-11-30 0001084580 srt:WeightedAverageMember
us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
us-gaap:MeasurementInputPriceVolatilityMember jef:VolatilityBenchmarkingMember 2018-11-30 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:ScenarioAnalysisMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
jef:MeasurementInputEstimatedRecoveryPercentageMember jef:ScenarioAnalysisMember 2018-11-30 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputLossSeverityMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:MeasurementInputCumulativeLossRateMember
jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel3Member
jef:InvestmentsAtFairValueMember 2018-11-30 0001084580 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
2018-11-30 0001084580 us-gaap:FairValueInputsLevel2Member 2018-11-30 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member 2018-11-30 0001084580 us-gaap:FairValueInputsLevel1Member
us-gaap:EquitySecuritiesMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel2Member
us-gaap:SovereignDebtSecuritiesMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel2Member
us-gaap:USTreasuryAndGovernmentMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel1Member
us-gaap:USTreasuryAndGovernmentMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel1Member
2018-11-30 0001084580 us-gaap:FairValueInputsLevel1Member jef:InvestmentsAtFairValueMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:CorporateDebtSecuritiesMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:MunicipalBondsMember 2018-11-30 0001084580
us-gaap:CorporateDebtSecuritiesMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel2Member
us-gaap:MunicipalBondsMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel2Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel2Member us-gaap:EquitySecuritiesMember 2018-11-30 0001084580
us-gaap:SovereignDebtSecuritiesMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel1Member
us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2018-11-30 0001084580 us-gaap:MunicipalBondsMember
2018-11-30 0001084580 jef:InvestmentsAtFairValueMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:MunicipalBondsMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:SovereignDebtSecuritiesMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:LoansMember 2018-11-30 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2018-11-30 0001084580
us-gaap:USTreasuryAndGovernmentMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel2Member
us-gaap:CorporateDebtSecuritiesMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel1Member
us-gaap:SovereignDebtSecuritiesMember 2018-11-30 0001084580 us-gaap:EquitySecuritiesMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:LoansAndFinanceReceivablesMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:CommercialMortgageBackedSecuritiesMember
2018-11-30 0001084580 jef:OtherAssetBackedSecuritiesMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel2Member jef:OtherAssetBackedSecuritiesMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel2Member jef:InvestmentsAtFairValueMember 2018-11-30 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel2Member us-gaap:LoansMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:LoansAndFinanceReceivablesMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:USTreasuryAndGovernmentMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel2Member us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-11-30
0001084580 us-gaap:LoansMember 2018-11-30 0001084580 us-gaap:FairValueInputsLevel1Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2018-11-30 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:FairValueInputsLevel1Member jef:OtherAssetBackedSecuritiesMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:CommercialMortgageBackedSecuritiesMember 2018-11-30
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:CorporateDebtSecuritiesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:LongTermDebtMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:LoansMember 2019-02-28 0001084580 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputPrepaymentRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 srt:WeightedAverageMember us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember us-gaap:MeasurementInputPriceVolatilityMember jef:VolatilityBenchmarkingMember
2019-02-28 0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
jef:PrivateEquitySecuritiesMember us-gaap:MeasurementInputOfferedPriceMember
us-gaap:MarketApproachValuationTechniqueMember 2019-02-28 0001084580 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:InterestRateSwapMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember jef:MeasurementInputBasisPointsMember
us-gaap:MarketApproachValuationTechniqueMember 2019-02-28 0001084580 srt:WeightedAverageMember
us-gaap:TotalReturnSwapMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28
0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDiscountRateMember
jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member
jef:OtherAssetBackedSecuritiesMember us-gaap:MeasurementInputOfferedPriceMember
us-gaap:MarketApproachValuationTechniqueMember 2019-02-28 0001084580 us-gaap:StockOptionMember
us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember jef:MeasurementInputDefaultProbabilityMember
jef:OptionModelDefaultRateValuationTechniqueMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember us-gaap:MarketApproachValuationTechniqueMember
2019-02-28 0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputLossSeverityMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
us-gaap:MeasurementInputSharePriceMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:LoansAndFinanceReceivablesMember 2019-02-28 0001084580 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:LoansMember us-gaap:MeasurementInputOfferedPriceMember
2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:EquitySecuritiesMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member jef:InvestmentsAtFairValueMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember jef:ScenarioAnalysisMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28

Edgar Filing: Jefferies Group LLC - Form 10-Q

0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
us-gaap:ResidentialMortgageBackedSecuritiesMember jef:MeasurementInputCumulativeLossRateMember
jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:CorporateDebtSecuritiesMember 2019-02-28 0001084580 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember
jef:MeasurementInputCumulativeLossRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
jef:NonExchangeTradedSecuritiesMember us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDiscountRateMember
jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:CorporateDebtSecuritiesMember us-gaap:MeasurementInputDiscountRateMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember jef:ScenarioAnalysisMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
us-gaap:MeasurementInputLongTermRevenueGrowthRateMember jef:ScenarioAnalysisMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
jef:MeasurementInputEstimatedRecoveryPercentageMember jef:ScenarioAnalysisMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:CorporateDebtSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580 srt:WeightedAverageMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDefaultRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:ScenarioAnalysisMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member us-gaap:LongTermDebtMember
us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:MeasurementInputEstimatedRecoveryPercentageMember
jef:ScenarioAnalysisMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member
jef:NonExchangeTradedSecuritiesMember jef:MeasurementInputTransactionLevelMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
jef:MeasurementInputCumulativeLossRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-12-01 2018-02-28 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2017-12-01 2018-02-28 0001084580
us-gaap:InvestmentsMember 2017-12-01 2018-02-28 0001084580 us-gaap:CorporateDebtSecuritiesMember
2017-12-01 2018-02-28 0001084580 jef:OtherAssetBackedSecuritiesMember 2017-11-30 0001084580
us-gaap:LoansMember 2017-12-01 2018-02-28 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember
2017-12-01 2018-02-28 0001084580 us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2017-12-01
2018-02-28 0001084580 jef:OtherAssetBackedSecuritiesMember 2017-12-01 2018-02-28 0001084580
us-gaap:EquitySecuritiesMember 2017-12-01 2018-02-28 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2017-12-01 2018-02-28 0001084580
jef:OtherAssetBackedSecuritiesMember 2018-02-28 0001084580 us-gaap:CorporateDebtSecuritiesMember
2017-11-30 0001084580 us-gaap:LoansAndFinanceReceivablesMember 2017-11-30 0001084580
us-gaap:InvestmentsMember 2018-02-28 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember
2018-02-28 0001084580 us-gaap:EquitySecuritiesMember 2017-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-11-30 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2018-02-28 0001084580
us-gaap:LoansMember 2018-02-28 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2017-11-30 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2017-11-30 0001084580 us-gaap:EquitySecuritiesMember 2018-02-28 0001084580 us-gaap:CorporateDebtSecuritiesMember 2018-02-28 0001084580 us-gaap:LoansMember 2017-11-30 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-02-28 0001084580 us-gaap:LoansAndFinanceReceivablesMember 2018-02-28 0001084580 us-gaap:InvestmentsMember 2017-11-30 0001084580 us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2018-02-28 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-11-30 0001084580 us-gaap:HedgeFundsEquityLongShortMember 2018-11-30 0001084580 jef:MultiassetFundsMember 2018-11-30 0001084580 jef:OtherFundsMember 2018-11-30 0001084580 us-gaap:PrivateEquityFundsMember 2018-11-30 0001084580 jef:CommodityFundsMember 2018-11-30 0001084580 us-gaap:PrivateEquityFundsMember 2019-02-28 0001084580 us-gaap:HedgeFundsEquityLongShortMember 2019-02-28 0001084580 jef:CommodityFundsMember 2019-02-28 0001084580 jef:OtherFundsMember 2019-02-28 0001084580 jef:MultiassetFundsMember 2019-02-28 0001084580 us-gaap:LongTermDebtMember 2017-12-01 2018-02-28 0001084580 us-gaap:LoansMember 2017-12-01 2018-02-28 0001084580 us-gaap:LongTermDebtMember 2018-12-01 2019-02-28 0001084580 jef:LoanCommitmentsMember 2018-12-01 2019-02-28 0001084580 jef:LoanCommitmentsMember 2017-12-01 2018-02-28 0001084580 us-gaap:LoansMember 2018-12-01 2019-02-28 0001084580 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2019-02-28 0001084580 jef:A60DaysPriorWrittenNoticeMember us-gaap:HedgeFundsEquityLongShortMember 2019-02-28 0001084580 us-gaap:LoansAndFinanceReceivablesMember 2018-12-01 2019-02-28 0001084580 us-gaap:FairValueMeasuredAtNetAssetValuePerShareMember 2018-11-30 0001084580 jef:MultiassetFundsMember 2019-02-28 2019-02-28 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2018-12-01 2019-02-28 0001084580 jef:CommodityFundsMember 2019-02-28 2019-02-28 0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:USTreasurySecuritiesMember 2019-02-28 0001084580 jef:StructuredNotesMember 2018-12-01 2019-02-28 0001084580 jef:A60DaysPriorWrittenNoticeMember us-gaap:HedgeFundsEquityLongShortMember 2018-11-30 0001084580 jef:A60DaysPriorWrittenNoticeMember us-gaap:HedgeFundsEquityLongShortMember 2019-02-28 2019-02-28 0001084580 us-gaap:DerivativeMember 2018-12-01 2019-02-28 0001084580 jef:OtherAssetBackedSecuritiesMember 2018-12-01 2019-02-28 0001084580 us-gaap:HedgeFundsEquityLongShortMember 2018-12-01 2019-02-28 0001084580 us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2018-12-01 2019-02-28 0001084580 us-gaap:CorporateDebtSecuritiesMember 2018-12-01 2019-02-28 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember 2018-12-01 2019-02-28 0001084580 us-gaap:EquitySecuritiesMember 2018-12-01 2019-02-28 0001084580 us-gaap:InvestmentsMember 2019-02-28 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2018-12-01 2019-02-28 0001084580 us-gaap:LoansMember 2018-12-01 2019-02-28 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2019-02-28 0001084580 us-gaap:InvestmentsMember 2018-12-01 2019-02-28 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember 2019-02-28 0001084580 us-gaap:LoansMember 2019-02-28 0001084580 us-gaap:LongTermDebtMember 2019-02-28 0001084580 us-gaap:CorporateDebtSecuritiesMember 2019-02-28 0001084580 us-gaap:LongTermDebtMember 2018-11-30 0001084580 us-gaap:InvestmentsMember 2018-11-30 0001084580 us-gaap:EquitySecuritiesMember 2019-02-28 0001084580 us-gaap:LoansAndFinanceReceivablesMember 2019-02-28 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-02-28 0001084580 us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2018-11-30 0001084580 jef:OtherAssetBackedSecuritiesMember 2019-02-28 0001084580 us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:CorporateDebtSecuritiesMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel3Member us-gaap:MunicipalBondsMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:CommercialMortgageBackedSecuritiesMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel1Member 2019-02-28 0001084580 us-gaap:SovereignDebtSecuritiesMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:LoansAndFinanceReceivablesMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-02-28 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:FairValueInputsLevel1Member us-gaap:ResidentialMortgageBackedSecuritiesMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel1Member jef:InvestmentsAtFairValueMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel1Member jef:OtherAssetBackedSecuritiesMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel2Member us-gaap:CommercialMortgageBackedSecuritiesMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:USTreasuryAndGovernmentMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:EquitySecuritiesMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel1Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
2019-02-28 0001084580 us-gaap:FairValueInputsLevel2Member 2019-02-28 0001084580
us-gaap:FairValueInputsLevel2Member us-gaap:EquitySecuritiesMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:SovereignDebtSecuritiesMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:SovereignDebtSecuritiesMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:USTreasuryAndGovernmentMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel2Member us-gaap:MunicipalBondsMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel2Member us-gaap:LoansMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel2Member jef:OtherAssetBackedSecuritiesMember 2019-02-28 0001084580
us-gaap:USTreasuryAndGovernmentMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel2Member
jef:InvestmentsAtFairValueMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel2Member
us-gaap:SovereignDebtSecuritiesMember 2019-02-28 0001084580 us-gaap:FairValueInputsLevel2Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2019-02-28 0001084580
jef:InvestmentsAtFairValueMember 2019-02-28 0001084580 us-gaap:MunicipalBondsMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:CorporateDebtSecuritiesMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:USTreasuryAndGovernmentMember 2019-02-28
0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:LoansMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:LoansAndFinanceReceivablesMember 2019-02-28 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:MunicipalBondsMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:TotalReturnSwapMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember us-gaap:MeasurementInputOfferedPriceMember
us-gaap:MarketApproachValuationTechniqueMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LongTermDebtMember
us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2018-12-01
2019-02-28 0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
jef:NonExchangeTradedSecuritiesMember us-gaap:MeasurementInputSharePriceMember 2019-02-28 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:TotalReturnSwapMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28
0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2018-12-01
2019-02-28 0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDiscountRateMember
jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
jef:MeasurementInputCumulativeLossRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2018-12-01
2019-02-28 0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:ResidentialMortgageBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2018-12-01

Edgar Filing: Jefferies Group LLC - Form 10-Q

2019-02-28 0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputLossSeverityMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDefaultRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:MeasurementInputCumulativeLossRateMember
jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:InterestRateSwapMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
jef:MeasurementInputBasisPointsMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28
0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
jef:DiscountedCashFlowApproachMember 2018-12-01 2019-02-28 0001084580 srt:MinimumMember
us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
us-gaap:MeasurementInputPriceVolatilityMember jef:VolatilityBenchmarkingMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
jef:MeasurementInputCumulativeLossRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDiscountRateMember
jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28
0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:NonExchangeTradedSecuritiesMember us-gaap:MeasurementInputSharePriceMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
jef:MeasurementInputCumulativeLossRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
jef:DiscountedCashFlowApproachMember 2018-12-01 2019-02-28 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28
0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:CorporateDebtSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputPrepaymentRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
us-gaap:LoansAndFinanceReceivablesMember us-gaap:MeasurementInputOfferedPriceMember
us-gaap:MarketApproachValuationTechniqueMember 2019-02-28 0001084580 srt:MaximumMember
us-gaap:InterestRateSwapMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
jef:MeasurementInputBasisPointsMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28
0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:OtherAssetBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2018-12-01 2019-02-28
0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:MeasurementInputCumulativeLossRateMember
jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2019-02-28
0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:LongTermDebtMember
us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember jef:ScenarioAnalysisMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
jef:DiscountedCashFlowApproachMember 2018-12-01 2019-02-28 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputLossSeverityMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDefaultRateMember jef:DiscountedCashFlowApproachMember 2019-02-28 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
us-gaap:ResidentialMortgageBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2018-12-01
2019-02-28 0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CorporateDebtSecuritiesMember us-gaap:MeasurementInputOfferedPriceMember 2019-02-28 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
jef:MeasurementInputCumulativeLossRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 srt:MaximumMember us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember us-gaap:MeasurementInputPriceVolatilityMember jef:VolatilityBenchmarkingMember
2019-02-28 0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
us-gaap:LoansAndFinanceReceivablesMember jef:MeasurementInputEstimatedRecoveryPercentageMember
jef:ScenarioAnalysisMember 2019-02-28 0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputPrepaymentRateMember jef:DiscountedCashFlowApproachMember 2019-02-28
0001084580 jef:A45To90DaysPriorWrittenNoticeMember srt:MaximumMember
us-gaap:HedgeFundsEquityLongShortMember 2019-02-28 2019-02-28 0001084580
us-gaap:PrivateEquityFundsMember 2018-11-30 2018-11-30 0001084580 jef:MultiassetFundsMember 2018-11-30
2018-11-30 0001084580 jef:A45To90DaysPriorWrittenNoticeMember srt:MinimumMember
us-gaap:HedgeFundsEquityLongShortMember 2019-02-28 2019-02-28 0001084580 jef:CommodityFundsMember
2018-11-30 2018-11-30 0001084580 us-gaap:PrivateEquityFundsMember 2019-02-28 2019-02-28 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:USTreasurySecuritiesMember 2018-11-30 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDefaultRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:MaximumMember us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember us-gaap:MeasurementInputPriceVolatilityMember jef:VolatilityBenchmarkingMember
2018-11-30 0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:MeasurementInputLossSeverityMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
jef:MeasurementInputCumulativeLossRateMember jef:DiscountedCashFlowApproachMember 2018-11-30
0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2018-11-30
0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member us-gaap:LongTermDebtMember
us-gaap:MeasurementInputOfferedPriceMember 2018-11-30 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LongTermDebtMember
us-gaap:MeasurementInputOfferedPriceMember 2018-11-30 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputPrepaymentRateMember jef:DiscountedCashFlowApproachMember 2018-11-30
0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDefaultRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
jef:DiscountedCashFlowApproachMember 2017-12-01 2018-11-30 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LoansMember us-gaap:MeasurementInputOfferedPriceMember
2018-11-30 0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:OtherAssetBackedSecuritiesMember jef:MeasurementInputCumulativeLossRateMember
jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputPrepaymentRateMember jef:DiscountedCashFlowApproachMember 2018-11-30
0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:MeasurementInputDiscountRateMember
jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember
jef:DiscountedCashFlowApproachMember 2017-12-01 2018-11-30 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember jef:ScenarioAnalysisMember 2018-11-30 0001084580
srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2017-12-01
2018-11-30 0001084580 srt:WeightedAverageMember us-gaap:FairValueInputsLevel3Member
jef:OtherAssetBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2017-12-01 2018-11-30
0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember
jef:DiscountedCashFlowApproachMember 2017-12-01 2018-11-30 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
jef:MeasurementInputEstimatedRecoveryPercentageMember jef:ScenarioAnalysisMember 2018-11-30 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:MeasurementInputCumulativeLossRateMember
jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputDiscountRateMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:DiscountedCashFlowApproachMember 2017-12-01
2018-11-30 0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
jef:OtherAssetBackedSecuritiesMember us-gaap:MeasurementInputDiscountRateMember
jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LoansMember us-gaap:MeasurementInputOfferedPriceMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

2018-11-30 0001084580 srt:MaximumMember us-gaap:FairValueInputsLevel3Member
us-gaap:CommercialMortgageBackedSecuritiesMember jef:MeasurementInputCumulativeLossRateMember
jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580 srt:MinimumMember
us-gaap:FairValueInputsLevel3Member jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:MeasurementInputLossSeverityMember jef:DiscountedCashFlowApproachMember 2018-11-30 0001084580
srt:MinimumMember us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember 2018-11-30 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember 2018-11-30 0001084580 srt:MinimumMember
us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
us-gaap:MeasurementInputPriceVolatilityMember jef:VolatilityBenchmarkingMember 2018-11-30 0001084580
srt:MaximumMember us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2018-11-30
0001084580 srt:MinimumMember us-gaap:FairValueInputsLevel3Member
us-gaap:LoansAndFinanceReceivablesMember us-gaap:MeasurementInputOfferedPriceMember
us-gaap:MarketApproachValuationTechniqueMember 2018-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:ResidentialMortgageBackedSecuritiesMember
jef:DiscountedCashFlowApproachMember 2017-12-01 2018-11-30 0001084580 srt:MaximumMember
us-gaap:FairValueInputsLevel3Member us-gaap:LoansAndFinanceReceivablesMember
us-gaap:MeasurementInputOfferedPriceMember us-gaap:MarketApproachValuationTechniqueMember 2018-11-30
0001084580 us-gaap:CreditDefaultSwaptionMember jef:UnratedMember 2018-11-30 0001084580
us-gaap:CreditDefaultSwaptionMember us-gaap:ExternalCreditRatingInvestmentGradeMember 2018-11-30
0001084580 us-gaap:CreditDefaultSwaptionMember us-gaap:ExternalCreditRatingNonInvestmentGradeMember
2018-11-30 0001084580 us-gaap:CreditIndexProductMember jef:UnratedMember 2018-11-30 0001084580
us-gaap:CreditDefaultSwaptionMember 2018-11-30 0001084580 us-gaap:CreditIndexProductMember
us-gaap:ExternalCreditRatingNonInvestmentGradeMember 2018-11-30 0001084580
us-gaap:CreditIndexProductMember us-gaap:ExternalCreditRatingInvestmentGradeMember 2018-11-30 0001084580
us-gaap:CreditIndexProductMember 2018-11-30 0001084580 us-gaap:CreditDefaultSwaptionMember
us-gaap:ExternalCreditRatingNonInvestmentGradeMember 2019-02-28 0001084580
us-gaap:CreditIndexProductMember jef:UnratedMember 2019-02-28 0001084580
us-gaap:CreditIndexProductMember us-gaap:ExternalCreditRatingInvestmentGradeMember 2019-02-28 0001084580
us-gaap:CreditIndexProductMember 2019-02-28 0001084580 us-gaap:CreditDefaultSwaptionMember
us-gaap:ExternalCreditRatingInvestmentGradeMember 2019-02-28 0001084580
us-gaap:CreditDefaultSwaptionMember jef:UnratedMember 2019-02-28 0001084580
us-gaap:CreditIndexProductMember us-gaap:ExternalCreditRatingNonInvestmentGradeMember 2019-02-28
0001084580 us-gaap:CreditDefaultSwaptionMember 2019-02-28 0001084580
jef:InterestRateSwapsOptionsandForwardsMember 2019-02-28 0001084580 us-gaap:CreditDefaultSwapMember
2019-02-28 0001084580 jef:FixedIncomeForwardContractsMember 2019-02-28 0001084580
jef:ForeignCurrencyForwardsSwapsAndOptionsMember 2019-02-28 0001084580
jef:EquitySwapsAndOptionsMember 2019-02-28 0001084580 us-gaap:TotalReturnSwapMember 2019-02-28
0001084580 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember jef:OtcClearedMember
2018-11-30 0001084580 us-gaap:NondesignatedMember 2018-11-30 0001084580
us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember 2018-11-30
0001084580 us-gaap:CreditRiskContractMember us-gaap:NondesignatedMember jef:OtcClearedMember 2018-11-30
0001084580 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember jef:OtcClearedMember
2018-11-30 0001084580 us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember
jef:OtcClearedMember 2018-11-30 0001084580 us-gaap:ExchangeTradedOptionsMember 2018-11-30 0001084580
us-gaap:CreditRiskContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember 2018-11-30
0001084580 us-gaap:DesignatedAsHedgingInstrumentMember 2018-11-30 0001084580
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember
2018-11-30 0001084580 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:ExchangeTradedOptionsMember 2018-11-30 0001084580 jef:BilateralOtcMember 2018-11-30 0001084580
us-gaap:EquityContractMember us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember
2018-11-30 0001084580 us-gaap:EquityContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember
2018-11-30 0001084580 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember
jef:BilateralOtcMember 2018-11-30 0001084580 jef:OtcClearedMember 2018-11-30 0001084580
us-gaap:CommodityContractMember us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember
2018-11-30 0001084580 us-gaap:InterestRateContractMember 2018-12-01 2019-02-28 0001084580
us-gaap:InterestRateContractMember 2017-12-01 2018-02-28 0001084580
us-gaap:ForeignExchangeContractMember 2018-12-01 2019-02-28 0001084580
us-gaap:CommodityContractMember 2018-12-01 2019-02-28 0001084580 us-gaap:EquityContractMember
2018-12-01 2019-02-28 0001084580 us-gaap:ForeignExchangeContractMember 2017-12-01 2018-02-28 0001084580
us-gaap:CreditRiskContractMember 2018-12-01 2019-02-28 0001084580 us-gaap:CreditRiskContractMember
2017-12-01 2018-02-28 0001084580 us-gaap:CommodityContractMember 2017-12-01 2018-02-28 0001084580
us-gaap:EquityContractMember 2017-12-01 2018-02-28 0001084580 us-gaap:EquityContractMember
us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember 2019-02-28 0001084580
us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember
2019-02-28 0001084580 us-gaap:ExchangeTradedOptionsMember 2019-02-28 0001084580
us-gaap:InterestRateContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember 2019-02-28
0001084580 us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember
jef:OtcClearedMember 2019-02-28 0001084580 us-gaap:CommodityContractMember
us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember 2019-02-28 0001084580
jef:OtcClearedMember 2019-02-28 0001084580 jef:BilateralOtcMember 2019-02-28 0001084580
us-gaap:CommodityContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember 2019-02-28
0001084580 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember jef:OtcClearedMember
2019-02-28 0001084580 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember
jef:BilateralOtcMember 2019-02-28 0001084580 us-gaap:CreditRiskContractMember
us-gaap:NondesignatedMember jef:OtcClearedMember 2019-02-28 0001084580 us-gaap:CreditRiskContractMember
us-gaap:NondesignatedMember jef:BilateralOtcMember 2019-02-28 0001084580 us-gaap:NondesignatedMember
2019-02-28 0001084580 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember
us-gaap:ExchangeTradedOptionsMember 2019-02-28 0001084580 us-gaap:DesignatedAsHedgingInstrumentMember
2019-02-28 0001084580 us-gaap:EquityContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember
2019-02-28 0001084580 us-gaap:DerivativeFinancialInstrumentsAssetsMember 2018-12-01 2019-02-28 0001084580
us-gaap:LongTermDebtMember 2017-12-01 2018-02-28 0001084580
us-gaap:DerivativeFinancialInstrumentsAssetsMember 2017-12-01 2018-02-28 0001084580
us-gaap:LongTermDebtMember 2018-12-01 2019-02-28 0001084580 us-gaap:SovereignDebtMember 2018-11-30
0001084580 us-gaap:USGovernmentCorporationsAndAgenciesSecuritiesMember 2018-11-30 0001084580
jef:MortgageandAssetBackedSecuritiesMember 2018-11-30 0001084580 us-gaap:SovereignDebtMember 2019-02-28
0001084580 jef:MortgageandAssetBackedSecuritiesMember 2019-02-28 0001084580
us-gaap:USGovernmentCorporationsAndAgenciesSecuritiesMember 2019-02-28 0001084580
us-gaap:MaturityOver90DaysMember 2018-11-30 0001084580 us-gaap:MaturityOvernightMember 2018-11-30
0001084580 us-gaap:Maturity30To90DaysMember 2018-11-30 0001084580 us-gaap:MaturityUpTo30DaysMember
2018-11-30 0001084580 us-gaap:MaturityOver90DaysMember 2019-02-28 0001084580
us-gaap:MaturityOvernightMember 2019-02-28 0001084580 us-gaap:Maturity30To90DaysMember 2019-02-28
0001084580 us-gaap:MaturityUpTo30DaysMember 2019-02-28 0001084580
us-gaap:CollateralizedLoanObligationsMember 2019-02-28 0001084580 us-gaap:OtherDebtSecuritiesMember
2018-11-30 0001084580 us-gaap:OtherDebtSecuritiesMember 2019-02-28 0001084580
us-gaap:CollateralizedLoanObligationsMember 2018-11-30 0001084580
jef:UsGovernmentAgencyIssuedRmbsMember 2019-02-28 0001084580
jef:UsGovernmentAgencyIssuedRmbsMember 2018-11-30 0001084580
jef:UsGovernmentAgencyIssuedCmbsMember 2018-11-30 0001084580
jef:UsGovernmentAgencyIssuedCmbsMember 2019-02-28 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:SecuritiesPurchasedUnderAgreementMember jef:OtherActivityMember 2018-11-30 0001084580
us-gaap:CashMember jef:SecuritizationActivityMember 2019-02-28 0001084580
jef:SecuritiesPurchasedUnderAgreementMember jef:SecuritizationActivityMember 2019-02-28 0001084580
jef:OtherActivityMember 2019-02-28 0001084580 jef:OtherSecuredFinancingsMember
jef:SecuritizationActivityMember 2018-11-30 0001084580 jef:FinancialInstrumentsOwnedMember
jef:SecuritizationActivityMember 2018-11-30 0001084580 us-gaap:OtherLiabilitiesMember
jef:OtherActivityMember 2019-02-28 0001084580 jef:OtherSecuredFinancingsMember jef:OtherActivityMember
2019-02-28 0001084580 jef:SecuritiesPurchasedUnderAgreementMember jef:OtherActivityMember 2019-02-28
0001084580 us-gaap:OtherLiabilitiesMember jef:OtherActivityMember 2018-11-30 0001084580
jef:SecuritizationActivityMember 2018-11-30 0001084580 us-gaap:OtherLiabilitiesMember
jef:SecuritizationActivityMember 2019-02-28 0001084580 jef:OtherActivityMember 2018-11-30 0001084580
us-gaap:CashMember jef:OtherActivityMember 2018-11-30 0001084580 jef:SecuritizationActivityMember
2019-02-28 0001084580 us-gaap:CashMember jef:OtherActivityMember 2019-02-28 0001084580
us-gaap:OtherLiabilitiesMember jef:SecuritizationActivityMember 2018-11-30 0001084580
jef:OtherSecuredFinancingsMember jef:SecuritizationActivityMember 2019-02-28 0001084580
jef:OtherSecuredFinancingsMember jef:OtherActivityMember 2018-11-30 0001084580
jef:FinancialInstrumentsOwnedMember jef:SecuritizationActivityMember 2019-02-28 0001084580
jef:FinancialInstrumentsOwnedMember jef:OtherActivityMember 2019-02-28 0001084580
jef:FinancialInstrumentsOwnedMember jef:OtherActivityMember 2018-11-30 0001084580
jef:SecuritiesPurchasedUnderAgreementMember jef:SecuritizationActivityMember 2018-11-30 0001084580
us-gaap:CashMember jef:SecuritizationActivityMember 2018-11-30 0001084580 jef:PrivateEquityVehiclesMember
jef:JCPEntitiesMember 2019-02-28 0001084580 jef:OtherInvestmentVehiclesMember 2018-11-30 0001084580
jef:PrivateEquityVehiclesMember jef:JCPEntitiesMember 2018-11-30 0001084580
jef:OtherInvestmentVehiclesMember 2019-02-28 0001084580
jef:MortgageAndAssetBackedSecuritizationActivityNonAgencyMember 2018-11-30 0001084580
jef:MortgageAndAssetBackedSecuritizationActivityAgencyMember 2019-02-28 0001084580
jef:MortgageAndAssetBackedSecuritizationActivityAgencyMember 2018-11-30 0001084580
jef:MortgageAndAssetBackedSecuritizationActivityNonAgencyMember 2019-02-28 0001084580
jef:PrivateEquityVehiclesMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-11-30
0001084580 us-gaap:CollateralizedLoanObligationsMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-11-30 0001084580
jef:ConsumerLoanAndOtherAssetBackedVehiclesMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-11-30 0001084580
jef:OtherInvestmentVehiclesMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-11-30
0001084580 us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2018-11-30 0001084580
jef:PrivateEquityVehiclesMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2019-02-28
0001084580 us-gaap:CollateralizedLoanObligationsMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2019-02-28 0001084580
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2019-02-28 0001084580
jef:OtherInvestmentVehiclesMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2019-02-28
0001084580 jef:ConsumerLoanAndOtherAssetBackedVehiclesMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2019-02-28 0001084580 jef:EpicGasMember
2018-01-01 2018-03-31 0001084580 jef:EpicGasMember 2018-04-01 2018-06-30 0001084580 jef:JCPFundsMember
2017-10-01 2017-12-31 0001084580 jef:JCPFundsMember 2018-10-01 2018-12-31 0001084580
jef:JCPFundsMember 2018-12-01 2019-02-28 0001084580 jef:JCPFundsMember 2017-12-01 2018-02-28
0001084580 jef:JefferiesFinanceLlcMember 2018-11-30 0001084580 jef:JefferiesFinanceLlcMember 2019-02-28
0001084580 jef:JefferiesFinanceLlcMember 2017-12-01 2018-02-28 0001084580 jef:JefferiesFinanceLlcMember
2018-12-01 2019-02-28 0001084580 jef:BerkadiaCommercialMortgageLLCMember 2018-11-30 0001084580
jef:BerkadiaCommercialMortgageLLCMember 2019-02-28 0001084580 jef:EpicGasMember 2018-11-30
0001084580 jef:EpicGasMember 2019-02-28 0001084580 jef:JCPFundsMember 2018-11-30 0001084580
jef:JefferiesFinanceLlcMember jef:AccruedExpenseAndOtherLiabilitiesMember 2018-11-30 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:EpicGasMember us-gaap:SubsequentEventMember 2019-03-19 2019-03-19 0001084580
jef:PromissoryNoteMember us-gaap:SubsequentEventMember us-gaap:LondonInterbankOfferedRateLIBORMember
2019-03-28 2019-03-28 0001084580 jef:JefferiesFinanceLlcMember us-gaap:OtherAssetsMember 2018-11-30
0001084580 jef:SBIUSAFundL.P.Member 2019-02-28 0001084580 jef:PromissoryNoteMember
us-gaap:SubsequentEventMember 2019-03-28 0001084580 jef:JCPFundsMember 2019-02-28 0001084580
srt:MaximumMember jef:JCPFundsMember 2019-02-28 0001084580 jef:JefferiesCapitalPartnersVL.PMember
2019-02-28 0001084580 jef:BerkadiaCommercialMortgageLLCMember 2018-12-01 2019-02-28 0001084580
jef:JefferiesFinanceLlcMember jef:AccruedExpenseAndOtherLiabilitiesMember 2019-02-28 0001084580
jef:JefferiesFinanceLlcMember us-gaap:CorporateDebtSecuritiesMember 2019-02-28 0001084580
jef:JefferiesFinanceLlcMember us-gaap:OtherAssetsMember 2019-02-28 0001084580 srt:MaximumMember
jef:JCPFundsMember 2018-11-30 0001084580 us-gaap:CustomerRelationshipsMember 2019-02-28 0001084580
jef:ExchangeAndClearingOrganizationMembershipInterestsAndRegistrationsMember 2019-02-28 0001084580
us-gaap:TradeNamesMember 2019-02-28 0001084580 jef:AssetManagementSegmentMember 2019-02-28
0001084580 jef:CapitalMarketsMember 2018-11-30 0001084580 jef:CapitalMarketsMember 2019-02-28
0001084580 jef:AssetManagementSegmentMember 2018-11-30 0001084580 us-gaap:CustomerRelationshipsMember
2018-11-30 0001084580 us-gaap:TradeNamesMember 2018-11-30 0001084580
jef:ExchangeAndClearingOrganizationMembershipInterestsAndRegistrationsMember 2018-11-30 0001084580
us-gaap:TradeNamesMember 2017-12-01 2018-11-30 0001084580 us-gaap:CustomerRelationshipsMember
2017-12-01 2018-11-30 0001084580 us-gaap:CustomerRelationshipsMember 2018-12-01 2019-02-28 0001084580
us-gaap:TradeNamesMember 2018-12-01 2019-02-28 0001084580 us-gaap:RevolvingCreditFacilityMember
jef:IntradayCreditFacilityMember us-gaap:FederalFundsEffectiveSwapRateMember 2018-12-01 2019-02-28
0001084580 2018-12-27 0001084580 us-gaap:RevolvingCreditFacilityMember jef:IntradayCreditFacilityMember
2019-02-28 0001084580 jef:PuttableNotesMember 2019-02-28 0001084580 jef:PuttableNotesMember 2018-11-30
0001084580 us-gaap:NotesPayableToBanksMember 2019-02-28 0001084580 us-gaap:NotesPayableToBanksMember
2018-11-30 0001084580 jef:SixPointFiveZeroPercentageSeniorNotesDueTwoThousandFortyThreeMember
us-gaap:UnsecuredDebtMember 2018-11-30 0001084580
jef:SixPointFiveZeroPercentageSeniorNotesDueTwoThousandFortyThreeMember us-gaap:UnsecuredDebtMember
2019-02-28 0001084580
jef:TwoPointThreeSevenFivePercentageEuroMediumTermNotesDueTwoThousandTwentyMember
us-gaap:UnsecuredDebtMember 2019-02-28 0001084580
jef:TwoPointTwoFivePercentageEuroMediumTermNotesDueTwoThousandTwentyTwoMember
us-gaap:UnsecuredDebtMember 2019-02-28 0001084580
jef:FourPointOneFiveZeroPercentSeniorNotesDue2030Member us-gaap:UnsecuredDebtMember 2019-02-28
0001084580 jef:SixPointTwoFivePercentageSeniorDebenturesDueTwoThousandThirtySixMember
us-gaap:UnsecuredDebtMember 2018-11-30 0001084580
jef:FivePointOneTwoFivePercentageSeniorNotesDueTwoThousandTwentyThreeMember
us-gaap:UnsecuredDebtMember 2018-11-30 0001084580
jef:SixPointFourFivePercentageSeniorDebenturesDueTwoThousandTwentySevenMember
us-gaap:UnsecuredDebtMember 2019-02-28 0001084580
jef:SixPointEightSevenFivePercentageSeniorNotesDueTwoThousandTwentyOneMember
us-gaap:UnsecuredDebtMember 2019-02-28 0001084580 us-gaap:RevolvingCreditFacilityMember
us-gaap:SecuredDebtMember 2018-11-30 0001084580 jef:StructuredNotesMember us-gaap:UnsecuredDebtMember
2018-11-30 0001084580 jef:SixPointTwoFivePercentageSeniorDebenturesDueTwoThousandThirtySixMember
us-gaap:UnsecuredDebtMember 2019-02-28 0001084580
jef:TwoPointTwoFivePercentageEuroMediumTermNotesDueTwoThousandTwentyTwoMember
us-gaap:UnsecuredDebtMember 2018-11-30 0001084580
jef:EightPointFivePercentageSeniorNotesDueTwoThousandNineteenMember us-gaap:UnsecuredDebtMember
2019-02-28 0001084580 jef:FourPointEightFivePercentageSeniorNotesDue2027Member
us-gaap:UnsecuredDebtMember 2018-11-30 0001084580
jef:FourPointEightFivePercentageSeniorNotesDue2027Member us-gaap:UnsecuredDebtMember 2019-02-28
0001084580 us-gaap:UnsecuredDebtMember 2019-02-28 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:SixPointEightSevenFivePercentageSeniorNotesDueTwoThousandTwentyOneMember
us-gaap:UnsecuredDebtMember 2018-11-30 0001084580
jef:FivePointOneTwoFivePercentageSeniorNotesDueTwoThousandTwentyThreeMember
us-gaap:UnsecuredDebtMember 2019-02-28 0001084580
jef:TwoPointThreeSevenFivePercentageEuroMediumTermNotesDueTwoThousandTwentyMember
us-gaap:UnsecuredDebtMember 2018-11-30 0001084580 jef:StructuredNotesMember
us-gaap:UnsecuredDebtMember 2019-02-28 0001084580
jef:FourPointOneFiveZeroPercentSeniorNotesDue2030Member us-gaap:UnsecuredDebtMember 2018-11-30
0001084580 jef:SixPointFourFivePercentageSeniorDebenturesDueTwoThousandTwentySevenMember
us-gaap:UnsecuredDebtMember 2018-11-30 0001084580
jef:EightPointFivePercentageSeniorNotesDueTwoThousandNineteenMember us-gaap:UnsecuredDebtMember
2018-11-30 0001084580 us-gaap:RevolvingCreditFacilityMember us-gaap:SecuredDebtMember 2019-02-28
0001084580 us-gaap:UnsecuredDebtMember 2018-11-30 0001084580
jef:ThreePointEightSevenFivePercentageConvertibleSeniorDebenturesDueTwoThousandTwentyNineMember
us-gaap:UnsecuredDebtMember 2017-11-30 0001084580
jef:FourPointEightFivePercentageSeniorNotesDue2027Member us-gaap:InterestRateSwapMember
us-gaap:UnsecuredDebtMember 2017-12-01 2018-02-28 0001084580
jef:FourPointEightFivePercentageSeniorNotesDue2027Member us-gaap:InterestRateSwapMember
us-gaap:UnsecuredDebtMember 2018-12-01 2019-02-28 0001084580
jef:FourPointOneFiveZeroPercentSeniorNotesDue2030Member us-gaap:UnsecuredDebtMember 2018-02-28
0001084580 2018-01-05 2018-01-05 0001084580 jef:StructuredNotesMember 2019-02-28 0001084580
jef:StructuredNotesMember us-gaap:UnsecuredDebtMember 2018-02-28 0001084580
us-gaap:RevolvingCreditFacilityMember us-gaap:SecuredDebtMember 2018-05-16 0001084580
jef:EightPointFivePercentageSeniorNotesDueTwoThousandNineteenMember us-gaap:UnsecuredDebtMember
2018-12-01 2019-02-28 0001084580 jef:FourPointEightFivePercentageSeniorNotesDue2027Member
us-gaap:UnsecuredDebtMember 2017-01-17 0001084580 jef:CommissionsAndOtherFeesMember 2017-12-01
2018-02-28 0001084580 jef:OtherSourcesOfRevenueMiscellaneousMember 2017-12-01 2018-02-28 0001084580
jef:RevenueFromContractWithCustomersOtherMember 2018-12-01 2019-02-28 0001084580
jef:OtherSourcesOfRevenueMiscellaneousMember 2018-12-01 2019-02-28 0001084580
jef:CommissionsAndOtherFeesMember 2018-12-01 2019-02-28 0001084580 jef:InterestRevenueMember 2017-12-01
2018-02-28 0001084580 jef:InvestmentBankingMember 2018-12-01 2019-02-28 0001084580
jef:PrincipalTransactionsRevenueMember 2018-12-01 2019-02-28 0001084580 jef:InvestmentBankingMember
2017-12-01 2018-02-28 0001084580 jef:RevenueFromContractWithCustomersOtherMember 2017-12-01 2018-02-28
0001084580 jef:PrincipalTransactionsRevenueMember 2017-12-01 2018-02-28 0001084580
jef:AssetManagementFeesMember 2018-12-01 2019-02-28 0001084580 jef:AssetManagementFeesMember
2017-12-01 2018-02-28 0001084580 jef:InterestRevenueMember 2018-12-01 2019-02-28 0001084580
srt:EuropeMember 2017-12-01 2018-02-28 0001084580 srt:AmericasMember jef:CapitalMarketsMember 2018-12-01
2019-02-28 0001084580 jef:EquitiesMember jef:AssetManagementSegmentMember 2017-12-01 2018-02-28
0001084580 jef:InvestmentBankingAdvisoryMember 2017-12-01 2018-02-28 0001084580
jef:AssetManagementSegmentMember 2017-12-01 2018-02-28 0001084580
jef:InvestmentBankingCapitalMarketsMember jef:AssetManagementSegmentMember 2018-12-01 2019-02-28
0001084580 jef:AssetManagementSegmentMember 2018-12-01 2019-02-28 0001084580 srt:AmericasMember
2017-12-01 2018-02-28 0001084580 jef:FixedIncomeServicesMember jef:AssetManagementSegmentMember
2017-12-01 2018-02-28 0001084580 jef:FixedIncomeServicesMember jef:CapitalMarketsMember 2018-12-01
2019-02-28 0001084580 jef:InvestmentBankingCapitalMarketsMember jef:CapitalMarketsMember 2018-12-01
2019-02-28 0001084580 jef:InvestmentBankingAdvisoryMember jef:AssetManagementSegmentMember 2018-12-01
2019-02-28 0001084580 jef:CapitalMarketsMember 2017-12-01 2018-02-28 0001084580
jef:FixedIncomeServicesMember 2018-12-01 2019-02-28 0001084580 jef:InvestmentBankingCapitalMarketsMember
2018-12-01 2019-02-28 0001084580 srt:AsiaMember jef:CapitalMarketsMember 2017-12-01 2018-02-28
0001084580 srt:AsiaMember jef:AssetManagementSegmentMember 2017-12-01 2018-02-28 0001084580
jef:InvestmentBankingAdvisoryMember jef:CapitalMarketsMember 2018-12-01 2019-02-28 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

srt:AsiaMember jef:AssetManagementSegmentMember 2018-12-01 2019-02-28 0001084580 jef:EquitiesMember 2018-12-01 2019-02-28 0001084580 srt:AsiaMember 2017-12-01 2018-02-28 0001084580 srt:EuropeMember jef:CapitalMarketsMember 2017-12-01 2018-02-28 0001084580 srt:AsiaMember jef:CapitalMarketsMember 2018-12-01 2019-02-28 0001084580 jef:CapitalMarketsMember 2018-12-01 2019-02-28 0001084580 jef:AssetManagementServicesMember 2017-12-01 2018-02-28 0001084580 jef:EquitiesMember jef:CapitalMarketsMember 2018-12-01 2019-02-28 0001084580 srt:EuropeMember 2018-12-01 2019-02-28 0001084580 jef:InvestmentBankingCapitalMarketsMember jef:AssetManagementSegmentMember 2017-12-01 2018-02-28 0001084580 jef:AssetManagementServicesMember jef:AssetManagementSegmentMember 2017-12-01 2018-02-28 0001084580 srt:EuropeMember jef:AssetManagementSegmentMember 2017-12-01 2018-02-28 0001084580 srt:AmericasMember 2018-12-01 2019-02-28 0001084580 jef:InvestmentBankingCapitalMarketsMember 2017-12-01 2018-02-28 0001084580 jef:AssetManagementServicesMember jef:CapitalMarketsMember 2017-12-01 2018-02-28 0001084580 jef:FixedIncomeServicesMember jef:CapitalMarketsMember 2017-12-01 2018-02-28 0001084580 jef:EquitiesMember jef:AssetManagementSegmentMember 2018-12-01 2019-02-28 0001084580 srt:AsiaMember 2018-12-01 2019-02-28 0001084580 jef:InvestmentBankingAdvisoryMember jef:CapitalMarketsMember 2017-12-01 2018-02-28 0001084580 jef:InvestmentBankingCapitalMarketsMember jef:CapitalMarketsMember 2017-12-01 2018-02-28 0001084580 jef:FixedIncomeServicesMember 2017-12-01 2018-02-28 0001084580 jef:InvestmentBankingAdvisoryMember jef:AssetManagementSegmentMember 2017-12-01 2018-02-28 0001084580 jef:AssetManagementServicesMember jef:CapitalMarketsMember 2018-12-01 2019-02-28 0001084580 srt:AmericasMember jef:AssetManagementSegmentMember 2017-12-01 2018-02-28 0001084580 jef:AssetManagementServicesMember jef:AssetManagementSegmentMember 2018-12-01 2019-02-28 0001084580 jef:EquitiesMember jef:CapitalMarketsMember 2017-12-01 2018-02-28 0001084580 srt:AmericasMember jef:CapitalMarketsMember 2017-12-01 2018-02-28 0001084580 jef:EquitiesMember 2017-12-01 2018-02-28 0001084580 srt:EuropeMember jef:CapitalMarketsMember 2018-12-01 2019-02-28 0001084580 srt:EuropeMember jef:AssetManagementSegmentMember 2018-12-01 2019-02-28 0001084580 jef:FixedIncomeServicesMember jef:AssetManagementSegmentMember 2018-12-01 2019-02-28 0001084580 jef:AssetManagementServicesMember 2018-12-01 2019-02-28 0001084580 srt:AmericasMember jef:AssetManagementSegmentMember 2018-12-01 2019-02-28 0001084580 jef:InvestmentBankingAdvisoryMember 2018-12-01 2019-02-28 0001084580 jef:NonvestedShareAwardsMember 2019-02-28 0001084580 jef:RestrictedCashAwardsMember 2019-02-28 0001084580 jef:RestrictedCashAwardsMember 2018-12-01 2019-02-28 0001084580 jef:NonvestedShareAwardsMember 2018-12-01 2019-02-28 0001084580 2017-12-01 2019-02-28 0001084580 jef:OtherCommitmentsMember 2019-02-28 0001084580 jef:EquityCommitmentsMember 2019-02-28 0001084580 jef:UnderwritingCommitmentsMember 2019-02-28 0001084580 jef:ForwardStartingReverseReposMember 2019-02-28 0001084580 jef:LoanCommitmentsMember 2019-02-28 0001084580 jef:ForwardStartingReposMember 2019-02-28 0001084580 jef:ForwardStartingSecuritiesPurchasedUnderAgreementsToResellSettledWithinThreeBusinessDaysMember 2019-02-28 0001084580 jef:ForwardStartingSecuritiesSoldUnderAgreementsToRepurchaseSettledWithinThreeBusinessDaysMember 2019-02-28 0001084580 srt:MaximumMember us-gaap:StandbyLettersOfCreditMember 2018-12-01 2019-02-28 0001084580 jef:InvestmentsOtherMember 2019-02-28 0001084580 us-gaap:StandbyLettersOfCreditMember 2019-02-28 0001084580 jef:JefferiesCapitalPartnersLlcMember 2019-02-28 0001084580 jef:DerivativeContractsCreditRelatedMember 2019-02-28 0001084580 us-gaap:DerivativeMember 2019-02-28 0001084580 jef:DerivativeContractsNonCreditRelatedMember 2019-02-28 0001084580 jef:JefferiesMember 2019-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member jef:CapitalMarketsAndAssetManagementServicesCommissionsAndOtherFeesMember srt:AffiliatedEntityMember 2018-12-01 2019-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member jef:CapitalMarketsAndAssetManagementServicesOtherMember srt:AffiliatedEntityMember 2018-12-01 2019-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member jef:CapitalMarketsAndAssetManagementServicesOtherMember srt:AffiliatedEntityMember 2017-12-01 2018-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member jef:CapitalMarketsAndAssetManagementServicesPrincipalTransactionsMember srt:AffiliatedEntityMember 2017-12-01 2018-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:CapitalMarketsAndAssetManagementServicesCommissionsAndOtherFeesMember srt:AffiliatedEntityMember
2017-12-01 2018-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member
jef:CapitalMarketsAndAssetManagementServicesPrincipalTransactionsMember srt:AffiliatedEntityMember
2018-12-01 2019-02-28 0001084580 jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember
us-gaap:EquityMethodInvesteeMember 2018-12-01 2019-02-28 0001084580
jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember us-gaap:EquityMethodInvesteeMember
2017-12-01 2018-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2017-12-01
2018-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2018-12-01 2019-02-28
0001084580 jef:JefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2018-11-30 0001084580
jef:JefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2019-02-28 0001084580
jef:HedgeFundManagedByJefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2018-12-01 2019-02-28
0001084580 jef:HedgeFundManagedByJefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2017-12-01
2018-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2018-01-11 0001084580
jef:HedgeFundManagedByJefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember us-gaap:DirectorMember
2019-02-28 0001084580 srt:AffiliatedEntityMember us-gaap:DirectorMember 2018-11-30 0001084580
jef:HedgeFundManagedByJefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2019-02-28 0001084580
jef:HedgeFundManagedByJefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2018-11-30 0001084580
jef:JefferiesFinancialGroupInc.Member us-gaap:AccountsPayableAndAccruedLiabilitiesMember 2018-12-01
2019-02-28 0001084580 jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember
us-gaap:EquityMethodInvesteeMember 2018-11-30 0001084580
jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember us-gaap:EquityMethodInvesteeMember
2019-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member us-gaap:CorporateDebtSecuritiesMember
srt:AffiliatedEntityMember 2018-11-30 0001084580 srt:AffiliatedEntityMember us-gaap:DirectorMember
2019-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member srt:AffiliatedEntityMember 2019-01-29 0001084580
jef:JefferiesFinancialGroupInc.Member us-gaap:CorporateDebtSecuritiesMember srt:AffiliatedEntityMember
2019-02-28 0001084580 jef:JefferiesFinancialGroupInc.Member
us-gaap:AccountsPayableAndAccruedLiabilitiesMember 2019-02-28 0001084580
jef:JefferiesFinancialGroupInc.Member us-gaap:AccountsPayableAndAccruedLiabilitiesMember 2018-11-30
0001084580 jef:JefferiesFinancialGroupInc.Member us-gaap:AccountsPayableAndAccruedLiabilitiesMember
2018-12-01 2018-12-31 0001084580 jef:HedgeFundManagedByJefferiesFinancialGroupInc.Member
srt:AffiliatedEntityMember us-gaap:DirectorMember 2018-11-30 0001084580
jef:JefferiesFinancialGroupInc.Member us-gaap:OtherAssetsMember 2019-02-28 iso4217:EUR iso4217:USD
xbrli:shares iso4217:EUR xbrli:shares jef:segment xbrli:pure iso4217:USD xbrli:shares jef:Contract

[Table of Contents](#)

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the quarterly period ended February 28, 2019

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934**

For the transition period from _____ to _____

Commission file number 1-14947

JEFFERIES GROUP LLC

(Exact name of registrant as specified in its charter)

Delaware 95-4719745
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

520 Madison Avenue, New York, New York 10022
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (212) 284-2550

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The Registrant is a wholly-owned subsidiary of Jefferies Financial Group Inc. and meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with a reduced disclosure format as permitted by Instruction H(2).

Table of Contents

**JEFFERIES GROUP LLC
INDEX TO QUARTERLY REPORT ON FORM 10-Q**

February 28, 2019

PART I. FINANCIAL INFORMATION

	<i>Page</i>
<u>Item 1. Financial Statements</u>	<u>2</u>
<u>Consolidated Statements of Financial Condition (Unaudited)</u>	<u>2</u>
<u>Consolidated Statements of Earnings (Unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Changes in Equity (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>56</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>86</u>
<u>Item 4. Controls and Procedures</u>	<u>86</u>

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	<u>87</u>
<u>Item 1A. Risk Factors</u>	<u>87</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>87</u>
<u>Item 6. Exhibits</u>	<u>87</u>

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.****JEFFERIES GROUP LLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)****(In thousands)**

	February 28, 2019	November 30, 2018
ASSETS		
Cash and cash equivalents (\$1,101 and \$1,096 at February 28, 2019 and November 30, 2018, respectively, related to consolidated VIEs)	\$4,131,932	\$5,145,886
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	763,213	707,960
Financial instruments owned, at fair value (including securities pledged of \$14,322,307 and \$13,059,802 at February 28, 2019 and November 30, 2018, respectively; and \$323,854 and \$380 at February 28, 2019 and November 30, 2018, respectively, related to consolidated VIEs)	16,899,559	16,399,526
Loans to and investments in related parties	924,975	997,524
Securities borrowed	7,231,073	6,538,212
Securities purchased under agreements to resell	3,496,570	2,785,758
Receivables:		
Brokers, dealers and clearing organizations	4,529,641	3,218,984
Customers	1,597,046	2,017,090
Fees, interest and other	347,185	327,083
Premises and equipment	307,604	304,026
Goodwill	1,645,435	1,642,170
Other assets (\$2 at both February 28, 2019 and November 30, 2018, related to consolidated VIEs)	1,259,515	1,084,554
Total assets	\$43,133,748	\$41,168,773
LIABILITIES AND EQUITY		
Short-term borrowings	\$530,484	\$387,492
Financial instruments sold, not yet purchased, at fair value	10,277,724	9,478,944
Collateralized financings:		
Securities loaned	2,234,700	1,838,688
Securities sold under agreements to repurchase	9,307,283	8,643,069
Other secured financings (includes \$932,544 and \$881,472 at February 28, 2019 and November 30, 2018, respectively, related to consolidated VIEs)	933,169	881,472
Payables:		
Brokers, dealers and clearing organizations	2,767,623	2,448,059
Customers	3,389,623	3,176,727
Accrued expenses and other liabilities (\$583 and \$642 at February 28, 2019 and November 30, 2018, respectively, related to consolidated VIEs)	954,941	1,585,635
Long-term debt (includes \$750,978 and \$686,170 at fair value at February 28, 2019 and November 30, 2018, respectively)	6,581,019	6,546,283
Total liabilities	36,976,566	34,986,369
EQUITY		
Member's paid-in capital	6,299,653	6,376,662
Accumulated other comprehensive loss:		
Currency translation adjustments	(155,766)	(185,804)
Changes in instrument specific credit risk	12,101	(5,728)
Cash flow hedges	219	470
Additional minimum pension liability	(4,739)	(4,761)
Available-for-sale securities	(200)	(346)
Total accumulated other comprehensive loss	(148,385)	(196,169)
Total Jefferies Group LLC member's equity	6,151,268	6,180,493
Noncontrolling interests	5,914	1,911

Edgar Filing: Jefferies Group LLC - Form 10-Q

Total equity	6,157,182	6,182,404
Total liabilities and equity	\$43,133,748	\$41,168,773

See accompanying notes to consolidated financial statements.

2

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS (UNAUDITED)****(In thousands)**

	Three Months Ended February 28, 2019 2018	
Revenues:		
Commissions and other fees	\$ 147,326	\$ 147,902
Principal transactions	234,298	217,473
Investment banking	285,596	439,991
Asset management fees	6,669	4,930
Interest	360,975	257,816
Other	20,008	18,483
Total revenues	1,054,872	1,086,595
Interest expense	369,154	265,349
Net revenues	685,718	821,246
Non-interest expenses:		
Compensation and benefits	371,685	455,633
Non-compensation expenses:		
Floor brokerage and clearing fees	51,977	43,819
Technology and communications	79,170	69,077
Occupancy and equipment rental	28,539	24,591
Business development	30,555	42,107
Professional services	36,927	30,408
Underwriting costs	8,575	14,275
Other	15,705	18,598
Total non-compensation expenses	251,448	242,875
Total non-interest expenses	623,133	698,508
Earnings before income taxes	62,585	122,738
Income tax expense	16,220	183,557
Net earnings (loss)	46,365	(60,819)
Net earnings (loss) attributable to noncontrolling interests	384	(1)
Net earnings (loss) attributable to Jefferies Group LLC	\$ 45,981	\$(60,818)
See accompanying notes to consolidated financial statements.		

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

(In thousands)

	Three Months Ended February 28,	
	2019	2018
Net earnings (loss)	\$46,365	\$(60,819)
Other comprehensive income (loss), net of tax:		
Currency translation and other adjustments (1)	30,060	16,019
Changes in instrument specific credit risk (2)	17,829	(18,113)
Cash flow hedges (3)	(251)	1,046
Unrealized gain on available-for-sale securities (4)	146	—
Total other comprehensive income (loss), net of tax (5)	47,784	(1,048)
Comprehensive income (loss)	94,149	(61,867)
Net earnings (loss) attributable to noncontrolling interests	384	(1)
Comprehensive income (loss) attributable to Jefferies Group LLC	\$93,765	\$(61,866)

The amount during the three months ended February 28, 2019 includes \$7.4 million related to the impact of certain discrete items related to tax planning for our non-U.S. subsidiaries in connection with the Tax Cuts and Jobs Act (the "Tax Act"). The amount during the three months ended February 28, 2018 include \$5.3 million related to the transfer of the German Pension Plan, which was reclassified to Compensation and benefits expenses within the Consolidated Statements of Earnings and (\$0.8) million related to the Tax Act, which was reclassified to Member's paid-in capital.

The amounts include income tax expense of approximately \$6.0 million and \$1.9 million for the three months ended February 28, 2019 and 2018, respectively. The amount during the three months ended February 28, 2019 includes a gain of \$0.3 million, net of taxes of \$0.1 million, related to changes in instrument specific risk, which was reclassified to Principal transactions revenues within the Consolidated Statements of Earnings. The amount during the three months ended February 28, 2018 includes (\$6.5) million related to the Tax Act, which was reclassified to Member's paid-in capital. Refer to Note 3, Accounting Developments for further information.

The amount during the three months ended February 28, 2019 includes income tax benefit of approximately \$0.1 million. The amount during the three months ended February 28, 2018 includes income tax expense of \$1.0 million and (\$0.2) million related to the Tax Act, which was reclassified to Member's paid-in capital.

(4) The amount includes income tax expense of approximately \$0.1 million.

(5) None of the components of other comprehensive income (loss) are attributable to noncontrolling interests.

See accompanying notes to consolidated financial statements.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)****(In thousands)**

	Three Months Ended	
	February 28,	
	2019	2018
Member's paid-in capital:		
Balance, beginning of period	\$6,376,662	\$5,895,601
Cumulative effect of the adoption of the new revenue standard, net of tax	—	(6,121)
Net earnings (loss) attributable to Jefferies Group LLC	45,981	(60,818)
Distribution to Jefferies Financial Group Inc.	(122,990)	(200,000)
Tax Cuts and Jobs Act adjustment	—	7,150
Balance, end of period	\$6,299,653	\$5,635,812
Accumulated other comprehensive income (loss), net of tax:		
Balance, beginning of period	\$(196,169)	\$(136,779)
Currency adjustments and other	30,060	16,019
Changes in instrument specific credit risk	17,829	(18,113)
Cash flow hedges	(251)	1,046
Unrealized gain on available-for-sale securities	146	—
Balance, end of period	\$(148,385)	\$(137,827)
Total Jefferies Group LLC member's equity	\$6,151,268	\$5,497,985
Noncontrolling interests:		
Balance, beginning of period	\$1,911	\$737
Net earnings (loss) attributable to noncontrolling interests	384	(1)
Contributions	4,600	—
Distributions	(981)	—
Balance, end of period	\$5,914	\$736
Total equity	\$6,157,182	\$5,498,721

See accompanying notes to consolidated financial statements.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Three Months Ended February 28, 2019 2018	
Cash flows from operating activities:		
Net earnings (loss)	\$46,365	\$(60,819)
Adjustments to reconcile net earnings (loss) to net cash used in operating activities:		
Depreciation and amortization	5,367	1,843
Income on loans to and investments in related parties	(11,337)	(5,605)
Distributions received on investments in related parties	94,041	—
Other adjustments	28,745	(38,250)
Net change in assets and liabilities:		
Securities deposited with clearing and depository organizations	12	64,861
Receivables:		
Brokers, dealers and clearing organizations	(1,285,635)	(1,314,557)
Customers	420,048	(33,216)
Fees, interest and other	(18,352)	71,275
Securities borrowed	(674,484)	427,310
Financial instruments owned	(395,921)	(1,102,846)
Securities purchased under agreements to resell	(660,842)	716,157
Other assets	(178,830)	50,756
Payables:		
Brokers, dealers and clearing organizations	301,741	814,852
Customers	212,895	222,603
Securities loaned	378,261	(476,725)
Financial instruments sold, not yet purchased	704,478	1,442,571
Securities sold under agreements to repurchase	632,686	(418,052)
Accrued expenses and other liabilities	(650,084)	(679,748)
Net cash used in operating activities	(1,050,846)	(317,590)
Cash flows from investing activities:		
Contributions to loans to and investments in related parties	(10,370)	(1,778,386)
Distributions from loans to and investments in related parties	—	1,639,300
Net payments on premises and equipment	(19,606)	(16,953)
Net cash used in investing activities	(29,976)	(156,039)

Continued on next page.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED (UNAUDITED)
(In thousands)

	Three Months Ended	
	February 28,	
	2019	2018
Cash flows from financing activities:		
Proceeds from short-term borrowings	405,000	275,000
Payments on short-term borrowings	(254,000)	(248,323)
Proceeds from issuance of long-term debt, net of issuance costs	92,375	1,138,705
Repayment of long-term debt	(50,695)	(334,978)
Dividend distribution	(130,697)	(200,000)
Net proceeds from (payments on) other secured financings	51,697	(19,752)
Net change in bank overdrafts	(8,360)	2,360
Proceeds from contributions of noncontrolling interests	4,600	—
Payments on distributions to noncontrolling interests	(981)	—
Net cash provided by financing activities	108,939	613,012
Effect of exchange rate changes on cash, cash equivalents and restricted cash	13,194	2,528
Net increase (decrease) in cash, cash equivalents and restricted cash	(958,689)	141,911
Cash, cash equivalents and restricted cash at beginning of period	5,819,027	5,642,776
Cash, cash equivalents and restricted cash at end of period	\$4,860,338	\$5,784,687

Supplemental disclosures of cash flow information:

Cash paid (received) during the period for:

Interest	\$391,674	\$314,921
Income taxes, net	37,168	(2,184)

The following presents our cash, cash equivalents and restricted cash by category within the Consolidated Statements of Financial Condition (in thousands):

	February	November
	28, 2019	30, 2018
Cash and cash equivalents	\$4,131,932	\$5,145,886
Cash and securities segregated and on deposit for regulatory purposes with clearing and depository organizations	728,406	673,141
Total cash, cash equivalents and restricted cash	\$4,860,338	\$5,819,027

See accompanying notes to consolidated financial statements.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)**Index**

<u>Note</u>	<u>Page</u>
<u>Note 1. Organization and Basis of Presentation</u>	<u>9</u>
<u>Note 2. Summary of Significant Accounting Policies</u>	<u>10</u>
<u>Note 3. Accounting Developments</u>	<u>10</u>
<u>Note 4. Fair Value Disclosures</u>	<u>12</u>
<u>Note 5. Derivative Financial Instruments</u>	<u>26</u>
<u>Note 6. Collateralized Transactions</u>	<u>31</u>
<u>Note 7. Securitization Activities</u>	<u>34</u>
<u>Note 8. Variable Interest Entities</u>	<u>35</u>
<u>Note 9. Investments</u>	<u>39</u>
<u>Note 10. Goodwill and Intangible Assets</u>	<u>42</u>
<u>Note 11. Short-Term Borrowings</u>	<u>43</u>
<u>Note 12. Long-Term Debt</u>	<u>44</u>
<u>Note 13. Revenues from Contracts with Customers</u>	<u>45</u>
<u>Note 14. Compensation Plans</u>	<u>48</u>
<u>Note 15. Income Taxes</u>	<u>49</u>
<u>Note 16. Commitments, Contingencies and Guarantees</u>	<u>50</u>
<u>Note 17. Net Capital Requirements</u>	<u>51</u>
<u>Note 18. Segment Reporting</u>	<u>52</u>
<u>Note 19. Related Party Transactions</u>	<u>53</u>

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Note 1. Organization and Basis of Presentation

Organization

Jefferies Group LLC is the largest independent U.S.-headquartered global full service, integrated securities and investment banking firm. The accompanying Consolidated Financial Statements represent the accounts of Jefferies Group LLC and all our subsidiaries (together “we” or “us”). The subsidiaries of Jefferies Group LLC include Jefferies LLC, Jefferies International Limited, Jefferies Hong Kong Limited, Jefferies Financial Services, Inc., Jefferies Funding LLC, Jefferies Leveraged Credit Products, LLC and all other entities in which we have a controlling financial interest or are the primary beneficiary.

Jefferies Group LLC is a direct wholly owned subsidiary of publicly traded Jefferies Financial Group Inc. (“Jefferies”). Jefferies does not guarantee any of our outstanding debt securities. Jefferies Group LLC is a Securities and Exchange Commission (“SEC”) reporting company, filing annual, quarterly and periodic financial reports. Richard Handler, our Chief Executive Officer and Chairman, is the Chief Executive Officer of Jefferies, as well as a Director of Jefferies. Brian P. Friedman, our Chairman of the Executive Committee, is Jefferies’ President and a Director of Jefferies.

In connection with the acquisition of Jefferies Bache from Prudential on July 1, 2011, we acquired a defined benefits pension plan located in Germany (the “German Pension Plan”) for the benefit of eligible employees of Jefferies Bache in that territory. On December 28, 2017, a Liquidation Insurance Contract was entered into between Jefferies Bache Limited and Generali Lebensversicherung AG (“Generali”) to transfer the defined benefit pension obligations and insurance contracts to Generali, for

approximately €6.5 million, which was paid in January 2018 and released us from any and all obligations under the German Pension Plan. This transaction was completed in the first quarter of 2018. In addition, on December 28, 2017, we entered into an agreement with Prudential under which we received \$3.25 million as consideration for the release of Prudential by us from their indemnity relating to the German Pension Plan defined benefit pension obligations.

On October 1, 2018, Jefferies transferred its 50% interest in Berkadia Commercial Mortgage Holding LLC (“Berkadia”) and investments in certain separately managed accounts and funds to us. On November 1, 2018, we purchased Leucadia Investment Management Limited, an investment advisory company, from Leucadia Asset Management Holding LLC, a subsidiary of Jefferies. These transfers were accomplished as capital contributions from Jefferies of approximately \$598.2 million and total cash payments of \$76.0 million to Jefferies during the fourth quarter of 2018. In connection with these transfers, related deferred tax liabilities of approximately \$50.9 million were transferred to us, for which Jefferies has indemnified us.

We operate in two reportable business segments, Capital Markets and Asset Management. For further information on our reportable business segments, refer to Note 18, Segment Reporting.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended November 30, 2018. Certain footnote disclosures included in our Annual Report on Form 10-K for the year ended November 30, 2018 have been condensed or omitted from the consolidated financial statements as they are not required for interim reporting under U.S. GAAP. The Consolidated Financial Statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results presented in the Consolidated Financial Statements for interim periods are not necessarily indicative of the results for the entire year. We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these consolidated financial statements in conformity with U.S. GAAP. The most important of these estimates and assumptions relate to fair value measurements, compensation and benefits, goodwill and intangible assets, the ability to realize certain deferred tax assets and the recognition and measurement of uncertain tax positions. Although

these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Consolidation

Our policy is to consolidate all entities that we control by ownership of a majority of the outstanding voting stock. In addition, we consolidate entities that meet the definition of a variable interest entity (“VIE”) for which we are the primary beneficiary. The primary beneficiary is the party who has the power to direct the activities of a VIE that most significantly impact the entity’s economic performance and who has an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. For consolidated entities that are less than wholly owned, the third party’s holding of equity interest is presented as Noncontrolling interests in our Consolidated Statements of Financial Condition and Consolidated Statements of Changes in Equity. The portion of net earnings attributable to the noncontrolling interests is presented as Net earnings (loss) attributable to noncontrolling interests in our Consolidated Statements of Earnings.

In situations in which we have significant influence, but not control, of an entity that does not qualify as a VIE, we apply either the equity method of accounting or fair value accounting pursuant to the fair value option election under U.S. GAAP, with our portion of net earnings or gains and losses recorded in Other revenues or Principal transactions revenues, respectively. We also have formed nonconsolidated investment vehicles with third-party investors that are typically organized as partnerships or limited liability companies and are carried at fair value. We act as general partner or managing member for these investment vehicles and have generally provided the third-party investors with termination or “kick-out” rights.

Intercompany accounts and transactions are eliminated in consolidation.

Note 2. Summary of Significant Accounting Policies

For a detailed discussion about the Company’s significant accounting policies, see Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018.

Note 3. Accounting Developments

Accounting Standards to be Adopted in Future Periods

Consolidation. In October 2018, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2018-17, Consolidation: Targeted Improvements to Related Party Guidance for Variable Interest Entities. The guidance requires indirect interests held through related parties under common control arrangements be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. The guidance is effective in the first quarter of fiscal 2021. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Internal-Use Software. In August 2018, the FASB issued ASU No. 2018-15, Intangibles—Goodwill and Other—Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The guidance amends the definition of a hosting arrangement and requires that the customer in a hosting arrangement that is a service contract capitalize certain implementation costs as if the arrangement was an internal-use software project. The guidance is effective in the first quarter of fiscal 2021. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Defined Benefit Plans. In August 2018, the FASB issued ASU No. 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General: Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans. The objective of the guidance is to improve the effectiveness of disclosure requirements on defined benefit pension plans and other postretirement plans. The guidance is effective in the first quarter of fiscal 2021. We do not believe the new guidance will have a material impact on our consolidated financial statements.

Derivatives and Hedging. In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. The objective of the guidance is to improve the financial

reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The guidance is effective in the first quarter of fiscal 2020. We do not believe the new guidance will have a material impact on our consolidated financial statements.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Goodwill. In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies goodwill impairment testing. The guidance is effective in the first quarter of fiscal 2021. We do not believe the new guidance will have a material impact on our consolidated financial statements.

Financial Instruments—Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. The guidance provides for estimating credit losses on certain types of financial instruments by introducing an approach based on expected losses. The guidance is effective in the first quarter of fiscal 2021. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASU 2016-02”). The guidance affects the accounting for leases and provides for a lessee model that brings substantially all leases that are longer than one year onto the balance sheet, which will result in the recognition of a right of use asset and a corresponding lease liability. The right of use asset and lease liability will be measured initially using the present value of the remaining rental payments. A significant portion of the population of contracts that will be subject to recognition on our Consolidated Statements of Financial Condition have been identified; however, their initial measurement still remains under evaluation. We are currently modifying our lease accounting systems to enable us to comply with the accounting requirements of this guidance. In July 2018, the FASB issued ASU No. 2018-11, Leases: Targeted Improvements. The guidance allows an entity to recognize a cumulative-effect adjustment to the opening balance of retained earnings upon adoption of ASU 2016-02. We plan on adopting both lease ASUs in the first quarter of fiscal 2020 with a cumulative-effect adjustment to opening member’s equity in the period of adoption. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

(Unaudited)

Note 4. Fair Value Disclosures

The following is a summary of our financial assets and liabilities that are accounted for at fair value on a recurring basis, excluding Investments at fair value based on net asset value (“NAV”) of \$557.8 million and \$322.9 million at February 28, 2019 and November 30, 2018, respectively, by level within the fair value hierarchy (in thousands):

	February 28, 2019			Counterparty and Cash Collateral Netting (1)	Total
	Level 1	Level 2	Level 3		
Assets:					
Financial instruments owned:					
Corporate equity securities	\$ 2,250,523	\$ 132,546	\$ 54,766	\$ —	\$ 2,437,835
Corporate debt securities	—	2,574,258	10,930	—	2,585,188
Collateralized debt obligations and collateralized loan obligations	—	87,414	32,566	—	119,980
U.S. government and federal agency securities	1,726,076	92,128	—	—	1,818,204
Municipal securities	—	647,475	—	—	647,475
Sovereign obligations	1,653,015	1,311,179	—	—	2,964,194
Residential mortgage-backed securities	—	2,018,358	20,963	—	2,039,321
Commercial mortgage-backed securities	—	860,865	12,820	—	873,685
Other asset-backed securities	—	254,870	35,886	—	290,756
Loans and other receivables	—	2,145,486	78,051	—	2,223,537
Derivatives	5,167	2,481,349	8,211	(2,293,982)	200,745
Investments at fair value	—	—	140,812	—	140,812
Total financial instruments owned, excluding Investments at fair value based on NAV	\$ 5,634,781	\$ 12,605,928	\$ 395,005	\$ (2,293,982)	\$ 16,341,732
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	\$ 2,806,579	\$ 1,383	\$ 78	\$ —	\$ 2,808,040
Corporate debt securities	—	1,741,692	730	—	1,742,422
U.S. government and federal agency securities	855,042	—	—	—	855,042
Sovereign obligations	1,770,566	1,164,066	—	—	2,934,632
Commercial mortgage-backed securities	—	—	70	—	70
Loans	—	1,572,077	3,420	—	1,575,497
Derivatives	14,018	2,692,471	37,186	(2,381,654)	362,021
Total financial instruments sold, not yet purchased	\$ 5,446,205	\$ 7,171,689	\$ 41,484	\$ (2,381,654)	\$ 10,277,724
Long-term debt	\$ —	\$ 467,839	\$ 283,139	\$ —	\$ 750,978

(1) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

	November 30, 2018			Counterparty and Cash Collateral Netting (1)	Total
	Level 1	Level 2	Level 3		
Assets:					
Financial instruments owned:					
Corporate equity securities	\$ 1,907,945	\$ 118,681	\$ 51,040	\$ —	\$ 2,077,666
Corporate debt securities	—	2,683,180	9,484	—	2,692,664
Collateralized debt obligations and collateralized loan obligations	—	72,949	25,815	—	98,764
U.S. government and federal agency securities	1,789,614	56,592	—	—	1,846,206
Municipal securities	—	894,253	—	—	894,253
Sovereign obligations	1,769,556	1,043,409	—	—	2,812,965
Residential mortgage-backed securities	—	2,163,629	19,603	—	2,183,232
Commercial mortgage-backed securities	—	819,406	10,886	—	830,292
Other asset-backed securities	—	239,381	53,175	—	292,556
Loans and other receivables	—	2,056,593	46,985	—	2,103,578
Derivatives	12,186	2,524,988	5,922	(2,412,486)	130,610
Investments at fair value	—	—	113,831	—	113,831
Total financial instruments owned, excluding Investments at fair value based on NAV	\$ 5,479,301	\$ 12,673,061	\$ 336,741	\$ (2,412,486)	\$ 16,076,617
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	\$ 1,685,071	\$ 1,444	\$ —	\$ —	\$ 1,686,515
Corporate debt securities	—	1,505,618	522	—	1,506,140
U.S. government and federal agency securities	1,384,295	—	—	—	1,384,295
Sovereign obligations	1,735,242	661,095	—	—	2,396,337
Loans	—	1,371,630	6,376	—	1,378,006
Derivatives	26,471	3,585,249	27,536	(2,511,605)	1,127,651
Total financial instruments sold, not yet purchased	\$ 4,831,079	\$ 7,125,036	\$ 34,434	\$ (2,511,605)	\$ 9,478,944
Long-term debt	\$ —	\$ 485,425	\$ 200,745	\$ —	\$ 686,170

(1) Represents counterparty and cash collateral netting across the levels of the fair value hierarchy for positions with the same counterparty.

The following is a description of the valuation basis, including valuation techniques and inputs, used in measuring our financial assets and liabilities that are accounted for at fair value on a recurring basis:

Corporate Equity Securities

Exchange-Traded Equity Securities: Exchange-traded equity securities are measured based on quoted closing exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy, otherwise they are categorized within Level 2 of the fair value hierarchy. To the extent these securities are actively traded, valuation adjustments are not applied.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

Non-Exchange-Traded Equity Securities: Non-exchange-traded equity securities are measured primarily using broker quotations, pricing data from external pricing services and prices observed from recently executed market transactions and are categorized within Level 2 of the fair value hierarchy. Where such information is not available, non-exchange-traded equity securities are categorized within Level 3 of the fair value hierarchy and measured using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (e.g., price/Earnings before interest, taxes, depreciation and amortization (“EBITDA”), price/book value), discounted cash flow analyses and transaction prices observed from subsequent financing or capital issuance by the company. When using pricing data of comparable companies, judgment must be applied to adjust the pricing data to account for differences between the measured security and the comparable security (e.g., issuer market capitalization, yield, dividend rate, geographical concentration).

Equity Warrants: Non-exchange-traded equity warrants are measured primarily using pricing data from external pricing services, prices observed from recently executed market transactions and broker quotations and are categorized within Level 2 of the fair value hierarchy. Where such information is not available, non-exchange-traded equity warrants are generally categorized within Level 3 of the fair value hierarchy and are measured using the Black-Scholes model with key inputs impacting the valuation including the underlying security price, implied volatility, dividend yield, interest rate curve, strike price and maturity date.

Corporate Debt Securities

Investment Grade Corporate Bonds: Investment grade corporate bonds are measured primarily using pricing data from external pricing services and broker quotations, where available, prices observed from recently executed market transactions and bond spreads or credit default swap spreads of the issuer adjusted for basis differences between the swap curve and the bond curve. Corporate bonds measured using these valuation methods are categorized within Level 2 of the fair value hierarchy. If broker quotes, pricing data or spread data is not available, alternative valuation techniques are used including cash flow models incorporating interest rate curves, single name or index credit default swap curves for comparable issuers and recovery rate assumptions. Corporate bonds measured using alternative valuation techniques are categorized within Level 3 of the fair value hierarchy and are a limited portion of our corporate bonds.

High Yield Corporate and Convertible Bonds: A significant portion of our high yield corporate and convertible bonds are categorized within Level 2 of the fair value hierarchy and are measured primarily using broker quotations and pricing data from external pricing services, where available, and prices observed from recently executed market transactions of institutional size. Where pricing data is less observable, valuations are categorized within Level 3 of the fair value hierarchy and are based on pending transactions involving the issuer or comparable issuers, prices implied from an issuer’s subsequent financing or recapitalization, models incorporating financial ratios and projected cash flows of the issuer and market prices for comparable issuers.

Collateralized Debt Obligations and Collateralized Loan Obligations

Collateralized debt obligations (“CDOs”) and collateralized loan obligations (“CLOs”) are measured based on prices observed from recently executed market transactions of the same or similar security or based on valuations received from third-party brokers or data providers and are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability and significance of the pricing inputs. Valuation that is based on recently executed market transactions of similar securities incorporates additional review and analysis of pricing inputs and comparability criteria, including, but not limited to, collateral type, tranche type, rating, origination year, prepayment rates, default rates and loss severity.

U.S. Government and Federal Agency Securities

U.S. Treasury Securities: U.S. Treasury securities are measured based on quoted market prices obtained from external pricing services and categorized within Level 1 of the fair value hierarchy.

U.S. Agency Debt Securities: Callable and non-callable U.S. agency debt securities are measured primarily based on quoted market prices obtained from external pricing services and are generally categorized within Level 1 or Level 2

of the fair value hierarchy.

Municipal Securities

Municipal securities are measured based on quoted prices obtained from external pricing services and are generally categorized within Level 2 of the fair value hierarchy.

14

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)***Sovereign Obligations*

Sovereign government obligations are measured based on quoted market prices obtained from external pricing services, where available, or recently executed independent transactions of comparable size. Sovereign government obligations, with consideration given to the country of issuance, are generally categorized in Level 1 or Level 2 of the fair value hierarchy.

Residential Mortgage-Backed Securities

Agency Residential Mortgage-Backed Securities (“RMBS”): Agency RMBS include mortgage pass-through securities (fixed and adjustable rate), collateralized mortgage obligations and principal-only and interest-only (including inverse interest-only) securities. Agency RMBS are generally measured using recent transactions, pricing data from external pricing services or expected future cash flow techniques that incorporate prepayment models and other prepayment assumptions to amortize the underlying mortgage loan collateral and are categorized within Level 2 of the fair value hierarchy. We use prices observed from recently executed transactions to develop market-clearing spread and yield curve assumptions. Valuation inputs with regard to the underlying collateral incorporate factors such as weighted average coupon, loan-to-value, credit scores, geographic location, maximum and average loan size, originator, servicer and weighted average loan age.

Non-Agency RMBS: The fair value of non-agency RMBS is determined primarily using discounted cash flow methodologies and securities are categorized within Level 2 or Level 3 of the fair value hierarchy based on the observability and significance of the pricing inputs used. Performance attributes of the underlying mortgage loans are evaluated to estimate pricing inputs, such as prepayment rates, default rates and the severity of credit losses.

Attributes of the underlying mortgage loans that affect the pricing inputs include, but are not limited to, weighted average coupon; average and maximum loan size; loan-to-value; credit scores; documentation type; geographic location; weighted average loan age; originator; servicer; historical prepayment, default and loss severity experience of the mortgage loan pool; and delinquency rate. Yield curves used in the discounted cash flow models are based on observed market prices for comparable securities and published interest rate data to estimate market yields. In addition, broker quotes, where available, are also referenced to compare prices primarily on interest-only securities.

Commercial Mortgage-Backed Securities

Agency Commercial Mortgage-Backed Securities (“CMBS”): Government National Mortgage Association (“GNMA”) project loan bonds are measured based on inputs corroborated from and benchmarked to observed prices of recent securitization transactions of similar securities with adjustments incorporating an evaluation of various factors, including prepayment speeds, default rates and cash flow structures, as well as the likelihood of pricing levels in the current market environment. Federal National Mortgage Association (“FNMA”) Delegated Underwriting and Servicing (“DUS”) mortgage-backed securities are generally measured by using prices observed from recently executed market transactions to estimate market-clearing spread levels for purposes of estimating fair value. GNMA project loan bonds and FNMA DUS mortgage-backed securities are categorized within Level 2 of the fair value hierarchy.

Non-Agency CMBS: Non-agency CMBS are measured using pricing data obtained from external pricing services, prices observed from recently executed market transactions or based on expected cash flow models that incorporate underlying loan collateral characteristics and performance. Non-Agency CMBS are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability of the underlying inputs.

Other Asset-Backed Securities

Other asset-backed securities (“ABS”) include, but are not limited to, securities backed by auto loans, credit card receivables, student loans and other consumer loans and are categorized within Level 2 or Level 3 of the fair value hierarchy. Valuations are primarily determined using pricing data obtained from external pricing services, broker quotes and prices observed from recently executed market transactions. In addition, recent transaction data from comparable deals is deployed to develop market clearing yields and cumulative loss assumptions. The cumulative loss assumptions are based on the analysis of the underlying collateral and comparisons to earlier deals from the same issuer to gauge the relative performance of the deal.

Loans and Other Receivables

Corporate Loans: Corporate loans categorized within Level 2 of the fair value hierarchy are measured based on market consensus pricing service quotations. Where available, market price quotations from external pricing services are reviewed to ensure they are supported by transaction data. Corporate loans categorized within Level 3 of the fair value hierarchy are measured based on price quotations that are considered to be less transparent, market prices for debt securities of the same creditor and estimates of future cash flows incorporating assumptions regarding creditor default and recovery rates and consideration of the issuer's capital structure.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

Participation Certificates in Agency Residential Loans: Valuations of participation certificates in agency residential loans are based on observed market prices of recently executed purchases and sales of similar loans and data provider pricing. The loan participation certificates are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions and availability of data provider pricing.

Project Loans and Participation Certificates in GNMA Project and Construction Loans: Valuations of participation certificates in GNMA project and construction loans are based on inputs corroborated from and benchmarked to observed prices of recent securitizations with similar underlying loan collateral to derive an implied spread. Securitization prices are adjusted to estimate the fair value of the loans to account for the arbitrage that is realized at the time of securitization. The measurements are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions.

Consumer Loans and Funding Facilities: Consumer and small business whole loans and related funding facilities are valued based on observed market transactions and incorporating valuation inputs including, but not limited to, delinquency and default rates, prepayment rates, borrower characteristics, loan risk grades and loan age. These assets are categorized within Level 2 or Level 3 of the fair value hierarchy.

Escrow and Trade Claim Receivables: Escrow and trade claim receivables are categorized within Level 3 of the fair value hierarchy where fair value is estimated based on reference to market prices and implied yields of debt securities of the same or similar issuers. Escrow and trade claim receivables are categorized within Level 2 of the fair value hierarchy where fair value is based on recent observations in the same receivable.

Derivatives

Listed Derivative Contracts: Listed derivative contracts that are actively traded are measured based on quoted exchange prices, broker quotes or vanilla option valuation models, such as Black-Scholes, using observable valuation inputs from the principal market or consensus pricing services. Exchange quotes and/or valuation inputs are generally obtained from external vendors and pricing services. Broker quotes are validated directly through observable and tradeable quotes. Listed derivative contracts that use unadjusted exchange close prices are generally categorized within Level 1 of the fair value hierarchy. All other listed derivative contracts are generally categorized within Level 2 of the fair value hierarchy.

Over-the-Counter (“OTC”) Derivative Contracts: OTC derivative contracts are generally valued using models, whose inputs reflect assumptions that we believe market participants would use in valuing the derivative in a current transaction. Where available, valuation inputs are calibrated from observable market data. For many OTC derivative contracts, the valuation models do not involve material subjectivity as the methodologies do not entail significant judgment and the inputs to valuation models do not involve a high degree of subjectivity as the valuation model inputs are readily observable or can be derived from actively quoted markets. OTC derivative contracts are primarily categorized within Level 2 of the fair value hierarchy given the observability and significance of the inputs to the valuation models. Where significant inputs to the valuation are unobservable, derivative instruments are categorized within Level 3 of the fair value hierarchy.

OTC options include OTC equity, foreign exchange, interest rate and commodity options measured using various valuation models, such as Black-Scholes, with key inputs including the underlying security price, foreign exchange spot rate, commodity price, implied volatility, dividend yield, interest rate curve, strike price and maturity date. Discounted cash flow models are utilized to measure certain OTC derivative contracts including the valuations of our interest rate swaps, which incorporate observable inputs related to interest rate curves, valuations of our foreign exchange forwards and swaps, which incorporate observable inputs related to foreign currency spot rates and forward curves and valuations of our commodity swaps and forwards, which incorporate observable inputs related to commodity spot prices and forward curves. Discounted cash flow models are also utilized to measure certain variable funding note swaps, which are backed by CLOs and incorporates constant prepayment rate, constant default rate and loss severity assumptions. Credit default swaps include both index and single-name credit default swaps. Where available, external data is used in measuring index credit default swaps and single-name credit default swaps. For

commodity and equity total return swaps, market prices are generally observable for the underlying asset and used as the basis for measuring the fair value of the derivative contracts. Total return swaps executed on other underlyings are measured based on valuations received from external pricing services.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)***Investments at Fair Value*

Investments at fair value includes investments in hedge funds, fund of funds and private equity funds, which are measured at the NAV of the funds, provided by the fund managers and are excluded from the fair value hierarchy. Investments at fair value also include direct equity investments in private companies, which are measured at fair value using valuation techniques involving quoted prices of or market data for comparable companies, similar company ratios and multiples (e.g., price/EBITDA, price/book value), discounted cash flow analyses and transaction prices observed for subsequent financing or capital issuance by the company. Direct equity investments in private companies are categorized within Level 2 or Level 3 of the fair value hierarchy.

The following tables present information about our investments in entities that have the characteristics of an investment company (in thousands):

	February 28, 2019	
	Fair Value (1)	Unfunded Commitments
Equity Long/Short Hedge Funds (2)	\$273,925	\$ —
Equity Funds (3)	35,719	20,036
Commodity Funds (4)	15,382	—
Multi-asset Funds (5)	232,465	—
Other Funds (6)	336	—
Total	\$557,827	\$ 20,036
	November 30, 2018	
	Fair Value (1)	Unfunded Commitments
Equity Long/Short Hedge Funds (2)	\$ 15,338	\$ —
Equity Funds (3)	40,070	20,996
Commodity Funds (4)	10,129	—
Multi-asset Funds (5)	256,972	—
Other Funds (6)	400	—
Total	\$322,909	\$ 20,996

(1) Where fair value is calculated based on NAV, fair value has been derived from each of the funds' capital statements.

(2) This category includes investments in hedge funds that invest, long and short, primarily in equity securities in domestic and international markets in both the public and private sectors. At February 28, 2019 and November 30, 2018, approximately 94% and 0%, respectively, of the fair value of investments in this category cannot be redeemed because these investments include restrictions that do not allow for redemption in the first 36 months after acquisition. At the end of this restriction period, which is in approximately 34 months, these investments are redeemable monthly with 45-90 days prior written notice. At February 28, 2019 and November 30, 2018, approximately 6% and 97%, respectively, of the fair value of investments in this category are redeemable quarterly with 60 days prior written notice.

(3) At February 28, 2019 and November 30, 2018, the investments in this category include investments in equity funds that invest in the equity of various U.S. and foreign private companies in the energy, technology, internet service and telecommunication service industries. These investments cannot be redeemed; instead, distributions are received through the liquidation of the underlying assets of the funds which are expected to be liquidated in approximately one to ten years.

(4) This category includes investments in a hedge fund that invests, long and short, primarily in commodities. Investments in this category are redeemable quarterly with 60 days prior written notice.

(5)

Edgar Filing: Jefferies Group LLC - Form 10-Q

This category includes investments in hedge funds that invest, long and short, primarily in multi-asset securities in domestic and international markets in both the public and private sectors. At February 28, 2019 and November 30, 2018, investments representing approximately 6% and 15%, respectively, of the fair value of investments in this category are redeemable monthly with 30 days prior written notice.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

This category includes investments in a fund that invests in loans secured by a first trust deed on property, domestic and international public high yield debt, private high yield investments, senior bank loans, public leveraged equities, distressed debt and private equity investments and there are no redemption provisions. This (6) category also includes investments in a fund of funds that invests in various private equity funds that are managed by us and have no redemption provisions. Investments in the fund of funds are gradually being liquidated, however, the timing of when the proceeds will be received is uncertain.

Long-term Debt

Long-term debt includes variable rate, fixed-to-floating rate, constant maturity swap, digital and Bermudan structured notes. These are valued using various valuation models that incorporate our own credit spread, market price quotations from external pricing sources referencing the appropriate interest rate curves, volatilities and other inputs as well as prices for transactions in a given note during the period. Long-term debt notes are generally categorized within Level 2 of the fair value hierarchy where market trades have been observed during the quarter, otherwise categorized within Level 3.

Level 3 Rollforwards

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the three months ended February 28, 2019 (in thousands):

Three Months Ended February 28, 2019

	Balance at November 30, 2018	Total gains/losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at February 28, 2019	For instruments still held at February 28, 2019, changes in unrealized gains/(losses) included in:	
									Earnings (1)	Other comprehensive income (1)
Assets:										
Financial instruments owned:										
Corporate equity securities	\$ 51,040	\$ 4,830	\$ 1,410	\$(2,411)	\$(66)	\$ —	\$(37)	\$ 54,766	\$ 4,945	\$ —
Corporate debt securities	9,484	466	3,568	(3,233)	(834)	—	1,479	10,930	498	—
CDOs and CLOs	25,815	(8,153)	49,201	(32,759)	—	—	(1,538)	32,566	(3,814)	—
RMBS	19,603	462	975	—	(27)	—	(50)	20,963	494	—
CMBS	10,886	136	12	—	(41)	—	1,827	12,820	96	—
Other ABS	53,175	(2,290)	29,195	(30,060)	(12,320)	—	(1,814)	35,886	(1,763)	—
Loans and other receivables	46,985	814	40,061	(27,142)	(1,990)	—	19,323	78,051	130	—
Investments at fair value	113,831	(786)	27,767	—	—	—	—	140,812	(786)	—
Liabilities:										
Financial instruments sold, not yet purchased:										
Corporate equity securities	\$ —	\$ (2)	\$ —	\$ 80	\$ —	\$ —	\$ —	\$ 78	\$ 2	\$ —
Corporate debt securities	522	(241)	—	—	—	—	449	730	241	—
CMBS	—	70	—	—	—	—	—	70	(70)	—
Loans	6,376	(229)	(1,411)	504	—	—	(1,820)	3,420	338	—
Net derivatives (2)	21,614	(5,348)	(2,804)	3,084	169	—	12,260	28,975	3,333	—
Long-term debt	200,745	(16,701)	—	—	(5,665)	92,016	12,744	283,139	4,045	12,656

Realized and unrealized gains/losses are primarily reported in Principal transactions revenues in our Consolidated Statements of Earnings.

(1) Changes in instrument-specific credit risk related to structured notes are included in our Consolidated Statements of Comprehensive Income, net of tax.

(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased—Derivatives.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Analysis of Level 3 Assets and Liabilities for the Three Months Ended February 28, 2019

During the three months ended February 28, 2019, transfers of assets of \$60.4 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

• Loans and other receivables of \$25.8 million, CDOs and CLOs of \$14.1 million and other ABS of \$10.8 million due to reduced pricing transparency.

During the three months ended February 28, 2019, transfers of assets of \$41.2 million from Level 3 to Level 2 are primarily attributed to:

• CDOs and CLOs of \$15.7 million, other ABS of \$12.6 million and loans and other receivables of \$6.5 million due to greater pricing transparency supporting classification into Level 2.

During the three months ended February 28, 2019, transfers of liabilities of \$36.6 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

• Structured notes of \$22.2 million and net derivatives of \$13.9 million due to reduced market and pricing transparency.

During the three months ended February 28, 2019, transfers of liabilities of \$12.9 million from Level 3 to Level 2 of the fair value hierarchy are primarily attributed to:

• Structured notes of \$9.4 million due to greater market transparency.

Net losses on Level 3 assets were \$4.5 million and net gains on Level 3 liabilities were \$22.5 million for the three months ended February 28, 2019. Net losses on Level 3 assets were primarily due to decreased market values across CDOs and CLOs and other ABS, partially offset by increased market values across corporate equity securities. Net gains on Level 3 liabilities were primarily due to decreased valuations of certain structured notes.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the three months ended February 28, 2018 (in thousands):

Three Months Ended February 28, 2018

	Balance at November 30, 2017	Total gains/losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at February 28, 2018	Change in unrealized gains/ (losses) relating to instruments still held at February 28, 2018 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	\$ 22,009	\$ 11,684	\$ 2,733	\$ (1,381)	\$ (1,687)	\$ —	\$ 2,054	\$ 35,412	\$ 10,674
Corporate debt securities	26,036	(9)	928	(346)	(2,049)	—	1,543	26,103	(1,086)
CDOs and CLOs	30,004	(3,782)	43,796	(34,168)	(3,838)	—	(5,579)	26,433	(3,006)
RMBS	26,077	(3,212)	—	—	(3)	—	(1,100)	21,762	(2,366)
CMBS	12,419	(231)	1,260	(508)	(1,285)	—	3,448	15,103	(622)
Other ABS	61,129	(1,385)	57,095	(53,459)	(3,776)	—	(8,316)	51,288	127
Loans and other receivables	47,304	1,598	15,635	(803)	(9,730)	—	8,039	62,043	(190)
Investments at fair value	93,454	499	240	(16,624)	—	—	2,310	79,879	(95)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	\$ 48	\$ 13	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 61	\$ (13)
Corporate debt securities	522	—	—	—	—	—	—	522	—
CMBS	105	(70)	—	—	—	—	—	35	(35)
Loans	3,486	6	(25)	3,442	—	—	3,414	10,323	(6)
Net derivatives (2)	6,746	(1,166)	(6)	—	1,012	296	—	6,882	(5,609)

(1) Realized and unrealized gains/losses are reported in Principal transactions revenues in our Consolidated Statements of Earnings.

(2) Net derivatives represent Financial instruments owned—Derivatives and Financial instruments sold, not yet purchased—Derivatives.

Analysis of Level 3 Assets and Liabilities for the Three Months Ended February 28, 2018

During the three months ended February 28, 2018, transfers of assets of \$31.9 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

• CDOs and CLOs of \$9.1 million and loans and other receivables of \$8.6 million due to reduced pricing transparency.

During the three months ended February 28, 2018, transfers of assets of \$29.5 million from Level 3 to Level 2 are primarily attributed to:

• CDOs and CLOs of \$14.7 million and other ABS of \$8.3 million due to greater pricing transparency supporting classification into Level 2.

Net gains on Level 3 assets were \$5.2 million and net gains on Level 3 liabilities were \$1.2 million for the three months ended February 28, 2018. Net gains on Level 3 assets were primarily due to increased market values across corporate equity securities and certain loans and other receivables, partially offset by decreased market values across CDOs and CLOs, RMBS and other ABS. Net gains on Level 3 liabilities were primarily due to decreased valuations of certain net derivatives.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Quantitative Information about Significant Unobservable Inputs used in Level 3 Fair Value Measurements at February 28, 2019 and November 30, 2018

The tables below present information on the valuation techniques, significant unobservable inputs and their ranges for our financial assets and liabilities, subject to threshold levels related to the market value of the positions held, measured at fair value on a recurring basis with a significant Level 3 balance. The range of unobservable inputs could differ significantly across different firms given the range of products across different firms in the financial services sector. The inputs are not representative of the inputs that could have been used in the valuation of any one financial instrument (*i.e.*, the input used for valuing one financial instrument within a particular class of financial instruments may not be appropriate for valuing other financial instruments within that given class). Additionally, the ranges of inputs presented below should not be construed to represent uncertainty regarding the fair values of our financial instruments; rather, the range of inputs is reflective of the differences in the underlying characteristics of the financial instruments in each category.

For certain categories, we have provided a weighted average of the inputs allocated based on the fair values of the financial instruments comprising the category. We do not believe that the range or weighted average of the inputs is indicative of the reasonableness of uncertainty of our Level 3 fair values. The range and weighted average are driven by the individual financial instruments within each category and their relative distribution in the population. The disclosed inputs when compared with the inputs as disclosed in other periods should not be expected to necessarily be indicative of changes in our estimates of unobservable inputs for a particular financial instrument as the population of financial instruments comprising the category will vary from period to period based on purchases and sales of financial instruments during the period as well as transfers into and out of Level 3 each period.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

February 28, 2019

Financial Instruments Owned:	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input / Range	Weighted Average
Corporate equity securities	\$ 48,459				
Non-exchange-traded securities		Market approach	Price	\$3-\$518	\$ 123
			Transaction level	\$85	—
			Underlying stock price	\$3-\$11	\$ 8
Corporate debt securities	\$ 10,930	Market approach	Estimated recovery percentage	48%	—
			Price	\$16-\$131	\$ 98
			Discount rate/yield	25%	—
CDOs and CLOs	\$ 32,566	Discounted cash flows	Constant prepayment rate	10%-20%	15 %
			Constant default rate	1%-2%	2 %
			Loss severity	25%-30%	27 %
			Discount rate/yield	10%-16%	12 %
		Scenario analysis	Estimated recovery percentage	2%	—
RMBS	\$ 20,963	Discounted cash flows	Cumulative loss rate	1%-2%	2 %
			Duration (years)	7-22	8
			Discount rate/yield	3%-5%	3 %
		Market approach	Price	\$100	—
CMBS	\$ 11,319	Discounted cash flows	Cumulative loss rate	8%-84%	28 %
			Duration (years)	1-2	1
			Discount rate/yield	2%-26%	17 %
		Scenario analysis	Estimated recovery percentage	15%	—
			Price	\$49	—
Other ABS	\$ 35,886	Discounted cash flows	Cumulative loss rate	11%-30%	22 %
			Duration (years)	1-2	1
			Discount rate/yield	6%-12%	10 %
		Market approach	Price	\$100	—
Loans and other receivables	\$ 78,051	Market approach	Estimated recovery percentage	1%	—
			Price	\$50-\$100	\$ 92
		Scenario analysis	Estimated recovery percentage	13%-117%	105 %
Derivatives	\$ 6,552				
Total return swaps		Market approach	Price	\$95-\$100	\$ 98
Investments at fair value	\$ 113,045				
Private equity securities		Market approach	Price	\$3-\$250	\$ 116
		Scenario analysis	Discount rate/yield	20%	—
			Revenue growth	0%	—
Financial Instruments Sold, Not Yet Purchased:					
Loans	\$ 3,420	Market approach	Price	\$50	—
Derivatives	\$ 37,186				
Equity options		Option model/default rate	Default probability	0%	—
		Volatility benchmarking	Volatility	27%-82%	48 %
Interest rate swaps		Market approach	Basis points	18-19	18
Total return swaps		Market approach	Price	\$95-\$100	\$ 97
Long-term debt					
Structured notes	\$ 283,139	Market approach	Price	\$73-\$95	\$ 84

Edgar Filing: Jefferies Group LLC - Form 10-Q

Price

€76-€107

€ 93

22

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

November 30, 2018

Financial Instruments Owned:	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input / Range	Weighted Average
Corporate equity securities	\$ 43,664				
Non-exchange-traded securities		Market approach	Price	\$1-\$75	\$ 12
			Transaction level	\$47	—
Corporate debt securities	\$ 9,484	Market approach	Estimated recovery percentage	46%	—
			Transaction level	\$80	—
CDOs and CLOs	\$ 25,815	Discounted cash flows	Constant prepayment rate	10%-20%	18 %
			Constant default rate	1%-2%	2 %
			Loss severity	25%-30%	26 %
			Discount rate/yield	11%-16%	14 %
		Scenario analysis	Estimated recovery percentage	2%	—
RMBS	\$ 19,603	Discounted cash flows	Cumulative loss rate	4%	—
			Duration (years)	13	—
			Loss severity	0%	—
			Discount rate/yield	3%	—
		Market approach	Price	\$100	—
CMBS	\$ 9,444	Discounted cash flows	Cumulative loss rate	8%-85%	45 %
			Duration (years)	1-3	1
			Loss severity	64%	—
			Discount rate/yield	2%-15%	6 %
		Scenario analysis	Estimated recovery percentage	26%	—
			Price	\$49	—
Other ABS	\$ 53,175	Discounted cash flows	Cumulative loss rate	12%-30%	22 %
			Duration (years)	1-2	1
			Discount rate/yield	6%-12%	8 %
		Market approach	Price	\$100	—
Loans and other receivables	\$ 46,078	Market approach	Price	\$50-\$100	\$ 96
		Scenario analysis	Estimated recovery percentage	13%-117%	105 %
Derivatives	\$ 4,602				
Total return swaps		Market approach	Price	\$97	—
Investments at fair value	\$ 113,831				
Private equity securities		Market approach	Price	\$3-\$250	\$ 108
			Transaction level	\$169	—
		Scenario analysis	Discount rate/yield	20%	—
			Revenue growth	0%	—
Financial Instruments Sold, Not Yet Purchased:					
Loans	\$ 6,376	Market approach	Price	\$50-\$101	\$ 74
Derivatives	\$ 27,536				
Equity options		Option model/default rate	Default probability	0%	—
		Volatility benchmarking	Volatility	39%-62%	50 %
Interest rate swaps		Market approach	Price	\$20	—
Total return swaps		Market approach	Price	\$97	—
Long-term debt					
Structured notes	\$ 200,745	Market approach	Price	\$78-\$94	\$ 86

Edgar Filing: Jefferies Group LLC - Form 10-Q

Price

€68-€110

€ 96

The fair values of certain Level 3 assets and liabilities that were determined based on third-party pricing information, unadjusted past transaction prices, reported NAV or a percentage of the reported enterprise fair value are excluded from the above tables. At February 28, 2019 and November 30, 2018, asset exclusions consisted of \$37.2 million and \$11.1 million, respectively, primarily comprised of private equity securities, corporate equity securities, CMBS, loans and other receivables and certain derivatives. At February 28, 2019 and November 30, 2018, liability exclusions consisted of \$0.9 million and \$0.5 million, respectively, primarily comprised of CMBS and corporate debt and equity securities.

23

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Uncertainty of Fair Value Measurement from Use of Significant Unobservable Inputs

For recurring fair value measurements categorized within Level 3 of the fair value hierarchy, the uncertainty of the fair value measurement due to the use of significant unobservable inputs and interrelationships between those unobservable inputs (if any) are described below:

Non-exchange-traded securities, corporate debt securities, loans and other receivables, interest rate swaps, total return swaps, RMBS, other ABS, private equity securities and structured notes using a market approach valuation technique. A significant increase (decrease) in the transaction level of a non-exchange-traded security, corporate debt security and private equity security would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the underlying stock price of the non-exchange-traded securities would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the price of the private equity securities, non-exchange-traded securities, corporate debt securities, total return swaps, interest rate swaps, RMBS, other ABS, loans and other receivables or structured notes would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the estimated recovery rates of the cash flow outcomes underlying the corporate debt securities or loans and other receivables would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the discount rate/security yield of corporate debt securities would result in a significantly lower (higher) fair value measurement.

Loans and other receivables, CDOs and CLOs, CMBS and private equity securities using scenario analysis. A significant increase (decrease) in the possible recovery rates of the cash flow outcomes underlying the financial instrument would result in a significantly higher (lower) fair value measurement for the financial instrument. A significant increase (decrease) in the price of the CMBS would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the discount rate/yield underlying the investment would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the revenue growth underlying the investment would result in a significantly higher (lower) fair value measurement.

CDOs and CLOs, RMBS, CMBS and other ABS using a discounted cash flow valuation technique. A significant increase (decrease) in isolation in the constant default rate, loss severity or cumulative loss rate would result in a significantly lower (higher) fair value measurement. The impact of changes in the constant prepayment rate and duration would have differing impacts depending on the capital structure and type of security. A significant increase (decrease) in the discount rate/security yield would result in a significantly lower (higher) fair value measurement.

Derivative equity options using an option/default rate model. A significant increase (decrease) in default probability would result in a significantly lower (higher) fair value measurement.

Derivative equity options using volatility benchmarking. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)*****Fair Value Option Election***

We have elected the fair value option for all loans and loan commitments made by our capital markets businesses. These loans and loan commitments include loans entered into by our investment banking division in connection with client bridge financing and loan syndications, loans purchased by our leveraged credit trading desk as part of its bank loan trading activities and mortgage and consumer loan commitments, purchases and fundings in connection with mortgage- and other asset-backed securitization activities. Loans and loan commitments originated or purchased by our leveraged credit and mortgage-backed businesses are managed on a fair value basis. Loans are included in Financial instruments owned and loan commitments are included in Financial instruments owned and Financial instruments sold, not yet purchased in our Consolidated Statements of Financial Condition. The fair value option election is not applied to loans made to affiliate entities as such loans are entered into as part of ongoing, strategic business ventures. Loans to affiliate entities are included in Loans to and investments in related parties in our Consolidated Statements of Financial Condition and are accounted for on an amortized cost basis. We have also elected the fair value option for certain of our structured notes, which are managed by our capital markets businesses and are included in Long-term debt in our Consolidated Statements of Financial Condition. We have elected the fair value option for certain financial instruments held by subsidiaries as the investments are risk managed by us on a fair value basis. The fair value option may be elected for certain secured financings that arise in connection with our securitization activities and other structured financings. Other secured financings, Receivables – Brokers, dealers and clearing organizations, Receivables – Customers, Receivables – Fees, interest and other, Payables – Brokers, dealers and clearing organizations and Payables – Customers, are accounted for at cost plus accrued interest rather than at fair value; however, the recorded amounts approximate fair value due to their liquid or short-term nature. The following is a summary of gains (losses) due to changes in instrument specific credit risk on loans, other receivables and debt instruments and gains (losses) due to other changes in fair value on Long-term debt measured at fair value under the fair value option (in thousands):

	Three Months Ended February 28, 2019 2018	
Financial instruments owned:		
Loans and other receivables	\$(7,335)	\$2,628
Financial instruments sold, not yet purchased:		
Loans	\$—	\$250
Loan commitments	79	(129)
Long-term debt:		
Changes in instrument specific credit risk (1)	\$23,483	\$(16,202)
Other changes in fair value (2)	(10,643)	41,154

(1) Changes in instrument-specific credit risk related to structured notes are included in our Consolidated Statements of Comprehensive Income, net of tax.

(2) Other changes in fair value are included in Principal transactions revenues in our Consolidated Statements of Earnings.

The following is a summary of the amount by which contractual principal exceeds fair value for loans and other receivables and long-term debt measured at fair value under the fair value option (in thousands):

	February 28, 2019	November 30, 2018
Financial instruments owned:		
Loans and other receivables (1)	\$907,395	\$961,554
Loans and other receivables on nonaccrual status and/or 90 days or greater past due (1) (2)	267,047	158,392

Long-term debt

128,085 114,669

(1) Interest income is recognized separately from other changes in fair value and is included in Interest revenues in our Consolidated Statements of Earnings.

(2) Amounts include loans and other receivables 90 days or greater past due by which contractual principal exceeds fair value of \$18.7 million and \$20.5 million at February 28, 2019 and November 30, 2018, respectively.

25

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

The aggregate fair value of loans and other receivables on nonaccrual status and/or 90 days or greater past due was \$165.7 million and \$105.3 million at February 28, 2019 and November 30, 2018, respectively, which includes loans and other receivables 90 days or greater past due of \$43.7 million and \$19.4 million at February 28, 2019 and November 30, 2018, respectively.

Financial Instruments Not Measured at Fair Value

Certain of our financial instruments are not carried at fair value but are recorded at amounts that approximate fair value due to their liquid or short-term nature and generally negligible credit risk. These financial assets include Cash and cash equivalents and Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations and would generally be presented in Level 1 of the fair value hierarchy. Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations includes U.S. Treasury securities with a fair value of \$34.8 million at both February 28, 2019 and November 30, 2018.

Note 5. Derivative Financial Instruments

Derivative Financial Instruments

Our derivative activities are recorded at fair value in our Consolidated Statements of Financial Condition in Financial instruments owned and Financial instruments sold, not yet purchased, net of cash paid or received under credit support agreements and on a net counterparty basis when a legally enforceable right to offset exists under a master netting agreement. We enter into derivative transactions to satisfy the needs of our clients and to manage our own exposure to market and credit risks resulting from our trading activities. In addition, we apply hedge accounting to an interest rate swap that has been designated as a fair value hedge of the changes in fair value due to the benchmark interest rate for certain fixed rate senior long-term debt.

See Note 4, Fair Value Disclosures, and Note 16, Commitments, Contingencies and Guarantees, for additional disclosures about derivative financial instruments.

Derivatives are subject to various risks similar to other financial instruments, including market, credit and operational risk. The risks of derivatives should not be viewed in isolation, but rather should be considered on an aggregate basis along with our other trading-related activities. We manage the risks associated with derivatives on an aggregate basis along with the risks associated with proprietary trading as part of our firm wide risk management policies.

In connection with our derivative activities, we may enter into International Swaps and Derivatives Association, Inc. master netting agreements or similar agreements with counterparties. See Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018 for additional information regarding the offsetting of derivative contracts.

The following tables present the fair value and related number of derivative contracts at February 28, 2019 and November 30, 2018 categorized by type of derivative contract and the platform on which these derivatives are transacted. The fair value of assets/liabilities represents our receivable/payable for derivative financial instruments, gross of counterparty netting and cash collateral received and pledged. The following tables also provide information regarding 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in our Consolidated Statements of Financial Condition as appropriate under U.S. GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands, except contract amounts).

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

	February 28, 2019 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts (2)	Fair Value	Number of Contracts (2)
Derivatives designated as accounting hedges:				
Interest rate contracts:				
Cleared OTC	\$—	—	\$18,037	1
Total derivatives designated as accounting hedges	—		18,037	
Derivatives not designated as accounting hedges:				
Interest rate contracts:				
Exchange-traded	1,417	41,436	575	28,615
Cleared OTC	444,956	2,829	443,284	2,433
Bilateral OTC	384,646	1,537	397,041	814
Foreign exchange contracts:				
Exchange-traded	—	547	—	351
Bilateral OTC	302,480	8,837	291,008	9,050
Equity contracts:				
Exchange-traded	1,195,820	1,859,356	1,322,441	1,515,617
Bilateral OTC	133,461	4,461	244,470	3,334
Commodity contracts:				
Exchange-traded	58	5,010	158	4,431
Bilateral OTC	—	—	1	1
Credit contracts:				
Cleared OTC	2,336	13	11,424	27
Bilateral OTC	29,553	109	15,236	74
Total derivatives not designated as accounting hedges	2,494,727		2,725,638	
Total gross derivative assets/ liabilities:				
Exchange-traded	1,197,295		1,323,174	
Cleared OTC	447,292		472,745	
Bilateral OTC	850,140		947,756	
Amounts offset in our Consolidated Statements of Financial Condition (3):				
Exchange-traded	(1,173,183)		(1,173,183)	
Cleared OTC	(426,011)		(434,419)	
Bilateral OTC	(694,788)		(774,052)	
Net amounts per Consolidated Statements of Financial Condition (4)	\$200,745		\$362,021	

Exchange-traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

Number of exchange traded contracts may include open futures contracts. The unsettled fair value of these futures contracts is included in Receivables from/Payables to brokers, dealers and clearing organizations in our Consolidated Statements of Financial Condition.

(3) Amounts netted include both netting by counterparty and for cash collateral paid or received.

We have not received or pledged additional collateral under master netting agreements and/or other credit support (4) agreements that is eligible to be offset beyond what has been offset in our Consolidated Statements of Financial Condition.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

	November 30, 2018 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts (2)	Fair Value	Number of Contracts (2)
Derivatives designated as accounting hedges:				
Interest rate contracts:				
Cleared OTC	\$—	—	\$29,647	1
Total derivatives designated as accounting hedges	—		29,647	
Derivatives not designated as accounting hedges:				
Interest rate contracts:				
Exchange-traded	924	32,159	513	66,095
Cleared OTC	422,670	2,095	411,833	2,394
Bilateral OTC	372,899	1,398	491,697	816
Foreign exchange contracts:				
Exchange-traded	42	538	2	690
Cleared OTC	—	—	36	3
Bilateral OTC	311,228	9,548	314,951	9,909
Equity contracts:				
Exchange-traded	1,202,927	2,104,684	2,061,137	1,779,836
Bilateral OTC	207,221	5,126	315,996	2,764
Commodity contracts:				
Exchange-traded	213	3,927	270	4,012
Credit contracts:				
Cleared OTC	11,204	7	1,556	14
Bilateral OTC	13,768	123	11,618	79
Total derivatives not designated as accounting hedges	2,543,096		3,609,609	
Total gross derivative assets/liabilities:				
Exchange-traded	1,204,106		2,061,922	
Cleared OTC	433,874		443,072	
Bilateral OTC	905,116		1,134,262	
Amounts offset in our Consolidated Statements of Financial Condition (3):				
Exchange-traded	(1,190,951)		(1,190,951)	
Cleared OTC	(407,351)		(418,779)	
Bilateral OTC	(814,184)		(901,875)	
Net amounts per Consolidated Statements of Financial Condition (4)	\$130,610		\$1,127,651	

Exchange-traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

Number of exchange traded contracts may include open futures contracts. The unsettled fair value of these futures contracts is included in Receivables from/Payables to brokers, dealers and clearing organizations in our Consolidated Statements of Financial Condition.

(3) Amounts netted include both netting by counterparty and for cash collateral paid or received.

We have not received or pledged additional collateral under master netting agreements and/or other credit support (4) agreements that is eligible to be offset beyond what has been offset in our Consolidated Statements of Financial Condition.

28

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

The following table provides information related to gains (losses) recognized in Interest expense in our Consolidated Statements of Earnings on a fair value hedge (in thousands):

	Three Months Ended February 28,	
<i>Gains (Losses)</i>	2019	2018
Interest rate swaps	\$14,587	\$(21,221)
Long-term debt	(15,556)	22,715
Total	\$(969)	\$1,494

The following table presents unrealized and realized gains (losses) on derivative contracts recognized in Principal transactions revenues in our Consolidated Statements of Earnings, which are utilized in connection with our client activities and our economic risk management activities (in thousands):

	Three Months Ended February 28,	
<i>Gains (Losses)</i>	2019	2018
Interest rate contracts	\$(69,831)	\$26,962
Foreign exchange contracts	(176)	4,263
Equity contracts	(28,481)	(163,441)
Commodity contracts	2,492	(177)
Credit contracts	4,095	382
Total	\$(91,901)	\$(132,011)

The net gains (losses) on derivative contracts in the table above are one of a number of activities comprising our business activities and are before consideration of economic hedging transactions, which generally offset the net gains (losses) included above. We substantially mitigate our exposure to market risk on our cash instruments through derivative contracts, which generally provide offsetting revenues, and we manage the risk associated with these contracts in the context of our overall risk management framework.

OTC Derivatives. The following tables set forth by remaining contract maturity the fair value of OTC derivative assets and liabilities at February 28, 2019 (in thousands):

	OTC Derivative Assets (1) (2) (3)				Total
	0 – 12 Months	– 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	
Equity swaps and options	\$2,539	\$17,857	\$5,240	\$—	\$25,636
Credit default swaps	111	19,824	—	(108)	19,827
Total return swaps	47,890	18,274	—	(984)	65,180
Foreign currency forwards, swaps and options	65,040	11,413	—	(16,118)	60,335
Fixed income forwards	1,645	—	—	—	1,645
Interest rate swaps, options and forwards	29,360	114,382	115,221	(76,899)	182,064
Total	\$146,585	\$181,750	\$120,461	\$(94,109)	354,687
Cross product counterparty netting					(32,496)
Total OTC derivative assets included in Financial instruments owned					\$322,191

(1) At February 28, 2019, we held exchange-traded derivative assets and other credit agreements with a fair value of \$25.7 million, which are not included in this table.

(2) OTC derivative assets in the table above are gross of collateral received. OTC derivative assets are recorded net of collateral received in our Consolidated Statements of Financial Condition. At February 28, 2019, cash collateral

received was \$147.1 million.

(3) Derivative fair values include counterparty netting within product category.

(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

	OTC Derivative Liabilities (1) (2) (3)				Total
	0 – 12 Months	– 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	
Equity swaps and options	\$30,988	\$106,443	\$37,837	\$—	\$175,268
Credit default swaps	1,918	10,878	—	(108)	) 12,688
Total return swaps	11,553	14,057	—	(984)	) 24,626
Foreign currency forwards, swaps and options	53,908	11,042	—	(16,118)	) 48,832
Fixed income forwards	3,810	—	—	—	3,810
Interest rate swaps, options and forwards	32,805	74,816	182,540	(76,899)	) 213,262
Total	\$134,982	\$217,236	\$220,377	\$(94,109)	) 478,486
Cross product counterparty netting					(32,496)
Total OTC derivative liabilities included in Financial instruments sold, not yet purchased					\$445,990

(1) At February 28, 2019, we held exchange-traded derivative liabilities and other credit agreements with a fair value of \$150.8 million, which are not included in this table.

(2) OTC derivative liabilities in the table above are gross of collateral pledged. OTC derivative liabilities are recorded net of collateral pledged in our Consolidated Statements of Financial Condition. At February 28, 2019, cash collateral pledged was \$234.8 million.

(3) Derivative fair values include counterparty netting within product category.

(4) Amounts represent the netting of receivable balances with payable balances for the same counterparty within product category across maturity categories.

The following table presents the counterparty credit quality with respect to the fair value of our OTC derivative assets at February 28, 2019 (in thousands):

Counterparty credit quality (1):	
A- or higher	\$132,779
BBB- to BBB+	55,630
BB+ or lower	88,357
Unrated	45,425
Total	\$322,191

We utilize internal credit ratings determined by our Risk Management department. Credit ratings determined by (1) Risk Management use methodologies that produce ratings generally consistent with those produced by external rating agencies.

Credit Related Derivative Contracts

The external credit ratings of the underlyings or referenced assets for our written credit related derivative contracts (in millions):

	February 28, 2019		Unrated	Total Notional
	Investment Grade	Non-investment Grade		
Credit protection sold:				
Index credit default swaps	\$90.5	\$100.0	\$	—\$190.5
Single name credit default swaps	8.4	53.9	32.6	94.9

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

	November 30, 2018			
	External Credit Rating			
	Investment	Non-investment	Unrated	Total
	Grade	Grade		Notional
Credit protection sold:				
Index credit default swaps	\$25.7	\$ 167.4	\$	—\$ 193.1
Single name credit default swaps	57.7	84.5	3.0	145.2

Contingent Features

Certain of our derivative instruments contain provisions that require our debt to maintain an investment grade credit rating from each of the major credit rating agencies. If our debt were to fall below investment grade, it would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on our derivative instruments in liability positions. The following table presents the aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position, the collateral amounts we have posted or received in the normal course of business and the potential collateral we would have been required to return and/or post additionally to our counterparties if the credit-risk-related contingent features underlying these agreements were triggered (in millions):

	February 28, 2019	November 30, 2018
Derivative instrument liabilities with credit-risk-related contingent features	\$ 32.3	\$ 93.5
Collateral posted	(19.2)	(61.5)
Collateral received	128.2	91.5
Return of and additional collateral required in the event of a credit rating downgrade below investment grade (1)	141.3	123.3

(1) These potential outflows include initial margin received from counterparties at the execution of the derivative contract. The initial margin will be returned if counterparties elect to terminate the contract after a downgrade.

Note 6. Collateralized Transactions

We enter into secured borrowing and lending arrangements to obtain collateral necessary to effect settlement, finance inventory positions, meet customer needs or re-lend as part of our dealer operations. We monitor the fair value of the securities loaned and borrowed on a daily basis as compared with the related payable or receivable, and request additional collateral or return excess collateral, as appropriate. We pledge financial instruments as collateral under repurchase agreements, securities lending agreements and other secured arrangements, including clearing arrangements. Our agreements with counterparties generally contain contractual provisions allowing the counterparty the right to sell or repledge the collateral. Pledged securities owned that can be sold or repledged by the counterparty are included in Financial instruments owned, at fair value and noted parenthetically as Securities pledged in our Consolidated Statements of Financial Condition.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

The following tables set forth the carrying value of securities lending arrangements and repurchase agreements by class of collateral pledged (in thousands):

	February 28, 2019		
	Securities Lending Arrangements	Repurchase Agreements	Total
Collateral Pledged:			
Corporate equity securities	\$1,860,725	\$277,041	\$2,137,766
Corporate debt securities	269,547	1,915,333	2,184,880
Mortgage- and asset-backed securities	—	3,277,181	3,277,181
U.S. government and federal agency securities	104,428	11,987,128	12,091,556
Municipal securities	—	466,849	466,849
Sovereign obligations	—	3,387,020	3,387,020
Loans and other receivables	—	352,411	352,411
Total	\$2,234,700	\$21,662,963	\$23,897,663

	November 30, 2018		
	Securities Lending Arrangements	Repurchase Agreements	Total
Collateral Pledged:			
Corporate equity securities	\$1,505,218	\$487,124	\$1,992,342
Corporate debt securities	333,221	1,853,309	2,186,530
Mortgage- and asset-backed securities	249	2,820,543	2,820,792
U.S. government and federal agency securities	—	8,181,947	8,181,947
Municipal securities	—	604,274	604,274
Sovereign obligations	—	2,945,521	2,945,521
Loans and other receivables	—	300,768	300,768
Total	\$1,838,688	\$17,193,486	\$19,032,174

The following tables set forth the carrying value of securities lending arrangements and repurchase agreements by remaining contractual maturity (in thousands):

	February 28, 2019				
	Overnight and Continuous	Up to 30 Days	31-90 Days	Greater than 90 Days	Total
Securities lending arrangements	\$1,034,306	\$—	\$1,002,932	\$197,462	\$2,234,700
Repurchase agreements	11,379,518	4,169,261	4,223,211	1,890,973	21,662,963
Total	\$12,413,824	\$4,169,261	\$5,226,143	\$2,088,435	\$23,897,663
	November 30, 2018				
	Overnight and Continuous	Up to 30 Days	31-90 Days	Greater than 90 Days	Total
Securities lending arrangements	\$807,347	\$—	\$560,417	\$470,924	\$1,838,688
Repurchase agreements	7,849,052	1,915,325	6,042,951	1,386,158	17,193,486
Total	\$8,656,399	\$1,915,325	\$6,603,368	\$1,857,082	\$19,032,174

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

We receive securities as collateral under resale agreements, securities borrowing transactions and customer margin loans. We also receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities. In many instances, we are permitted by contract to rehypothecate the securities received as collateral. These securities may be used to secure repurchase agreements, enter into securities lending transactions, satisfy margin requirements on derivative transactions or cover short positions. At February 28, 2019 and November 30, 2018, the approximate fair value of securities received as collateral by us that may be sold or repledged was \$28.2 billion and \$23.1 billion, respectively. At February 28, 2019 and November 30, 2018, a substantial portion of the securities received by us had been sold or repledged.

Offsetting of Securities Financing Agreements

To manage our exposure to credit risk associated with securities financing transactions, we may enter into master netting agreements and collateral arrangements with counterparties. Generally, transactions are executed under standard industry agreements, including, but not limited to, master securities lending agreements (securities lending transactions) and master repurchase agreements (repurchase transactions). See Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018 for additional information regarding the offsetting of securities financing agreements.

The following tables provide information regarding repurchase agreements and securities borrowing and lending arrangements that are recognized in our Consolidated Statements of Financial Condition and 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in our Consolidated Statements of Financial Condition as appropriate under U.S. GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands).

February 28, 2019

	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (3)
Assets:						
Securities borrowing arrangements	\$7,231,073	\$ —	\$ 7,231,073	\$(529,874)	\$(1,171,891)	\$5,529,308
Reverse repurchase agreements	15,852,250	(12,355,680)	3,496,570	(328,449)	(3,137,324)	30,797

Liabilities:

Securities lending arrangements	\$2,234,700	\$ —	\$ 2,234,700	\$(529,874)	\$(1,681,346)	\$23,480
Repurchase agreements	21,662,963	(12,355,680)	9,307,283	(328,449)	(8,097,893)	880,941

November 30, 2018

	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (4)
Assets:						
Securities borrowing arrangements	\$6,538,212	\$ —	\$ 6,538,212	\$(468,778)	\$(1,193,986)	\$4,875,448
Reverse repurchase agreements	11,336,175	(8,550,417)	2,785,758	(609,225)	(2,126,730)	49,803

Liabilities:

Securities lending arrangements	\$1,838,688	\$ —	\$ 1,838,688	\$(468,778)	\$(1,343,704)	\$26,206
Repurchase agreements	17,193,486	(8,550,417)	8,643,069	(609,225)	(7,070,967)	962,877

(1) Under master netting agreements with our counterparties, we have the legal right of offset with a counterparty, which incorporates all of the counterparty's outstanding rights and obligations under the arrangement. These balances reflect additional credit risk mitigation that is available by a counterparty in the event of a counterparty's

default, but which are not netted in the balance sheet because other netting provisions of U.S. GAAP are not met. Includes securities received or paid under collateral arrangements with counterparties that could be liquidated in (2) the event of a counterparty default and thus offset against a counterparty's rights and obligations under the respective repurchase agreements or securities borrowing or lending arrangements.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

Amounts include \$5,495.4 million of securities borrowing arrangements, for which we have received securities collateral of \$5,338.4 million, and \$848.7 million of repurchase agreements, for which we have pledged securities collateral of \$869.3 million, which are subject to master netting agreements, but we have not determined the agreements to be legally enforceable.

Amounts include \$4,825.7 million of securities borrowing arrangements, for which we have received securities collateral of \$4,711.7 million, and \$931.7 million of repurchase agreements, for which we have pledged securities collateral of \$963.6 million, which are subject to master netting agreements, but we have not determined the agreements to be legally enforceable.

Cash and Securities Segregated and on Deposit for Regulatory Purposes or Deposited with Clearing and Depository Organizations

Cash and securities deposited with clearing and depository organizations and segregated in accordance with regulatory regulations totaled \$763.2 million and \$708.0 million at February 28, 2019 and November 30, 2018, respectively. Segregated cash and securities consist of deposits in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, which subjects Jefferies LLC as a broker-dealer carrying customer accounts to requirements related to maintaining cash or qualified securities in segregated special reserve bank accounts for the exclusive benefit of its customers.

Note 7. Securitization Activities

We engage in securitization activities related to corporate loans, commercial mortgage loans, consumer loans and mortgage-backed and other asset-backed securities. In our securitization transactions, we transfer these assets to special purpose entities (“SPEs”) and act as the placement or structuring agent for the beneficial interests sold to investors by the SPE. A significant portion of our securitization transactions are the securitization of assets issued or guaranteed by U.S. government agencies. These SPEs generally meet the criteria of VIEs; however, we generally do not consolidate the SPEs as we are not considered the primary beneficiary for these SPEs. See Note 8, Variable Interest Entities, for further discussion on VIEs and our determination of the primary beneficiary.

We account for our securitization transactions as sales, provided we have relinquished control over the transferred assets. Transferred assets are carried at fair value with unrealized gains and losses reflected in Principal transactions revenues in our Consolidated Statements of Earnings prior to the identification and isolation for securitization. Subsequently, revenues recognized upon securitization are reflected as net underwriting revenues. We generally receive cash proceeds in connection with the transfer of assets to an SPE. We may, however, have continuing involvement with the transferred assets, which is limited to retaining one or more tranches of the securitization (primarily senior and subordinated debt securities in the form of mortgage- and other-asset backed securities or CLOs). These securities are included in Financial instruments owned, at fair value in our Consolidated Statements of Financial Condition and are generally initially categorized as Level 2 within the fair value hierarchy. For further information on fair value measurements and the fair value hierarchy, refer to Note 4, Fair Value Disclosures, herein, and Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018.

The following table presents activity related to our securitizations that were accounted for as sales in which we had continuing involvement (in millions):

	Three Months Ended February 28, 2019 2018	
Transferred assets	\$ 1,260.6	\$ 2,757.8
Proceeds on new securitizations	1,331.2	2,758.9

Cash flows received on retained interests 14.8 9.2

We have no explicit or implicit arrangements to provide additional financial support to these SPEs, have no liabilities related to these SPEs and do not have any outstanding derivative contracts executed in connection with these securitization activities at February 28, 2019 and November 30, 2018.

34

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

The following tables summarize our retained interests in SPEs where we transferred assets and have continuing involvement and received sale accounting treatment (in millions):

<u>Securitization Type</u>	February 28, 2019		November 30, 2018	
	Total Asset	Retained Interests	Total Asset	Retained Interests
U.S. government agency RMBS	\$ 12,620.2	\$ 353.1	\$ 13,633.5	\$ 365.3
U.S. government agency CMBS	1,594.4	70.7	2,027.6	185.6
CLOs	3,522.8	23.7	3,512.0	20.9
Consumer and other loans	938.0	61.3	604.1	48.9

Total assets represent the unpaid principal amount of assets in the SPEs in which we have continuing involvement and are presented solely to provide information regarding the size of the transactions and the size of the underlying assets supporting our retained interests, and are not considered representative of the risk of potential loss. Assets retained in connection with a securitization transaction represent the fair value of the securities of one or more tranches issued by an SPE, including senior and subordinated tranches. Our risk of loss is limited to this fair value amount which is included in total Financial instruments owned in our Consolidated Statements of Financial Condition.

Although not obligated, in connection with secondary market-making activities we may make a market in the securities issued by these SPEs. In these market-making transactions, we buy these securities from and sell these securities to investors. Securities purchased through these market-making activities are not considered to be continuing involvement in these SPEs. To the extent we purchased securities through these market-making activities and we are not deemed to be the primary beneficiary of the VIE, these securities are included in agency and non-agency mortgage- and asset-backed securitizations in the nonconsolidated VIEs section presented in Note 8, Variable Interest Entities.

Note 8. Variable Interest Entities

VIEs are entities in which equity investors lack the characteristics of a controlling financial interest. VIEs are consolidated by the primary beneficiary. The primary beneficiary is the party who has both (1) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) an obligation to absorb losses of the entity or a right to receive benefits from the entity that could potentially be significant to the entity. Our variable interests in VIEs include debt and equity interests, commitments, guarantees and certain fees. Our involvement with VIEs arises primarily from:

- Purchases of securities in connection with our trading and secondary market-making activities;
- Retained interests held as a result of securitization activities, including the resecuritization of mortgage- and other asset-backed securities and the securitization of commercial mortgage, corporate and consumer loans;
- Acting as placement agent and/or underwriter in connection with client-sponsored securitizations;
- Financing of agency and non-agency mortgage- and other asset-backed securities;
- Warehouse funding arrangements for client-sponsored consumer loan vehicles and CLOs through participation certificates, forward sale agreements and revolving loan and note commitments; and
- Loans to, investments in and fees from various investment vehicles.

We determine whether we are the primary beneficiary of a VIE upon our initial involvement with the VIE and we reassess whether we are the primary beneficiary of a VIE on an ongoing basis. Our determination of whether we are the primary beneficiary of a VIE is based upon the facts and circumstances for each VIE and requires judgment. Our considerations in determining the VIE's most significant activities and whether we have power to direct those activities include, but are not limited to, the VIE's purpose and design and the risks passed through to investors, the voting interests of the VIE, management, service and/or other agreements of the VIE, involvement in the VIE's initial design and the existence of explicit or implicit financial guarantees. In situations where we have determined that the power

over the VIE's significant activities is shared, we assess whether we are the party with the power over the most significant activities. If we are the party with the power over the most significant activities, we meet the "power" criteria of the primary beneficiary. If we do not have the power over the most significant activities or we determine that decisions require consent of each sharing party, we do not meet the "power" criteria of the primary beneficiary.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

We assess our variable interests in a VIE both individually and in aggregate to determine whether we have an obligation to absorb losses of or a right to receive benefits from the VIE that could potentially be significant to the VIE. The determination of whether our variable interest is significant to the VIE requires judgment. In determining the significance of our variable interest, we consider the terms, characteristics and size of the variable interests, the design and characteristics of the VIE, our involvement in the VIE and our market-making activities related to the variable interests.

Consolidated VIEs

The following table presents information about our consolidated VIEs at February 28, 2019 and November 30, 2018 (in millions). The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

	February 28, 2019		November 30, 2018	
	Securitization Vehicles	Other	Securitization Vehicles	Other
Cash	\$—	\$ 1.1	\$—	\$ 1.1
Financial instruments owned	323.4	0.4	—	0.4
Securities purchased under agreements to resell (1)	936.3	—	883.1	—
Total assets	\$1,259.7	\$ 1.5	\$ 883.1	\$ 1.5
Other secured financings (2)	\$1,259.1	\$—	\$ 882.5	\$—
Other liabilities	0.6	0.2	0.6	0.2
Total liabilities	\$1,259.7	\$ 0.2	\$ 883.1	\$ 0.2

(1) Securities purchased under agreements to resell represent amounts due under collateralized transactions on related consolidated entities, which are eliminated in consolidation.

(2) Approximately \$326.6 million and \$1.0 million of the secured financing represent amounts held by us in inventory and are eliminated in consolidation at February 28, 2019 and November 30, 2018, respectively.

Securitization Vehicles. We are the primary beneficiary of asset-backed financing vehicles to which we sell agency and non-agency residential and commercial mortgage loans, and mortgage-backed securities, and consumer loans pursuant to the terms of a master repurchase agreement. Our variable interests in these vehicles consist of our collateral margin maintenance obligations under the master repurchase agreement, which we manage, and retained interests in securities issued. The assets of these VIEs consist of reverse repurchase agreements, which are available for the benefit of the vehicle's debt holders. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

We are also the primary beneficiary of securitization vehicles to which we sold agency residential mortgage-backed securities and retained all of the interests issued by these vehicles. Our variable interests in these vehicles consist of our retained interests in the securities issued. The assets of these VIEs consist of agency residential mortgage-backed securities.

Other. We are the primary beneficiary of certain investment vehicles set up for the benefit of our employees. We manage and invest alongside our employees in these vehicles. The assets of these VIEs consist of private equity securities and are available for the benefit of the entities' equity holders. Our variable interests in these vehicles consist of equity securities. The creditors of these VIEs do not have recourse to our general credit and each such VIE's assets are not available to satisfy any other debt.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)***Nonconsolidated VIEs*

The following tables present information about our variable interests in nonconsolidated VIEs (in millions):

	February 28, 2019			
	Carrying Amount		Maximum Exposure to Loss	VIE Assets
	Assets	Liabilities		
CLOs	\$153.7	\$ 3.8	\$ 1,936.4	\$4,713.4
Consumer loan and other asset-backed vehicles	445.5	—	771.6	3,491.0
Related party private equity vehicles	31.6	—	49.4	90.8
Other investment vehicles	353.9	—	357.2	5,115.5
Total	\$984.7	\$ 3.8	\$ 3,114.6	\$13,410.7
	November 30, 2018			
	Carrying Amount		Maximum Exposure to Loss	VIE Assets
	Assets	Liabilities		
CLOs	\$42.1	\$ —	\$ 568.3	\$3,088.9
Consumer loan and other asset-backed vehicles	462.1	—	807.1	3,273.1
Related party private equity vehicles	35.5	—	53.5	108.3
Other investment vehicles	95.0	—	99.1	3,558.1
Total	\$634.7	\$ —	\$ 1,528.0	\$10,028.4

Our maximum exposure to loss often differs from the carrying value of the variable interests. The maximum exposure to loss is dependent on the nature of our variable interests in the VIEs and is limited to the notional amounts of certain loan and equity commitments and guarantees. Our maximum exposure to loss does not include the offsetting benefit of any financial instruments that may be utilized to hedge the risks associated with our variable interests and is not reduced by the amount of collateral held as part of a transaction with a VIE.

Collateralized Loan Obligations. Assets collateralizing the CLOs include bank loans, participation interests and sub-investment grade and senior secured U.S. loans. We underwrite securities issued in CLO transactions on behalf of sponsors and provide advisory services to the sponsors. We may also sell corporate loans to the CLOs. Our variable interests in connection with CLOs where we have been involved in providing underwriting and/or advisory services consist of the following:

- Forward sale agreements whereby we commit to sell, at a fixed price, corporate loans and ownership interests in an entity holding such corporate loans to CLOs;
- Warehouse funding arrangements in the form of participation interests in corporate loans held by CLOs and commitments to fund such participation interests;
- Trading positions in securities issued in a CLO transaction; and
- Investments in variable funding notes issued by CLOs.

Consumer Loan and other Asset-Backed Vehicles. We provide financing and lending related services to certain client-sponsored VIEs in the form of revolving funding note agreements, revolving credit facilities and forward purchase agreements. The underlying assets, which are collateralizing the vehicles, are primarily composed of unsecured consumer and small business loans, and trust preferred securities. In addition, we may provide structuring and advisory services and act as an underwriter or placement agent for securities issued by the vehicles. We do not control the activities of these entities.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

Related Party Private Equity Vehicles. We committed to invest equity in private equity funds (the “JCP Funds”) managed by Jefferies Capital Partners, LLC (the “JCP Manager”). Additionally, we committed to invest equity in the general partners of the JCP Funds (the “JCP General Partners”) and the JCP Manager. Our variable interests in the JCP Funds, JCP General Partners and JCP Manager (collectively, the “JCP Entities”) consist of equity interests that, in total, provide us with limited and general partner investment returns of the JCP Funds, a portion of the carried interest earned by the JCP General Partners and a portion of the management fees earned by the JCP Manager. At both February 28, 2019 and November 30, 2018, our total equity commitment in the JCP Entities was \$139.3 million, of which \$121.5 million and \$121.3 million had been funded, respectively. The carrying value of our equity investments in the JCP Entities was \$31.6 million and \$35.5 million at February 28, 2019 and November 30, 2018, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. The assets of the JCP Entities primarily consist of private equity and equity related investments.

Other Investment Vehicles. At February 28, 2019 and November 30, 2018, we had equity commitments to invest \$362.2 million and \$112.2 million, respectively, in various other investment vehicles, of which \$358.9 million and \$108.1 million was funded, respectively. The carrying value of our equity investments was \$353.9 million and \$95.0 million at February 28, 2019 and November 30, 2018, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. These investment vehicles have assets primarily consisting of private and public equity investments, debt instruments and various oil and gas assets.

Mortgage- and Other Asset-Backed Securitization Vehicles. In connection with our secondary trading and market-making activities, we buy and sell agency and non-agency mortgage-backed securities and other asset-backed securities, which are issued by third-party securitization SPEs and are generally considered variable interests in VIEs. Securities issued by securitization SPEs are backed by residential mortgage loans, U.S. agency collateralized mortgage obligations, commercial mortgage loans, CDOs and CLOs and other consumer loans, such as installment receivables, auto loans and student loans. These securities are accounted for at fair value and included in Financial instruments owned in our Consolidated Statements of Financial Condition. We have no other involvement with the related SPEs and therefore do not consolidate these entities.

We also engage in underwriting, placement and structuring activities for third-party-sponsored securitization trusts generally through agency (FNMA (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) or GNMA (“Ginnie Mae”)) or non-agency-sponsored SPEs and may purchase loans or mortgage-backed securities from third parties that are subsequently transferred into the securitization trusts. The securitizations are backed by residential and commercial mortgage, home equity and auto loans. We do not consolidate agency-sponsored securitizations as we do not have the power to direct the activities of the SPEs that most significantly impact their economic performance. Further, we are not the servicer of non-agency-sponsored securitizations and therefore do not have power to direct the most significant activities of the SPEs and accordingly, do not consolidate these entities. We may retain unsold senior and/or subordinated interests at the time of securitization in the form of securities issued by the SPEs.

At February 28, 2019 and November 30, 2018, we held \$2,821.0 million and \$2,913.0 million of agency mortgage-backed securities, respectively, and \$167.0 million and \$170.5 million of non-agency mortgage and other asset-backed securities, respectively, as a result of our secondary trading and market-making activities, and underwriting, placement and structuring activities. Our maximum exposure to loss on these securities is limited to the carrying value of our investments in these securities. These mortgage- and other asset-backed securitization vehicles discussed are not included in the above table containing information about our variable interests in nonconsolidated VIEs.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)****Note 9. Investments**

At February 28, 2019, we had investments in Jefferies Finance LLC (“Jefferies Finance”), Berkadia and Epic Gas Ltd. (“Epic Gas”). Our investments in Jefferies Finance, Berkadia and Epic Gas have been accounted for under the equity method and have been included in Loans to and investments in related parties in our Consolidated Statements of Financial Condition with our share of the investees’ earnings recognized in Other revenues in our Consolidated Statements of Earnings. Our investment in Epic Gas was sold on March 19, 2019, subsequent to quarter end. We have limited partnership interests of 11% and 50% in Jefferies Capital Partners V L.P. and the SBI USA Fund L.P. (together, “JCP Fund V”), respectively, which are private equity funds managed by a team led by one of our directors and our Chairman of the Executive Committee.

Jefferies Finance

Jefferies Finance, a joint venture entity pursuant to an agreement with Massachusetts Mutual Life Insurance Company (“MassMutual”), is a commercial finance company whose primary focus is the origination and syndication of senior secured debt to middle market and growth companies in the form of term and revolving loans. Loans are originated primarily through the investment banking efforts of Jefferies LLC. Jefferies Finance may also originate other debt products such as second lien term, bridge and mezzanine loans, as well as related equity co-investments. Jefferies Finance also purchases syndicated loans in the secondary market and acts as an investment advisor for various loan funds.

At February 28, 2019, we and MassMutual each had equity commitments to Jefferies Finance of \$750.0 million, for a combined total commitment of \$1.5 billion. At February 28, 2019, we had funded \$622.9 million of our \$750.0 million commitment, leaving \$127.1 million unfunded. The investment commitment is scheduled to expire on March 1, 2020 with automatic one year extensions absent a 60 days termination notice by either party.

Jefferies Finance has executed a Secured Revolving Credit Facility with us and MassMutual, to be funded equally, to support loan underwritings by Jefferies Finance, which bears interest based on the interest rates of the related Jefferies Finance underwritten loans and is secured by the underlying loans funded by the proceeds of the facility. The total Secured Revolving Credit Facility is a committed amount of \$500.0 million at February 28, 2019. Advances are shared equally between us and MassMutual. The facility is scheduled to mature on March 1, 2020 with automatic one year extensions absent a 60 days termination notice by either party. At February 28, 2019, we had funded \$0.0 million of our \$250.0 million commitment. The following summarizes the activity included in our Consolidated Statements of Earnings related to the facility (in millions):

	Three Months Ended February 28, 2019
Interest income	\$ —
Unfunded commitment fees	0.3

The following is a summary of selected financial information for Jefferies Finance (in millions):

	February 28, 2019	November 30, 2018
Our total equity balance	\$ 618.6	\$ 694.8

Three
Months
Ended

	February 28,	
	2019	2018
Net earnings (loss)	\$(2.4)	\$42.5

39

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

The following summarizes activity related to our other transactions with Jefferies Finance (in millions):

	Three Months Ended February 28, 2019 2018	
Origination and syndication fee revenues (1)	\$21.9	\$101.4
Origination fee expenses (1)	5.4	18.5
CLO placement fee revenues (2)	1.3	0.3
Derivative gains (losses) (3)	—	(0.3)
Underwriting fees (4)	—	0.3
Service fees (5)	27.1	26.1

We engage in debt capital markets transactions with Jefferies Finance related to the originations and syndications of loans by Jefferies Finance. In connection with such services, we earned fees, which are recognized in Investment (1) banking revenues in our Consolidated Statements of Earnings. In addition, we paid fees to Jefferies Finance in respect of certain loans originated by Jefferies Finance, which are recognized as Business development expenses in our Consolidated Statements of Earnings.

We act as a placement agent for CLOs managed by Jefferies Finance, for which we recognized fees, which are (2) included in Investment banking revenues in our Consolidated Statements of Earnings. At February 28, 2019 and November 30, 2018, we held securities issued by CLOs managed by Jefferies Finance, which are included in Financial instruments owned, at fair value.

We have entered into participation agreements and derivative contracts with Jefferies Finance based upon certain (3) securities issued by the CLO and we have recognized gains (losses) relating to the derivative contracts.

(4) We acted as underwriter in connection with term loans issued by Jefferies Finance.

(5) Under a service agreement, we charge Jefferies Finance for services provided.

Receivables from Jefferies Finance, included in Other assets in our Consolidated Statements of Financial Condition, were \$10.7 million and \$35.2 million at February 28, 2019 and November 30, 2018, respectively. Payables from Jefferies Finance, related to cash deposited with us and included in Accrued expenses and other liabilities in our Consolidated Statements of Financial Condition, were \$13.9 million and \$14.1 million at February 28, 2019 and November 30, 2018, respectively.

We enter into OTC foreign exchange contracts with Jefferies Finance. In connection with these contracts we had \$0.2 million recorded in Financial instruments owned, at fair value in our Consolidated Statements of Financial Condition at February 28, 2019. We recorded \$0.2 million in Payables—brokers, dealers and clearing organizations and \$0.4 million in Financial instruments sold, not yet purchased, at fair value in connection with these contracts in our Consolidated Statements of Financial Condition at November 30, 2018.

Subsequent to quarter-end, on March 28, 2019, we entered into a promissory note with Jefferies Finance with a principal amount of \$1.0 billion, the proceeds of which are being used in connection with our investment banking loan syndication activities. Interest is based on the London Interbank Offered Rate (“LIBOR”) plus 5.00% per annum. We agree to pay Jefferies Finance the entire outstanding principal amount of this note no later than May 15, 2019.

Berkadia

Berkadia is a commercial mortgage banking and servicing joint venture that was formed in 2009 by Jefferies and Berkshire Hathaway Inc. On October 1, 2018, Jefferies transferred its 50% voting equity interest in Berkadia and related arrangements to us. As a result, we are entitled to receive 45% of the profits of Berkadia. Berkadia originates commercial/multifamily real estate loans that are sold to U.S. government agencies, and originates and brokers commercial/multifamily mortgage loans which are not part of government agency programs. Berkadia is an investment sales advisor focused on the multifamily industry. Berkadia is a servicer of commercial real estate loans in the U.S., performing primary, master and special servicing functions for U.S. government agency programs,

Edgar Filing: Jefferies Group LLC - Form 10-Q

commercial mortgage-backed securities transactions, banks, insurance companies and other financial institutions. The following is a summary of selected financial information for Berkadia (in millions):

	February 28, 2019	November 30, 2018
Our total equity balance	\$ 250.7	\$ 245.2

40

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

Three
Months
Ended
February
28, 2019
Net earnings \$ 50.3

At February 28, 2019 and November 30, 2018, we had commitments to purchase \$578.5 million and \$723.8 million, respectively, in agency CMBS from Berkadia. During three months ended February 28, 2019, we received \$17.3 million in distributions from Berkadia.

JCP Fund V

The amount of our investments in JCP Fund V included in Financial instruments owned, at fair value in our Consolidated Statements of Financial Condition was \$29.0 million and \$31.9 million at February 28, 2019 and November 30, 2018, respectively. We account for these investments at fair value based on the NAV of the funds provided by the fund managers (see Note 2, Summary of Significant Accounting Policies in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018). The following summarizes the results from these investments which are included in Principal transactions revenues in our Consolidated Statements of Earnings (in millions):

	Three Months Ended February 28, 2019	2018
Net gains (losses) from our investments in JCP Fund V	\$(3.2)	\$6.8

At both February 28, 2019 and November 30, 2018, we were committed to invest equity of up to \$85.0 million in JCP Fund V. At February 28, 2019 and November 30, 2018, our unfunded commitment relating to JCP Fund V was \$9.5 million and \$9.7 million, respectively.

The following is a summary of the Net change in net assets resulting from operations for 100.0% of JCP Fund V, in which we owned effectively 35.2% of the combined equity interests (in thousands):

	Three Months Ended December 31, 2018 (1)	2017 (1)
Net increase (decrease) in net assets resulting from operations	\$(8,412)	\$19,712

(1) Financial information for JCP Fund V within our results of operations for the three months ended February 28, 2019 and 2018 is included based on the presented periods.

Epic Gas

On July 14, 2015, Jefferies LLC purchased common shares of Epic Gas. In addition, one of our directors serves on the Board of Directors of Epic Gas and owns common shares of Epic Gas. At both February 28, 2019 and November 30, 2018, we owned approximately 21.1% of the outstanding common stock of Epic Gas. Subsequent to quarter-end, on March 19, 2019, we sold all of our common shares of Epic Gas, at fair value, for a total of \$23.7 million. There was a gain of \$1.6 million on this transaction, which will be included in Principal transaction revenues in our Consolidated Statements of Earnings.

The following is a summary of selected financial information for Epic Gas (in millions):

February November
28, 2019 30, 2018

Our investment in Epic Gas (1) \$ 22.1 \$ 21.7

(1)Included in Loans to and investments in related parties in our Consolidated Statements of Financial Condition.

41

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

Three
Months
Ended
December
31,
2018 2017
(1) (1)

Net earnings (losses) \$0.9 \$(16.4)

(1) Financial information for Epic Gas within our results of operations for the three months ended February 28, 2019 and 2018 is included based on the presented periods.

Note 10. Goodwill and Intangible Assets***Goodwill***

Goodwill attributed to our reportable business segments are as follows (in thousands):

	February 28, 2019	November 30, 2018
Capital Markets	\$1,642,027	\$1,638,778
Asset Management	3,408	3,392
Total goodwill	\$1,645,435	\$1,642,170

The following table is a summary of the changes to goodwill for the three months ended February 28, 2019 (in thousands):

Balance at November 30, 2018	\$1,642,170
Translation adjustments	3,265
Balance at February 28, 2019	\$1,645,435

Intangible Assets

Intangible assets are included in Other assets in our Consolidated Statements of Financial Condition. The following tables present the gross carrying amount, changes in carrying amount, net carrying amount and weighted average amortization period of identifiable intangible assets at February 28, 2019 and November 30, 2018 (dollars in thousands):

	February 28, 2019			Weighted average remaining lives (years)
	Gross cost	Accumulated amortization	Net carrying amount	
Customer relationships	\$126,039	\$(61,214)	\$64,825	10.4
Trade name	129,010	(22,116)	106,894	29.0
Exchange and clearing organization membership interests and registrations	8,591	—	8,591	N/A
Total	\$263,640	\$(83,330)	\$180,310	
	November 30, 2018			Weighted average remaining lives (years)
	Gross cost	Accumulated amortization	Net carrying amount	
Customer relationships	\$125,574	\$(58,892)	\$66,682	10.6
Trade name	128,348	(21,086)	107,262	29.3
Exchange and clearing organization membership interests and registrations	8,524	—	8,524	N/A

Edgar Filing: Jefferies Group LLC - Form 10-Q

Total \$262,446 \$ (79,978) \$182,468

Amortization Expense

For finite life intangible assets, aggregate amortization expense amounted to \$3.0 million for both the three months ended February 28, 2019 and 2018. These expenses are included in Other expenses in our Consolidated Statements of Earnings.

42

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

The estimated future amortization expense for the five succeeding fiscal years is as follows (in thousands):

Remainder of fiscal 2019	\$9,148
Year ending November 30, 2020	12,198
Year ending November 30, 2021	12,198
Year ending November 30, 2022	9,256
Year ending November 30, 2023	8,268

Note 11. Short-Term Borrowings

Short-term borrowings at February 28, 2019 and November 30, 2018 include the following and mature in one year or less (in thousands):

	February 28, November 30,	
	2019	2018
Bank loans	\$ 473,582	\$ 330,942
Floating rate puttable notes	56,902	56,550
Total short-term borrowings	\$ 530,484	\$ 387,492

At February 28, 2019, the weighted average interest rate on short-term borrowings outstanding is 3.69% per annum. Average daily short-term borrowings outstanding were \$477.6 million and \$488.1 million for the three months ended February 28, 2019, and 2018, respectively.

Subsequent to quarter-end, on March 28, 2019, we entered into a promissory note with Jefferies Finance. For further information on this promissory note, refer to Note 9, Investments.

On December 27, 2018, one of our subsidiaries entered into a credit facility agreement (“Credit Facility”) with JPMorgan Chase Bank, N.A. for a committed amount of \$135.0 million. Interest is based on an annual alternative base rate or an adjusted LIBOR, as defined in the Credit Facility. The Credit Facility contains certain covenants that, among other things, require Jefferies Group LLC to maintain a specified level of tangible net worth. The covenants also require the borrower to maintain specified leverage amounts and impose certain restrictions on the borrower’s future indebtedness. During the three months ended February 28, 2019, we were in compliance with all debt covenants under the Credit Facility.

The Bank of New York Mellon has agreed to make revolving intraday credit advances (“Intraday Credit Facility”) for an aggregate committed amount of \$150.0 million. The Intraday Credit Facility contains financial covenants, which include a minimum regulatory net capital requirement for Jefferies LLC. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At February 28, 2019, we were in compliance with debt covenants under the Intraday Credit Facility.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)****Note 12. Long-Term Debt**

The following summarizes our long-term debt carrying values (including unamortized discounts and premiums, valuation adjustments and debt issuance costs, where applicable) (in thousands):

	Maturity	Effective Interest Rate	February 28, 2019	November 30, 2018
Unsecured long-term debt:				
8.500% Senior Notes	July 15, 2019	3.80%	\$655,494	\$699,659
2.375% Euro Medium Term Notes	May 20, 2020	2.42%	568,356	564,702
6.875% Senior Notes	April 15, 2021	4.40%	787,615	791,814
2.250% Euro Medium Term Notes	July 13, 2022	4.08%	4,287	4,243
5.125% Senior Notes	January 20, 2023	4.55%	612,214	612,928
4.850% Senior Notes (1)	January 15, 2027	4.93%	725,167	709,484
6.450% Senior Debentures	June 8, 2027	5.46%	373,120	373,669
4.150% Senior Notes	January 23, 2030	4.26%	988,003	987,788
6.250% Senior Debentures	January 15, 2036	6.03%	511,564	511,662
6.500% Senior Notes	January 20, 2043	6.09%	420,531	420,625
Structured notes (2)	Various	Various	750,978	686,170
Total unsecured long-term debt			6,397,329	6,362,744
Secured long-term debt:				
Revolving Credit Facility			183,690	183,539
Total long-term debt			\$6,581,019	\$6,546,283

(1) These senior notes with a principal amount of \$750.0 million were issued on January 17, 2017. The carrying value includes a loss of \$15.6 million and a gain of \$22.7 million in the three months ended February 28, 2019 and 2018, respectively, associated with an interest rate swap based on its designation as a fair value hedge. See Note 5, Derivative Financial Instruments, for further information.

(2) These structured notes contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument-specific credit risk presented in other comprehensive income and changes in fair value resulting from non-credit components recognized in Principal transactions revenues. A weighted average coupon rate is not meaningful, as all of the structured notes are carried at fair value.

During the three months ended February 28, 2019, long-term debt increased \$34.7 million. This amount includes structured notes issuances with a total principal amount of approximately \$79.9 million, net of retirements, partially offset by repayments of \$36.0 million of our 8.500% senior notes. During the three months ended February 28, 2018, we issued 4.150% senior notes with a total principal amount of \$1.0 billion, due 2030, and structured notes with a total principal amount of approximately \$154.4 million, net of retirements. In addition, on January 5, 2018, our remaining convertible debentures (\$324.8 million at November 30, 2017) were redeemed at a redemption price equal to 100% of the principal amount of the convertible debentures redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

On May 16, 2018, we entered into a senior secured revolving credit facility (“Revolving Credit Facility”) with a group of commercial banks for an aggregate principal amount of \$185.0 million. The Revolving Credit Facility contains certain financial covenants, including, but not limited to, restrictions on future indebtedness of certain of our subsidiaries and its’ minimum tangible net worth, liquidity requirements and minimum capital requirements. Interest is based on an annual alternative base rate or an adjusted LIBOR, as defined in the Revolving Credit Facility agreement. The obligations of certain of our subsidiaries under the Revolving Credit Facility are secured by substantially all its assets. At February 28, 2019, we were in compliance with the debt covenants under the Revolving Credit Facility.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

(Unaudited)

Note 13. Revenues from Contracts with Customers

The following table presents our total revenues separated for our revenues from contracts with customers and our other sources of revenues (in thousands):

	Three Months Ended	
	February 28,	
	2019	2018
Revenues from contracts with customers:		
Commissions and other fees	\$147,326	\$147,902
Investment banking	285,596	439,991
Asset management fees	6,669	4,930
Other	7,803	6,686
Total revenue from contracts with customers	447,394	599,509
Other sources of revenue:		
Principal transactions	234,298	217,473
Interest	360,975	257,816
Other	12,205	11,797
Total revenues	\$1,054,872	\$1,086,595

Revenue from contracts with customers is recognized when, or as, we satisfy our performance obligations by transferring the promised goods or services to the customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring our progress in satisfying the performance obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that we determine the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those promised goods or services (*i.e.*, the “transaction price”). In determining the transaction price, we consider multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, we consider the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of our influence, such as market volatility or the judgment and actions of third parties.

The following provides detailed information on the recognition of our revenues from contracts with customers: *Commissions and Other Fees.* We earn commission revenue by executing, settling and clearing transactions for clients primarily in equity, equity-related and futures products. Trade execution and clearing services, when provided together, represent a single performance obligation as the services are not separately identifiable in the context of the contract. Commission revenues associated with combined trade execution and clearing services, as well as trade execution services on a standalone basis, are recognized at a point in time on trade-date. Commissions revenues are generally paid on settlement date and we record a receivable between trade-date and payment on settlement date. We permit institutional customers to allocate a portion of their gross commissions to pay for research products and other services provided by third parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. We act as an agent in the soft dollar arrangements as the customer controls the use of the soft dollars and directs our payments to third-party service providers on its behalf. Accordingly, amounts allocated to soft dollar arrangements are netted against commission revenues in our Consolidated Statements of Earnings.

We earn account advisory and distribution fees in connection with wealth management services. Account advisory fees are recognized over time using the time-elapsed method as we determined that the customer simultaneously receives and consumes the benefits of investment advisory services as they are provided. Account advisory fees may be paid in advance of a specified service period or in arrears at the end of the specified service period (*e.g.*, quarterly). Account advisory fees paid in advance are initially deferred within Accrued expenses and other liabilities in the Consolidated Statements of Financial Condition. Distribution fees are variable and recognized when the uncertainties with respect to the amounts are resolved.

45

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

Investment Banking. We provide our clients with a full range of capital markets and financial advisory services. Capital markets services include underwriting and placement agent services in both the equity and debt capital markets, including private equity placements, initial public offerings, follow-on offerings and equity-linked convertible securities transactions and structuring, underwriting and distributing public and private debt, including investment grade debt, high yield bonds, leveraged loans, municipal bonds and mortgage- and asset-backed securities. Underwriting and placement agent revenues are recognized at a point in time on trade-date, as the client obtains the control and benefit of the capital markets offering at that point. Costs associated with capital markets transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded, and are recorded on a gross basis within Underwriting costs in the Consolidated Statements of Earnings as we are acting as a principal in the arrangement. Any expenses reimbursed by our clients are recognized as Investment banking revenues. Revenues from financial advisory services primarily consist of fees generated in connection with merger, acquisition and restructuring transactions. Advisory fees from mergers and acquisitions engagements are recognized at a point in time when the related transaction is completed, as the performance obligation is to successfully broker a specific transaction. Fees received prior to the completion of the transaction are deferred within Accrued expenses and other liabilities in the Consolidated Statements of Financial Condition. Advisory fees from restructuring engagements are recognized over time using a time elapsed measure of progress as our clients simultaneously receive and consume the benefits of those services as they are provided. A significant portion of the fees we receive for our advisory services are considered variable as they are contingent upon a future event (*e.g.*, completion of a transaction or third-party emergence from bankruptcy) and are excluded from the transaction price until the uncertainty associated with the variable consideration is subsequently resolved, which is expected to occur upon achievement of the specified milestone. Payment for advisory services are generally due promptly upon completion of a specified milestone or, for retainer fees, periodically over the course of the engagement. We recognize a receivable between the date of completion of the milestone and payment by the customer. Expenses associated with investment banking advisory engagements are deferred only to the extent they are explicitly reimbursable by the client and the related revenue is recognized at a point in time. All other investment banking advisory related expenses, including expenses incurred related to restructuring assignments, are expensed as incurred. All investment banking advisory expenses are recognized within their respective expense category in the Consolidated Statements of Earnings and any expenses reimbursed by our clients are recognized as Investment banking revenues.

Asset Management Fees. We earn management and performance fees in connection with investment advisory services provided to various funds and accounts, which are satisfied over time and measured using a time elapsed measure of progress as the customer receives the benefits of the services evenly throughout the term of the contract. Management and performance fees are considered variable as they are subject to fluctuation (*e.g.*, changes in assets under management, market performance) and/ or are contingent on a future event during the measurement period (*e.g.*, meeting a specified benchmark) and are recognized only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. Management fees are generally based on month-end assets under management or an agreed upon notional amount and are included in the transaction price at the end of each month when the assets under management or notional amount is known. Performance fees are received when the return on assets under management for a specified performance period exceed certain benchmark returns, “high-water marks” or other performance targets. The performance period related to our performance fees is annual or semi-annual. Accordingly, performance fee revenue will generally be recognized only at the end of the performance period to the extent that the benchmark return has been met.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)***Disaggregation of Revenue*

The following presents our revenues from contracts with customers disaggregated by major business activity and primary geographic regions (in thousands):

	Three Months Ended					
	February 28,			2018		
	2019			2018		
	Reportable Segment		Total	Reportable Segment		Total
	Capital Markets	Asset Management		Capital Markets	Asset Management	
Major business activity:						
Equities (1)	\$ 152,061	\$ —	\$ 152,061	\$ 151,630	\$ —	\$ 151,630
Fixed income (1)	3,068	—	3,068	2,958	—	2,958
Investment banking - Capital markets	105,114	—	105,114	248,834	—	248,834
Investment banking - Advisory	180,482	—	180,482	191,157	—	191,157
Asset management	—	6,669	6,669	—	4,930	4,930
Total	\$ 440,725	\$ 6,669	\$ 447,394	\$ 594,579	\$ 4,930	\$ 599,509
Primary geographic region:						
Americas	\$ 323,376	\$ 3,381	\$ 326,757	\$ 515,924	\$ 4,930	\$ 520,854
Europe	100,205	3,288	103,493	61,328	—	61,328
Asia	17,144	—	17,144	17,327	—	17,327
Total	\$ 440,725	\$ 6,669	\$ 447,394	\$ 594,579	\$ 4,930	\$ 599,509

(1) Revenues from contracts with customers associated with the equities and fixed income businesses primarily represent commissions and other fee revenue.

Refer to Note 18, Segment Reporting, for a further discussion on the allocation of revenues to geographic regions.

Information on Remaining Performance Obligations and Revenue Recognized from Past Performance

We do not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less. The transaction price allocated to remaining unsatisfied or partially unsatisfied performance obligations with an original expected duration exceeding one year was not material at February 28, 2019. Investment banking advisory fees that are contingent upon completion of a specific milestone and fees associated with certain distribution services are also excluded as the fees are considered variable and not included in the transaction price at February 28, 2019.

During the three months ended February 28, 2019 and 2018, we recognized \$14.7 million and \$11.7 million, respectively, of revenue related to performance obligations satisfied (or partially satisfied) in previous periods, mainly due to resolving uncertainties in variable consideration that was constrained in prior periods. In addition, we recognized \$4.9 million and \$4.6 million of revenues primarily associated with distribution services during the three months ended February 28, 2019 and 2018, respectively, a portion of which relates to prior periods.

Contract Balances

The timing of our revenue recognition may differ from the timing of payment by our customers. We record a receivable when revenue is recognized prior to payment and we have an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, we record deferred revenue until the performance obligations are satisfied.

We had receivables related to revenues from contracts with customers of \$184.8 million and \$199.0 million at February 28, 2019 and November 30, 2018, respectively. We had no significant impairments related to these receivables during the three months ended February 28, 2019 and 2018.

Our deferred revenue primarily relates to retainer and milestone fees received in investment banking advisory engagements where the performance obligation has not yet been satisfied. Deferred revenues at February 28, 2019 and

November 30, 2018 were \$7.7 million and \$10.6 million, respectively, which are recorded in Accrued expenses and other liabilities in the Consolidated Statements of Financial Condition. During the three months ended February 28, 2019 and 2018, we recognized revenues of \$4.3 million and \$0.2 million, respectively, that were recorded as deferred revenue at the beginning of the periods.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)***Contract Costs*

We capitalize costs to fulfill contracts associated with investment banking advisory engagements where the revenue is recognized at a point in time and the costs are determined to be recoverable. Capitalized costs to fulfill a contract are recognized at the point in time that the related revenue is recognized.

At February 28, 2019 and November 30, 2018, capitalized costs to fulfill a contract were \$4.0 million and \$4.7 million, respectively, which are recorded in Receivables – Fees, interest and other in the Consolidated Statements of Financial Condition. For the three months ended February 28, 2019 and 2018, we recognized expenses of \$2.1 million and \$2.4 million, respectively, related to costs to fulfill a contract that were capitalized as of the beginning of the period. There were no significant impairment charges recognized in relation to these capitalized costs during the three months ended February 28, 2019 and 2018.

Note 14. Compensation Plans

Jefferies sponsors our following share-based compensation plans: Incentive Compensation Plan, Employee Stock Purchase Plan and the Deferred Compensation Plan. The outstanding and future share-based awards relating to these plans relate to Jefferies common shares. The fair value of share-based awards is estimated on the date of grant based on the market price of the underlying common stock less the impact of market conditions and selling restrictions subsequent to vesting, if any, and is amortized as compensation expense over the related requisite service periods. We are allocated costs associated with awards granted to our employees under such plans.

In addition, we sponsor non-share-based compensation plans. Non-share-based compensation plans sponsored by us include a profit sharing plan and other forms of restricted cash awards.

The components of total compensation cost associated with certain of our compensation plans are as follows (in millions):

	Three Months Ended February 28, 2019 2018	
Components of compensation cost:		
Restricted cash awards	\$66.2	\$68.4
Restricted stock and RSUs (1)	6.5	7.3
Profit sharing plan	3.9	3.2
Total compensation cost	\$76.6	\$78.9

(1) Total compensation cost associated with restricted stock and restricted stock units (“RSUs”) includes the amortization of sign-on, retention and senior executive awards, less forfeitures and clawbacks.

Remaining unamortized amounts related to certain compensation plans at February 28, 2019 are as follows (dollars in millions):

	Remaining Unamortized Amounts	Weighted Average Vesting Period (in Years)
Non-vested share-based awards	\$ 60.6	3
Restricted cash awards	591.3	3
Total	\$ 651.9	

For detailed descriptions on the Company’s compensation plans, see Note 15, Compensation Plans, in our consolidated

financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)****Note 15. Income Taxes**

At February 28, 2019 and November 30, 2018, we had approximately \$125.7 million and \$125.6 million, respectively, of total gross unrecognized tax benefits. The total amount of unrecognized benefits that, if recognized, would favorably affect the effective tax rate was \$99.5 million and \$99.4 million (net of Federal benefit) at February 28, 2019 and November 30, 2018, respectively.

We recognize interest accrued related to unrecognized tax benefits in Interest expense. Penalties, if any, are recognized in Other expenses in our Consolidated Statements of Earnings. At February 28, 2019 and November 30, 2018, we had interest accrued of approximately \$51.9 million and \$49.3 million, respectively, included in Accrued expenses and other liabilities. No penalties were accrued for the three months ended February 28, 2019 and the year ended November 30, 2018.

We are currently under examination in a number of major tax jurisdictions. Though we do not expect that the resolution of these examinations will have a material effect on our consolidated financial position, they may have a material impact on our consolidated results of operations for the period in which the resolution occurs.

The table below summarizes the earliest tax years that remain subject to examination in the major tax jurisdictions in which we operate:

<u>Jurisdiction</u>	<u>Tax Year</u>
United States	2015
California	2009
New Jersey	2010
New York State	2001
New York City	2003
United Kingdom	2016
Hong Kong	2013
India	2010
Italy	2012

During the quarter we increased the provisional tax charge recorded during the year ended November 30, 2018 by \$0.2 million resulting in a total tax charge of \$165.3 million as a result of the Tax Act. Of this amount, \$112.7 million related to the write down of our deferred tax asset, reflecting the impact of a lower federal tax rate of 21% on our deferred tax items. The remaining part of the charge related to the transition tax on the deemed repatriation of unremitted foreign earnings. The measurement period as permitted by Staff Accounting Bulletin No. 118, which was issued by SEC staff on December 22, 2017, is now closed and we have completed our accounting as it relates to the Tax Act.

Regarding the new tax on global intangible low-taxed income ("GILTI"), which became applicable in fiscal 2019, we have made an accounting policy election to treat taxes due on GILTI as a period cost if and when incurred.

For the three months ended February 28, 2019, the provision for income taxes was \$16.2 million, equating to an effective tax rate of 25.9%. For the three months ended February 28, 2018, the provision for income taxes was \$183.6 million, equating to an effective tax rate of 149.6%. The provision for income taxes for the three months ended February 28, 2018, included a \$163.7 million provisional tax charge related to the enactment of the Tax Act.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

(Unaudited)

Note 16. Commitments, Contingencies and Guarantees**Commitments**

The following table summarizes our commitments at February 28, 2019 (in millions):

	Expected Maturity Date (fiscal years)					Maximum Payout
	2019	2020	2021 and 2022	2023 and 2024	2025 and Later	
Equity commitments (1)	\$—	\$145.2	\$0.3	\$—	\$2.9	\$148.4
Loan commitments (1)	250.0	—	54.0	30.0	500.0	834.0
Underwriting commitments	215.4	—	—	—	—	215.4
Forward starting reverse repos (2)	6,225.6	—	—	—	—	6,225.6
Forward starting repos (2)	4,738.8	—	—	—	—	4,738.8
Other unfunded commitments (1)	165.3	—	90.9	4.9	—	261.1
Total commitments	\$11,595.1	\$145.2	\$145.2	\$34.9	\$502.9	\$12,423.3

(1) Equity, loan and other unfunded commitments are presented by contractual maturity date. The amounts, however, are available on demand.

At February 28, 2019, \$6,225.4 million within forward starting securities purchased under agreements to resell and (2) \$4,736.0 million within forward starting securities sold under agreements to repurchase settled within three business days.

Equity Commitments. Includes a commitment to invest in our joint venture, Jefferies Finance, and commitments to invest in private equity funds and in Jefferies Capital Partners, LLC, the manager of the private equity funds, which consists of a team led by one of our directors and Chairman of the Executive Committee. At February 28, 2019, our outstanding commitments relating to Jefferies Capital Partners, LLC and its private equity funds were \$17.9 million. See Note 9, Investments, for additional information regarding our investments in Jefferies Finance.

Additionally, at February 28, 2019, we had other outstanding equity commitments to invest up to \$3.3 million in various other investments.

Loan Commitments. From time to time we make commitments to extend credit to investment banking and other clients in loan syndication, acquisition finance and securities transactions and to SPE sponsors in connection with the funding of CLO and other asset-backed transactions. These commitments and any related drawdowns of these facilities typically have fixed maturity dates and are contingent on certain representations, warranties and contractual conditions applicable to the borrower. At February 28, 2019, we had \$584.0 million of outstanding loan commitments to clients.

Loan commitments outstanding at February 28, 2019 also include our portion of the outstanding secured revolving credit facility provided to Jefferies Finance to support loan underwritings by Jefferies Finance. See Note 9, Investments, for additional information.

Underwriting Commitments. In connection with investment banking activities, we may from time to time provide underwriting commitments to our clients in connection with capital raising transactions.

Forward Starting Reverse Repos and Repos. We enter into commitments to take possession of securities with agreements to resell on a forward starting basis and to sell securities with agreements to repurchase on a forward starting basis that are primarily secured by U.S. government and agency securities.

Other Unfunded Commitments. Other unfunded commitments include obligations in the form of revolving notes to provide financing to asset-backed and CLO vehicles. Upon advancing funds, drawn amounts are collateralized by the assets of an entity.

Guarantees

Derivative Contracts. As a dealer, we make markets and trade in a variety of derivative instruments. Certain

derivative contracts that we have entered into meet the accounting definition of a guarantee under U.S. GAAP, including credit default swaps, written foreign currency options and written equity put options. On certain of these contracts, such as written interest rate caps and foreign currency options, the maximum payout cannot be quantified since the increase in interest or foreign exchange rates are not contractually limited by the terms of the contract. As such, we have disclosed notional values as a measure of our maximum potential payout under these contracts.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

The following table summarizes the notional amounts associated with our derivative contracts meeting the definition of a guarantee under U.S. GAAP at February 28, 2019 (in millions):

	Expected Maturity Date (Fiscal Years)					Notional/ Maximum Payout
	2019	2020	2021 and 2022	2023 and 2024	2025 and Later	
Guarantee Type:						
Derivative contracts—non-credit related	\$9,764.7	\$2,569.7	\$4,148.7	\$281.8	\$332.3	\$17,097.2
Written derivative contracts—credit related	—	32.4	1.5	61.0	—	94.9
Total derivative contracts	\$9,764.7	\$2,602.1	\$4,150.2	\$342.8	\$332.3	\$17,192.1

The derivative contracts deemed to meet the definition of a guarantee under U.S. GAAP are before consideration of hedging transactions and only reflect a partial or “one-sided” component of any risk exposure. Written equity options and written credit default swaps are often executed in a strategy that is in tandem with long cash instruments (*e.g.*, equity and debt securities). We substantially mitigate our exposure to market risk on these contracts through hedges, such as other derivative contracts and/or cash instruments, and we manage the risk associated with these contracts in the context of our overall risk management framework. We believe notional amounts overstate our expected payout and that fair value of these contracts is a more relevant measure of our obligations. At February 28, 2019, the fair value of derivative contracts meeting the definition of a guarantee is approximately \$161.7 million.

Standby Letters of Credit. At February 28, 2019, we provided guarantees to certain counterparties in the form of standby letters of credit totaling \$37.1 million, all of which expire within one year. Standby letters of credit commit us to make payment to the beneficiary if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Since commitments associated with these collateral instruments may expire unused, the amount shown does not necessarily reflect the actual future cash funding requirement.

Other Guarantees. We are members of various exchanges and clearing houses. In the normal course of business, we provide guarantees to securities clearing houses and exchanges. These guarantees generally are required under the standard membership agreements, such that members are required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearing house, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearing houses often require members to post collateral. Our obligations under such guarantees could exceed the collateral amounts posted. Our maximum potential liability under these arrangements cannot be quantified; however, the potential for us to be required to make payments under such guarantees is deemed remote. Accordingly, no liability has been recognized for these arrangements.

Note 17. Net Capital Requirements

As a broker-dealer registered with the SEC and member firms of the Financial Industry Regulatory Authority (“FINRA”), Jefferies LLC is subject to the SEC Uniform Net Capital Rule (“Rule 15c3-1”), which requires the maintenance of minimum net capital, and has elected to calculate minimum capital requirements using the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies LLC, as a dually-registered U.S. broker-dealer and futures commission merchant (“FCM”), is also subject to Rule 1.17 of the Commodity Futures Trading Commission (“CFTC”), which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

At February 28, 2019, Jefferies LLC’s net capital and excess net capital were as follows (in thousands):

Net Capital	Excess Net
-------------	------------

Capital

Jefferies LLC \$1,411,616 \$1,303,243

FINRA is the designated examining authority for our U.S. broker-dealer and the National Futures Association is the designated self-regulatory organization for Jefferies LLC as an FCM.

Certain other U.S. and non-U.S. subsidiaries are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited, which is authorized and regulated by the Financial Conduct Authority in the U.K.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our regulated subsidiaries.

Note 18. Segment Reporting

We operate in two reportable business segments – Capital Markets and Asset Management. The Capital Markets reportable business segment includes our securities, commodities, futures and foreign exchange trading activities and investment banking business, which is composed of underwriting and financial advisory activities. The Capital Markets reportable business segment provides the sales, trading, origination and advisory effort for various fixed income, equity and advisory products and services. The Asset Management reportable business segment provides investment management services to investors in the U.S. and overseas and invests capital in hedge funds, separately managed accounts and third-party asset managers.

Our reportable business segment information is prepared using the following methodologies:

• Net revenues and non-interest expenses directly associated with each reportable business segment are included in determining earnings (loss) before income taxes.

• Net revenues and non-interest expenses not directly associated with specific reportable business segments are allocated based on the most relevant measures applicable, including each reportable business segment's net revenues, headcount and other factors.

• Reportable business segment assets include an allocation of indirect corporate assets that have been fully allocated to our reportable business segments, generally based on each reportable business segment's capital utilization.

In the fourth quarter of 2018, Jefferies transferred to us investments in certain separately managed accounts and funds. Due to this transfer, we have made changes to the presentation of our segment reporting in the fourth quarter of 2018 and are including investment income from our investments in these separately managed accounts and funds within our Asset Management business segment. Previously reported results are presented on a comparable basis. See Note 1, Organization and Basis of Presentation for further details on this transfer.

Our net revenues, non-interest expenses and earnings (loss) before income taxes by reportable business segment are summarized below (in millions):

	Three Months Ended February 28, 2019 2018	
Capital Markets:		
Net revenues	\$658.2	\$810.7
Non-interest expenses	603.1	682.7
Earnings before income taxes	\$55.1	\$128.0
Asset Management:		
Net revenues	\$27.5	\$10.5
Non-interest expenses	20.0	15.8
Earnings (loss) before income taxes	\$7.5	\$(5.3)
Total:		
Net revenues	\$685.7	\$821.2
Non-interest expenses	623.1	698.5
Earnings before income taxes	\$62.6	\$122.7

The following table summarizes our total assets by reportable business segment (in millions):

	February 28, 2019	November 30, 2018
--	----------------------	----------------------

Edgar Filing: Jefferies Group LLC - Form 10-Q

Capital Markets	\$40,182.1	\$38,700.7
Asset Management	2,951.6	2,468.1
Total assets	\$43,133.7	\$41,168.8

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)*****Net Revenues by Geographic Region***

Net revenues for the Capital Market reportable business segment are recorded in the geographic region in which the position was risk-managed or, in the case of investment banking, in which the senior coverage banker is located. For the Asset Management reportable business segment, net revenues are allocated according to the location of the investment advisor. Net revenues by geographic region were as follows (in millions):

	Three Months Ended February 28, 2019 2018	
Americas (1)	\$508.6	\$682.1
Europe (2)	151.5	118.2
Asia	25.6	20.9
Net revenues	\$685.7	\$821.2

(1) Substantially all relates to U.S. results.

(2) Substantially all relates to U.K. results.

Note 19. Related Party Transactions

Jefferies Capital Partners Related Funds. We have equity investments in the JCP Manager and in private equity funds, which are managed by a team led by one of our directors and our Chairman of the Executive Committee (“Private Equity Related Funds”). At February 28, 2019 and November 30, 2018, our equity investments in Private Equity Related Funds were in aggregate \$31.6 million and \$35.5 million, respectively. We also charge the JCP Manager for certain services under a service agreement. The following table presents revenues and service charges related to our investment in Private Equity Related Funds (in thousands):

	Three Months Ended February 28, 2019 2018	
Other revenues and investment income (loss)	\$(4,118)	\$7,022
Service charges	74	53

For further information regarding our commitments and funded amounts to the Private Equity Related Funds, see Note 16, Commitments, Contingencies and Guarantees.

Officers, Directors and Employees. The following sets forth information regarding related party transactions with our officers, directors and employees:

At February 28, 2019 and November 30, 2018, we had \$38.3 million and \$39.3 million, respectively, of loans outstanding to certain of our officers and employees (none of whom are executive officers or directors) that are included in Other assets in our Consolidated Statements of Financial Condition.

Receivables from and payables to customers include balances arising from officers’, directors’ and employees’ individual security transactions. These transactions are subject to the same regulations as all customer transactions and are provided on substantially the same terms.

One of our directors has investments in a hedge fund managed by us of approximately \$3.6 million and \$4.6 million at February 28, 2019 and November 30, 2018, respectively.

See Note 8, Variable Interest Entities, and Note 16, Commitments, Contingencies and Guarantees, for further information regarding related party transactions with our officers, directors and employees.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)**

Jefferies. The following is a description of related party transactions with Jefferies and its affiliates:

We provide services to and receive services from Jefferies under service agreements. We also receive revenues from Jefferies under a revenue sharing agreement (in millions):

	Three Months Ended February 28, 2019	2018
Charges to Jefferies for services provided	\$ 16.5	\$ 16.2
Charges from Jefferies for services received	0.7	2.4

We provide capital markets and asset management services to Jefferies and its affiliates. The following table presents the revenues earned by type of services provided (in millions):

	Three Months Ended February 28, 2019	2018
Commissions and other fees	\$ 0.2	\$ —
Principal transactions	—	0.1
Other revenues	0.5	0.2

Receivables from and payables to Jefferies, included in Other assets and Accrued expenses and other liabilities, respectively, in our Consolidated Statements of Financial Condition:

	February 28, 2019	November 30, 2018
Receivable from Jefferies	\$ 2.7	\$ 1.2
Payable to Jefferies	0.4	2.9

On January 11, 2018, our Board of Directors approved a distribution to our sole limited liability company member, Jefferies, of \$200.0 million, which was paid on January 31, 2018. During the three months ended February 28, 2019, we paid a distribution of \$30.7 million based on our results for the three months ended November 30, 2018. In addition, on January 29, 2019, our Board of Directors approved a distribution of \$100.0 million, with the aim of distributing our remaining 2018 retained earnings to Jefferies, which was paid on January 30, 2019. For the three months ended February 28, 2019, we have accrued a distribution payable of \$23.0 million.

Pursuant to a tax sharing agreement entered into between us and Jefferies, payments are made between us and Jefferies to settle current tax receivables and payables. At February 28, 2019 and November 30, 2018, a net current tax receivable from Jefferies of \$9.9 million is included in Other Assets and a net current tax payable of \$34.1 million is included in Accrued expenses and other liabilities, respectively, in our Consolidated Statements of Financial Condition. In December 2018, we made a payment of \$35.0 million to Jefferies, which reduced the cumulative net current tax payable balance.

During the three months ended February 28, 2019, we purchased securities at fair value totaling \$885.6 million from Jefferies. There was no gain or loss on these transactions.

We entered into a foreign exchange prime brokerage agreement with an affiliate of Jefferies in 2017. In connection with the foreign exchange contracts entered into under this agreement we have \$13.8 million and \$9.9 million at

Edgar Filing: Jefferies Group LLC - Form 10-Q

February 28, 2019 and November 30, 2018, respectively, included in Payables—brokers, dealers and clearing organizations in our Consolidated Statements of Financial Condition.

Two of our directors have investments totaling \$2.5 million and \$2.7 million at February 28, 2019 and November 30, 2018, respectively, in a hedge fund managed by Jefferies.

We have investments in hedge funds managed by Jefferies of \$219.7 million and \$218.7 million at February 28, 2019 and November 30, 2018, respectively, included in Financial instruments owned, at fair value in our Consolidated Statements of Financial Condition. Net gains on our investments in these hedge funds, which are included in Principal transactions in our Consolidated Statements of Earnings (in millions):

54

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

	Three Months Ended February 28, 2019	2018
Net gains on our investments	\$ 1.0	\$ 3.7

In connection with our sales and trading activities, from time to time we make a market in long-term debt securities of Jefferies (*i.e.*, we buy and sell debt securities issued by Jefferies). At February 28, 2019 and November 30, 2018, approximately \$1.4 million and \$0.3 million, respectively, of debt issued by Jefferies are included in Financial instruments owned, at fair value in our Consolidated Statements of Financial Condition. For information on transactions with our equity method investees, see Note 9, Investments.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.**

This report contains or incorporates by reference “forward looking statements” within the meaning of the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward looking statements include statements about our future and statements that are not historical facts. These forward looking statements are usually preceded by the words “believe,” “intend,” “may,” “will,” or similar expressions. Forward looking statements may contain expectations regarding revenues, earnings, operations and other results, and may include statements of future performance, plans and objectives. Forward looking statements also include statements pertaining to our strategies for future development of our business and products. Forward looking statements represent only our belief regarding future events, many of which by their nature are inherently uncertain. It is possible that the actual results may differ, possibly materially, from the anticipated results indicated in these forward-looking statements. Information regarding important factors that could cause actual results to differ, perhaps materially, from those in our forward looking statements is contained in this report and other documents we file. You should read and interpret any forward looking statement together with these documents, including the following:

- the description of our business and risk factors contained in our Annual Report on Form 10-K for the year ended November 30, 2018 and filed with the Securities and Exchange Commission (“SEC”) on January 29, 2019;
- the discussion of our analysis of financial condition and results of operations contained in this report under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein;
- the discussion of our risk management policies, procedures and methodologies contained in this report under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Risk Management” herein;
- the notes to the consolidated financial statements contained in this report; and
- cautionary statements we make in our public documents, reports and announcements.

Any forward looking statement speaks only as of the date on which that statement is made. We will not update any forward looking statement to reflect events or circumstances that occur after the date on which the statement is made, except as required by applicable law.

Our business, by its nature, does not produce predictable or necessarily recurring earnings. Our results in any given period can be materially affected by conditions in global financial markets, economic conditions generally and our own activities and positions. For a further discussion of the factors that may affect our future operating results, see “Risk Factors” in Part I, Item IA of our Annual Report on Form 10-K for the year ended November 30, 2018.

Consolidated Results of Operations**Overview**

The following table provides an overview of our consolidated results of operations (dollars in thousands):

	Three Months Ended		% Change
	February 28, 2019	2018	
Net revenues	\$685,718	\$821,246	(16.5)%
Non-interest expenses	623,133	698,508	(10.8)%
Earnings before income taxes	62,585	122,738	(49.0)%
Income tax expense	16,220	183,557	(91.2)%
Net earnings (loss)	46,365	(60,819)	N/M
Net earnings (loss) attributable to noncontrolling interests	384	(1)	N/M
Net earnings (loss) attributable to Jefferies Group LLC	45,981	(60,818)	N/M
Effective tax rate	25.9	% 149.6	% (82.7)%

N/M — Not Meaningful

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Executive Summary

Three Months Ended February 28, 2019

Consolidated Results

Net revenues for the three months ended February 28, 2019 were \$685.7 million, compared with \$821.2 million for the three months ended February 28, 2018, a decrease of \$135.5 million, or 16.5%.

Our results in the three months ended February 28, 2019 reflect solid performance in equities and fixed income, strong performance in asset management, but below-normal results in investment banking due to the severe market downturn in December, which heavily muted issuance activity. This was exacerbated by the five-week shutdown of the U.S. Government in late December and January, which further dampened new issue transactions in the capital markets.

We continued to maintain strong leverage ratios and liquidity and a strong capital base during the three months ended February 28, 2019. See the “Liquidity, Financial Condition and Capital Resources” section herein for further information.

Business Results

The decrease in net revenues for the three months ended February 28, 2019, as compared to the three months ended February 28, 2018, reflects solid performance in equities and fixed income as these businesses successfully navigated increased volatility and more muted activity levels during the period, particularly during the early part of the quarter, offset by below-normal investment banking revenues.

Our equities net revenues improved 12.0% compared to the prior year quarter primarily due to increases across most of our core equities businesses and lower losses in block positions.

Our fixed income net revenues declined 7.6% compared to the prior year quarter, primarily due to more challenging market conditions.

Our investment banking results during the three months ended February 28, 2019 reflect lower capital markets and advisory revenues. During the period, industry-wide U.S. equity and leverage finance capital market activity declined significantly. Our capital markets revenues for the quarter were \$105.1 million, down \$143.7 million, or 57.8%, from the same quarter last year, while our advisory revenues fell 5.6%, or \$10.7 million, to \$180.5 million. The decline is viewed as less than that experienced generally by our competitors.

Investment banking revenues also include a net loss of \$1.2 million from our share of the net results of the Jefferies Finance LLC (“Jefferies Finance”) joint venture, due to a lower than normal delay of loan closings as a result of volatility in the leveraged finance markets during the first quarter compared with net revenues of \$21.2 million in the prior year quarter.

Net revenues in the three months ended February 28, 2019 also include asset management revenues of \$27.5 million, compared with \$10.5 million in the prior year quarter, primarily due to higher investment return revenues.

Net revenues in our other business category in the three months ended February 28, 2019 were \$9.0 million, compared with \$8.1 million in the prior year quarter. Results in the current year quarter include net revenues of \$22.6 million due to our share of income from Berkadia, which was transferred to us on October 1, 2018 from Jefferies Financial Group Inc. (“Jefferies”), partially offset by higher losses on investments in certain private equity funds and hedge funds managed by third parties or related parties compared with the prior year quarter.

Expenses

Non-interest expenses for the three months ended February 28, 2019 decreased \$75.4 million, or 10.8%, to \$623.1 million, compared with \$698.5 million for the three months ended February 28, 2018.

Compensation and benefits expense for the three months ended February 28, 2019 was \$371.7 million, a decrease of \$83.9 million, or 18.4%, from the comparable prior year quarter. Compensation and benefits expense as a percentage of Net revenues was 54.2% for the three months ended February 28, 2019, compared with 55.5% in the prior year quarter.

Non-compensation expenses for the three months ended February 28, 2019 increased \$8.5 million, or 3.5%, to \$251.4 million, compared with \$242.9 million for the three months ended February 28, 2018.

Headcount

At February 28, 2019, we had 3,613 employees globally, an increase of 175 employees from our headcount of 3,438 at February 28, 2018. Our headcount increased, primarily as a result of continued hiring in investment banking, as well as additions in asset management and corporate services due to business growth.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****Revenues by Source**

For presentation purposes, the remainder of “Results of Operations” is presented on a detailed product and expense basis, rather than on a business segment basis. Net revenues presented for our businesses include allocations of interest income and interest expense as we assess the profitability of these businesses inclusive of the net interest revenue or expense associated with the respective activities, which is a function of the mix of each business’s associated assets and liabilities and the related funding costs.

The composition of our net revenues has varied over time as financial markets and the scope of our operations have changed. The composition of net revenues can also vary from period to period due to fluctuations in economic and market conditions, and our own performance. The following provides a summary of “Net Revenues by Source” (dollars in thousands):

	Three Months Ended February 28,					
	2019		2018			
	Amount	% of Net Revenues	Amount	% of Net Revenues	% Change	
Equities	\$174,539	25.5 %	\$155,777	19.0 %	12.0 %	
Fixed income	196,759	28.7	213,053	25.9	(7.6)%	
Total sales and trading	371,298	54.2	368,830	44.9	0.7 %	
Equity	51,337	7.5	79,840	9.7	(35.7)%	
Debt	53,777	7.8	168,994	20.6	(68.2)%	
Capital markets	105,114	15.3	248,834	30.3	(57.8)%	
Advisory	180,482	26.3	191,157	23.3	(5.6)%	
Other investment banking	(7,642)	(1.1)	(6,218)	(0.8)	22.9 %	
Total investment banking	277,954	40.5	433,773	52.8	(35.9)%	
Other	8,995	1.3	8,097	1.0	11.1 %	
Total Capital Markets (1) (2)	658,247	96.0	810,700	98.7	(18.8)%	
Asset management fees	6,669	1.0	4,930	0.6	35.3 %	
Investment return (3) (4)	32,412	4.7	12,379	1.5	161.8 %	
Allocated net interest (3) (5)	(11,610)	(1.7)	(6,763)	(0.8)	71.7 %	
Total Asset Management	27,471	4.0	10,546	1.3	160.5 %	
Net revenues	\$685,718	100.0 %	\$821,246	100.0 %	(16.5)%	

(1) Includes net interest revenue of \$4.6 million and \$0.7 million for the quarters ended February 28, 2019 and 2018, respectively.

(2) Allocated net interest is not separately disaggregated in presenting our Capital Markets reportable segment within our Net Revenues by Source. This presentation is aligned to our Capital Markets internal performance measurement.

(3) Beginning with the three months ended February 28, 2019, Net revenues attributed to the Investment return in our Asset Management reportable segment have been disaggregated to separately present Investment return and Allocated net interest (see footnote 4). This disaggregation is intended to increase transparency and to make clearer actual Investment return. We offer third-party investors the opportunity to co-invest in our asset management funds and separately managed accounts alongside us. We believe that aggregating Investment return and Allocated net interest would obscure the Investment return by including an amount that is unique to our credit spreads, debt maturity profile, capital structure, liquidity risks and allocation methods, none of which are pertinent to the Investment returns generated by the performance of the portfolio.

(4) Includes net interest expense of \$1.2 million and \$1.5 million for the three months ended February 28, 2019 and 2018, respectively.

(5) Allocated net interest represents the allocation of our long-term debt interest expense to our Asset Management reportable segment, net of interest income on our Cash and cash equivalents and other sources of liquidity. For discussion of our sources of liquidity, refer to the “Liquidity, Financial Condition and Capital Resources” section herein.

Equities Net Revenues

Equities is comprised of net revenues from:

- services provided to our clients from which we earn commissions or spread revenue by executing, settling and clearing transactions for clients;
- advisory services offered to clients;

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

financing, securities lending and other prime brokerage services offered to clients; and wealth management services, which includes providing clients access to all of our institutional execution capabilities.

Three Months Ended February 28, 2019

Total equities net revenues were \$174.5 million for the three months ended February 28, 2019, compared with \$155.8 million for the three months ended February 28, 2018.

Equities net revenues for the three months ended February 28, 2019 increased compared with the prior year quarter on broad strength across businesses, which continue to be well-positioned across global market rankings. The increase in our core global equities sales and trading business was primarily driven by higher revenues in our prime services, international convertibles, equity derivatives, and global cash and electronic trading businesses. Our results include increased revenues in our international convertibles business as a result of the expansion of this business, as well as improved market conditions. In our global cash equities business, our results were higher this quarter in U.S. and European equities, driven by higher client activity versus market volumes. Several of our core global equities businesses had a record net revenue first quarter including prime brokerage, securities finance, equity derivatives, and electronic trading.

The increase in our core global equities sales and trading business was partially offset by a decrease in our Asia cash equities business, which was driven by a decline in market volumes and client activity, and lower results in our U.S. convertibles business.

The increase in equities net revenues compared with the prior year quarter is reflective of lower losses in certain block positions in the three months ended February 28, 2019.

Fixed Income Net Revenues

Fixed income is comprised of net revenues from:

- executing transactions for clients and making markets in securitized products, investment grade, high-yield, emerging markets, municipal and sovereign securities and bank loans;
- foreign exchange execution on behalf of clients; and
- interest rate derivatives and credit derivatives (used primarily for hedging activities).

Three Months Ended February 28, 2019

Fixed income net revenues totaled \$196.8 million for the three months ended February 28, 2019, a decrease of \$16.3 million from net revenues of \$213.1 million in the three months ended February 28, 2018, primarily due to difficult market conditions as compared with the prior year quarter. The following highlights the main components of the results:

Global rates revenues in the current quarter declined as concerns over Brexit and economic challenges in other countries limited trading opportunities, while flow trading around volatility in the prior year quarter was not replicated in the current quarter as global central banks took a more neutral approach to interest rates dampening volatility. Our Asia credit business was well positioned in the current global economic environment and contributed positively. Revenues in our U.S. and international securitized markets groups and Europe credit business were lower due to less liquidity in the securitization markets for those product classes and resulting trading losses in a challenging and mixed market, partially offset by gains from certain strategic asset-backed ventures.

Difficult market conditions early in the quarter contributed to declines in revenues for our emerging markets and municipal securities businesses, though markets picked up in the latter part of the quarter. Additionally, spread volatility was significantly lower in the current quarter as compared with the prior year quarter.

Revenues in our leveraged credit business were higher due to improved results from secondary trading of par loans and bonds, which was partially offset by lower revenues in our distressed products business, which had outperformed in the prior year quarter.

The current quarter also included higher revenues resulting from our issuance of structured notes and increased trading revenue from structured notes as compared with the prior year quarter.

Investment Banking Revenues

Investment banking is comprised of revenues from:

-

capital markets services, which include underwriting and placement services related to corporate debt, municipal bonds, mortgage-and asset-backed securities and equity and equity-linked securities and loan syndication;

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

advisory services with respect to mergers and acquisitions and restructurings and recapitalizations; our share of net earnings from our corporate lending joint venture Jefferies Finance; and securities and loans received or acquired in connection with our investment banking activities.

The following table sets forth our investment banking revenues (dollars in thousands):

	Three Months Ended		% Change
	February 28, 2019	2018	
Equity	\$51,337	\$79,840	(35.7)%
Debt	53,777	168,994	(68.2)%
Capital markets	105,114	248,834	(57.8)%
Advisory	180,482	191,157	(5.6)%
Other investment banking	(7,642)	(6,218)	22.9%
Total investment banking	\$277,954	\$433,773	(35.9)%

The following table sets forth our investment banking activities (dollars in billions):

	Deals Completed		Aggregate Value	
	Three Months Ended February 28, 2019	Three Months Ended February 28, 2018	Three Months Ended February 28, 2019	Three Months Ended February 28, 2018
Public and private debt financings	114	245	\$27.3	\$68.0
Public and private equity and convertible offerings (1)	21	37	3.0	6.8
Advisory transactions (2)	44	41	52.2	62.7

(1) We acted as sole or joint bookrunner on 21 and 36 offerings during the three months ended February 28, 2019 and 2018, respectively.

(2) The number of advisory deals completed includes four and six restructuring and recapitalization transactions during the three months ended February 28, 2019 and 2018, respectively.

Three Months Ended February 28, 2019

Total investment banking revenues were \$278.0 million for the three months ended February 28, 2019, 35.9% lower than for the three months ended February 28, 2018, primarily due to the severe market downturn in December, which heavily muted issuance activity. This was exacerbated by the five-week shutdown of the U.S. Government in late December and January, which further dampened new issue transactions in the capital markets.

Our investment banking results during the three months ended February 28, 2019 primarily reflects lower capital markets revenues. During the period, industry-wide U.S. equity and leverage finance capital market activity declined very significantly. Our capital markets revenues for the quarter were \$105.1 million, down \$143.7 million, or 57.8%, from the same quarter last year.

Our advisory revenues were \$180.5 million, \$10.7 million, or 5.6% lower than our results in the prior year quarter. From equity and debt capital raising activities, we generated \$51.3 million and \$53.8 million in revenues, respectively, for the three months ended February 28, 2019, compared with \$79.8 million and \$169.0 million in revenues, respectively, in the prior year quarter.

Other investment banking revenues were a loss of \$7.6 million for the three months ended February 28, 2019 compared with a loss of \$6.2 million for the three months ended February 28, 2018. Other investment banking revenues during the three months ended February 28, 2019 include a net loss of \$1.2 million from our share of the net results of the Jefferies Finance joint venture, due to a lower than normal delay of loan closings as a result of volatility in the leveraged finance markets during the first quarter, compared with net revenues of \$21.2 million in the prior year quarter. Other investment banking results also included a gain related to a certain block position compared with a loss

on another position in the prior year quarter.

60

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES*****Other***

Other is comprised of revenues from:

• strategic investments, including Berkadia Commercial Mortgage Holding LLC (“Berkadia”), other than Jefferies Finance;

• principal investments in private equity and hedge funds managed by third parties or related parties; and

• investments held as part of employee benefit plans, including deferred compensation plans (for which we incur corresponding compensation expenses).

Three Months Ended February 28, 2019

• Net revenues from our other business category totaled \$9.0 million for the three months ended February 28, 2019, an increase of \$0.9 million compared with net income of \$8.1 million for the three months ended February 28, 2018.

• Results in the current year quarter include net revenues of \$22.6 million due to our share of income from Berkadia, which was transferred to us on October 1, 2018 from Jefferies, partially offset by higher losses on investments in certain private equity funds and hedge funds managed by third parties or related parties compared with the prior year quarter.

Asset Management

Asset management revenue includes the following:

• management and performance fees from funds and accounts managed by us; and

• investment income from our investments in and managed by our asset management business and other asset managers.

In the fourth quarter of 2018, Jefferies transferred to us investments in certain separately managed accounts and funds. Due to this transfer, we have made changes to the presentation of our “Net Revenues by Source” in the fourth quarter of 2018 and are including investment income from our investments in these separately managed accounts and funds within asset management revenues. Previously reported results are presented on a comparable basis. See Note 1, Organization and Basis of Presentation, in our consolidated financial statements included in this Quarterly Report on Form 10-Q, for further details on this transfer.

The key components of asset management revenues are the level of assets under management and the performance return, whether on an absolute basis or relative to a benchmark or hurdle. These components can be affected by financial markets, profits and losses in the applicable investment portfolios and client capital activity. Further, asset management fees vary with the nature of investment management services. The terms under which clients may terminate our investment management authority, and the requisite notice period for such termination, varies depending on the nature of the investment vehicle and the liquidity of the portfolio assets.

The following summarizes the results of our Asset Management businesses by asset class (dollars in thousands):

	Three Months		
	Ended		%
	February 28,		Change
	2019	2018	
Asset management fees:			
Equities	\$2,544	\$989	157.2 %
Multi-asset	4,125	3,941	4.7 %
Total asset management fees	6,669	4,930	35.3 %
Investment return	32,412	12,379	161.8 %
Allocated net interest	(11,610)	(6,763)	71.7 %
Total Asset Management	\$27,471	\$10,546	160.5 %

Three Months Ended February 28, 2019

• Net revenues in the three months ended February 28, 2019 included asset management revenues of \$27.5 million, compared with \$10.5 million in the prior year quarter. The increase was primarily due to higher investment return revenues, as a result of improved performance and an increase in our investments in certain separately managed accounts and funds and higher asset management fees, partially offset by an increase in allocated net interest.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES***Assets under Management*

Quarter end assets under management by predominant asset class were as follows (in millions):

	February 28, 2019	November 30, 2018
Assets under management (1):		
Equities	\$ 71	\$ 130
Multi-asset	978	1,180
Total	\$ 1,049	\$ 1,310

Assets under management include assets actively managed by us, including hedge funds and certain managed (1) accounts. Assets under management do not include the assets of funds that are consolidated due to the level or nature of our investment in such funds.

Asset Management Investments

We invest in our asset management business through direct investments in hedge funds and through separately managed accounts where we or our Parent acts as the asset manager. Additionally, we make minority investments in and enter into revenue sharing arrangements with third-party asset managers. The following table represents our investments by asset manager (in thousands):

	February 28, 2019	November 30, 2018
Jefferies Group LLC; as manager:		
Fund investments (1)	\$20,605	\$45,696
Separately managed accounts (2)	200,733	213,023
Total	\$221,338	\$258,719
Jefferies Financial Group Inc.; as manager:		
Fund investments	\$214,404	\$213,456
Separately managed accounts (2)	155,286	277,538
Total	\$369,690	\$490,994
Third-party as asset manager:		
Fund investments	\$272,918	\$10,093
Separately managed accounts (2)	271,855	261,790
Investments in asset managers	31,930	32,360
Total	\$576,703	\$304,243

Total asset management investments (3) \$1,167,731 \$1,053,956

Due to the level or nature of an investment in a fund, we may consolidate that fund; and accordingly, the assets and liabilities of the fund are included in the representative line items in our consolidated financial statements. At (1) February 28, 2019 and November 30, 2018, \$20.6 million and \$19.9 million, respectively, represents net investments in funds that have been consolidated in our financial statements.

(2) Where we have investments in a separately managed account, the assets and liabilities of such account are presented on our balance sheet within each respective line item.

(3) Of the \$1,167.7 million of total invested in the funds at February 28, 2019, \$1,032.7 million was sourced from the proceeds of long-term and permanent capital, which attracted an internally calculated interest charge of \$11.6 million. At February 28, 2019, we have borrowed \$135.0 million under a credit facility agreement (“Credit Facility”) with JPMorgan Chase Bank, N.A., which is secured by our investments in a fund managed by Jefferies Financial Group, Inc., with a carrying value of \$214.4 million. Interest expense associated with the Credit Facility is included in Investment return in our Consolidated Statements of Earnings. For additional details on the Credit Facility, refer to Note 11, Short-Term Borrowings, in our consolidated financial statements included in this Quarterly Report on

Form 10-Q.

Our asset management investments generated investment return of \$32.4 million and \$12.4 million for the three months ended February 28, 2019 and 2018, respectively.

62

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****Non-interest Expenses**

Non-interest expenses were as follows (dollars in thousands):

	Three Months		% Change
	Ended February 28, 2019	2018	
Compensation and benefits	\$371,685	\$455,633	(18.4)%
Non-compensation expenses:			
Floor brokerage and clearing fees	51,977	43,819	18.6 %
Technology and communications	79,170	69,077	14.6 %
Occupancy and equipment rental	28,539	24,591	16.1 %
Business development	30,555	42,107	(27.4)%
Professional services	36,927	30,408	21.4 %
Underwriting costs	8,575	14,275	(39.9)%
Other	15,705	18,598	(15.6)%
Total non-compensation expenses	251,448	242,875	3.5 %
Total non-interest expenses	\$623,133	\$698,508	(10.8)%

Compensation and Benefits

Compensation and benefits expense consists of salaries, benefits, commissions, annual cash compensation awards and the amortization of share-based and cash compensation awards to employees.

Cash and share-based awards and a portion of cash awards granted to employees as part of year end compensation generally contain provisions such that employees who terminate their employment or are terminated without cause may continue to vest in their awards, so long as those awards are not forfeited as a result of other forfeiture provisions (primarily non-compete clauses) of those awards. Accordingly, the compensation expense for a portion of awards granted at year end as part of annual compensation is recorded in the year of the award. Compensation and benefits expense includes amortization expense associated with these awards to the extent there are respective future service periods. In addition, the senior executive awards contain market and performance conditions.

Compensation and benefits expense was \$371.7 million for the three months ended February 28, 2019, compared with \$455.6 million for the three months ended February 28, 2018.

Compensation and benefits expense as a percentage of Net revenues was 54.2% for the three months ended February 28, 2019, compared with 55.5% for the three months ended February 28, 2018.

Compensation expense related to the amortization of share- and cash-based awards amounted to \$72.7 million for the three months ended February 28, 2019, compared with \$75.7 million for the three months ended February 28, 2018.

Employee headcount was 3,613 at February 28, 2019 and 3,438 at February 28, 2018. Since February 28, 2018, our headcount increased, primarily as a result of continued hiring in investment banking, as well as additions in asset management and corporate services due to business growth.

Refer to Note 14, Compensation Plans in our consolidated financial statements included in this Quarterly Report on Form 10-Q, for further details on compensation and benefits.

Non-Compensation Expenses***Three Months Ended February 28, 2019***

Non-compensation expenses were \$251.4 million for the three months ended February 28, 2019, an increase of \$8.5 million, or 3.5%, compared with \$242.9 million in the three months ended February 28, 2018. The increase in non-compensation expenses was primarily due to an increase in Technology and communication expenses related to costs associated with the development of the various trading systems and our efforts to provide our professionals with leading digital tools to manage workflow and help us better serve our clients, and higher Floor brokerage and clearing fees due to an increase in trading volumes in certain businesses, partially offset by lower Business development expenses and Underwriting costs primarily due to a decline in investment banking engagements during the current quarter.

Non-compensation expenses as a percentage of Net revenues was 36.7% and 29.6% for the three months ended February 28, 2019 and 2018, respectively.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Income Taxes

On December 22, 2017, the Tax Cuts and Jobs Act (the “Tax Act”) was enacted. During the quarter, we increased the provisional tax charge recorded during the year ended November 30, 2018 by \$0.2 million resulting in a total charge of \$165.3 million. Of this amount, \$112.7 million related to the write down of our deferred tax asset, reflecting the impact of a lower federal tax rate of 21% on our deferred tax items. The remaining part of the charge related to the transition tax on the deemed repatriation of unremitted foreign earnings.

The measurement period as permitted by Staff Accounting Bulletin No. 118, which was issued by the SEC staff on December 22, 2017, is now closed and we have completed our accounting as it relates to the Tax Act.

The following provides a discussion of our provision for income taxes:

For the three months ended February 28, 2019, the provision for income taxes was \$16.2 million, equating to an effective tax rate of 25.9%. For the three months ended February 28, 2018, the provision for income taxes was \$183.6 million, respectively, equating to an effective tax rate of 149.6%.

The decrease in the effective tax rate during the three months ended February 28, 2019, as compared with the prior year quarter is primarily due to the \$163.7 million provisional tax charge related to the enactment of the Tax Act recorded in the three months ended February 28, 2018.

- Excluding this charge plus an unrelated net tax benefit of \$12.7 million during the prior year quarter, which primarily resulted from the expiration of certain federal and state statutes, our adjusted effective tax rate would have been approximately 26.5%, which is comparable to the current quarter.

Refer to Note 15, Income Taxes, in our consolidated financial statements included in this Quarterly Report on Form 10-Q, for further details on income taxes.

Accounting Developments

For a discussion of recently issued accounting developments and their impact on our consolidated financial statements, see Note 3, Accounting Developments, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Critical Accounting Policies

Our consolidated financial statements are prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”), which requires management to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and related notes. Actual results can and may differ from estimates. These differences could be material to our consolidated financial statements.

We believe our application of U.S. GAAP and the associated estimates are reasonable. Our accounting estimates are reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

We believe our critical accounting policies (policies that are both material to the financial condition and results of operations and require our most subjective or complex judgments) are our valuation of certain financial instruments and assessment of goodwill.

For further discussions of the following significant accounting policies and other significant accounting policies, see Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018 and Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Valuation of Financial Instruments

Financial instruments owned and Financial instruments sold, not yet purchased are recorded at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Unrealized gains or losses are generally recognized in Principal transactions revenues in our Consolidated Statements of Earnings.

For information on the composition of our Financial instruments owned and Financial instruments sold, not yet purchased recorded at fair value, see Note 4, Fair Value Disclosures, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

Fair Value Hierarchy – In determining fair value, we maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect our assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. We apply a hierarchy to categorize our fair value measurements broken down into three levels based on the transparency of inputs, where Level 1 uses observable prices in active markets and Level 3 uses valuation techniques that incorporate significant unobservable inputs. Greater use of management judgment is required in determining fair value when inputs are less observable or unobservable in the marketplace, such as when the volume or level of trading activity for a financial instrument has decreased and when certain factors suggest that observed transactions may not be reflective of orderly market transactions. Judgment must be applied in determining the appropriateness of available prices, particularly in assessing whether available data reflects current prices and/or reflects the results of recent market transactions. Prices or quotes are weighed when estimating fair value with greater reliability placed on information from transactions that are considered to be representative of orderly market transactions.

Fair value is a market based measure; therefore, when market observable inputs are not available, our judgment is applied to reflect those judgments that a market participant would use in valuing the same asset or liability. The availability of observable inputs can vary for different products. We use prices and inputs that are current as of the measurement date even in periods of market disruption or illiquidity. The valuation of financial instruments classified in Level 3 of the fair value hierarchy involves the greatest extent of management judgment. (See Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018 and Note 4, Fair Value Disclosures, in our consolidated financial statements included in this Quarterly Report on Form 10-Q for further information on the definitions of fair value, Level 1, Level 2 and Level 3 and related valuation techniques.)

Level 3 Assets and Liabilities – For information on the composition and activity of our Level 3 assets and Level 3 liabilities, see Note 4, Fair Value Disclosures, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Controls Over the Valuation Process for Financial Instruments – Our Independent Price Verification Group, independent of the trading function, plays an important role in determining that our financial instruments are appropriately valued and that fair value measurements are reliable. This is particularly important where prices or valuations that require inputs are less observable. In the event that observable inputs are not available, the control processes are designed to assure that the valuation approach utilized is appropriate and consistently applied and that the assumptions are reasonable. Where a pricing model is used to determine fair value, these control processes include reviews of the pricing model's theoretical soundness and appropriateness by risk management personnel with relevant expertise who are independent from the trading desks. In addition, recently executed comparable transactions and other observable market data are considered for purposes of validating assumptions underlying the model.

Goodwill

At February 28, 2019, Goodwill recorded in our Consolidated Statement of Financial Condition is \$1,645.4 million (3.8% of total assets). The nature and accounting for goodwill is discussed in Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018 and Note 10, Goodwill and Intangible Assets, in our consolidated financial statements included in this Quarterly Report on Form 10-Q. Goodwill must be allocated to reporting units and tested for impairment at least annually, or when circumstances or events make it more likely than not that an impairment occurred. Goodwill is tested by comparing the estimated fair value of each reporting unit with its carrying value. Our annual goodwill impairment testing date is August 1, which did not indicate any goodwill impairment in any of our reporting units at August 1, 2018.

We use allocated tangible equity plus allocated goodwill and intangible assets for the carrying amount of each reporting unit. The amount of tangible equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating

independently. For further information on our Cash Capital Policy, refer to the Liquidity, Financial Condition and Capital Resources section herein. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit's benefit from the intangible asset in order to generate results.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Estimating the fair value of a reporting unit requires management judgment and often involves the use of estimates and assumptions that could have a significant effect on whether or not an impairment charge is recorded and the magnitude of such a charge. Estimated fair values for our reporting units utilize market valuation methods that incorporate price-to-earnings and price-to-book multiples of comparable public companies. Under the market approach, the key assumptions are the selected multiples and our internally developed forecasts of future profitability, growth and return on equity for each reporting unit. The weight assigned to the multiples requires judgment in qualitatively and quantitatively evaluating the size, profitability and the nature of the business activities of the reporting units as compared to the comparable publicly-traded companies. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we apply a control premium to arrive at the estimate fair value of each reporting unit on a controlling basis.

The carrying values of goodwill by reporting unit at February 28, 2019 are as follows: \$564.7 million in Investment Banking, \$160.4 million in Equities and Wealth Management, \$916.9 million in Fixed Income and \$3.4 million in Asset Management.

The results of our assessment on August 1, 2018 indicated that all our reporting units had a fair value in excess of their carrying amounts based on current projections. The valuation methodology for our reporting units are sensitive to management's forecasts of future profitability, which comes with a level of uncertainty regarding trading volumes and capital market transaction levels. Reductions in trading volumes and/or declines from our expected level of performance in certain product areas assumed in our forecasts could cause a decline in the estimated fair value of our Equities and Fixed Income reporting units and a resulting impairment of a portion of our goodwill.

Refer to Note 10, Goodwill and Intangible Assets, in our consolidated financial statements included in this Quarterly Report on Form 10-Q, for further details on goodwill.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****Liquidity, Financial Condition and Capital Resources**

Our Chief Financial Officer (“CFO”) and Global Treasurer are responsible for developing and implementing our liquidity, funding and capital management strategies. These policies are determined by the nature and needs of our day to day business operations, business opportunities, regulatory obligations, and liquidity requirements.

Our actual levels of capital, total assets and financial leverage are a function of a number of factors, including asset composition, business initiatives and opportunities, regulatory requirements and cost and availability of both long term and short term funding. We have historically maintained a balance sheet consisting of a large portion of our total assets in cash and liquid marketable securities, arising principally from traditional securities brokerage and trading activity. The liquid nature of these assets provides us with flexibility in financing and managing our business.

We maintain modest leverage to support our investment grade ratings. The growth of our balance sheet is supported by our equity and we have quantitative metrics in place to monitor leverage and double leverage. Our capital plan is robust, in order to sustain our operating model through stressed conditions. We maintain adequate financial resources to support business activities in both normal and stressed market conditions, including a buffer in excess of our regulatory, or other internal or external, requirements. Our access to funding and liquidity is stable and efficient to ensure that there is sufficient liquidity to meet our financial obligations in normal and stressed market conditions.

Our Balance Sheet

A business unit level balance sheet and cash capital analysis is prepared and reviewed with senior management on a weekly basis. As a part of this balance sheet review process, capital is allocated to all assets and gross balance sheet limits are adjusted, as necessary. This process ensures that the allocation of capital and costs of capital are incorporated into business decisions. The goals of this process are to protect the firm’s platform, enable our businesses to remain competitive, maintain the ability to manage capital proactively and hold businesses accountable for both balance sheet and capital usage.

We actively monitor and evaluate our financial condition and the composition of our assets and liabilities. We continually monitor our overall securities inventory, including the inventory turnover rate, which confirms the liquidity of our overall assets. Substantially all of our financial instruments are valued on a daily basis and we monitor and employ balance sheet limits for our various businesses.

The following table provides detail on key balance sheet asset and liability items (dollars in millions):

	February 28, 2019	November 30, 2018	% Change
Total assets	\$43,133.7	\$41,168.8	4.8 %
Cash and cash equivalents	4,131.9	5,145.9	(19.7)%
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	763.2	708.0	7.8 %
Financial instruments owned	16,899.6	16,399.5	3.0 %
Financial instruments sold, not yet purchased	10,277.7	9,478.9	8.4 %
Total Level 3 assets	395.0	336.7	17.3 %
Securities borrowed	\$7,231.1	\$6,538.2	10.6 %
Securities purchased under agreements to resell	3,496.6	2,785.8	25.5 %
Total securities borrowed and securities purchased under agreements to resell	\$10,727.7	\$9,324.0	15.1 %
Securities loaned	\$2,234.7	\$1,838.7	21.5 %
Securities sold under agreements to repurchase	9,307.3	8,643.1	7.7 %
Total securities loaned and securities sold under agreements to repurchase	\$11,542.0	\$10,481.8	10.1 %

Total assets at February 28, 2019 and November 30, 2018 were \$43.1 billion and \$41.2 billion, respectively, an increase of 4.8%. During the three months ended February 28, 2019, average total assets were approximately 22.7%

higher than total assets at February 28, 2019.

67

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

Our total Financial instruments owned inventory at February 28, 2019 was \$16.9 billion, an increase of 3.0% from inventory of \$16.4 billion at November 30, 2018, primarily due to increases in corporate equity securities and investments at fair value as a result of new trading activity and our additional investments, partially offset by a decrease in municipal securities. Financial instruments sold, not yet purchased inventory was \$10.3 billion at February 28, 2019, an increase of 8.4% from \$9.5 billion at November 30, 2018, with the increase primarily driven by corporate equity securities and sovereign obligations, partially offset by decreases in derivative contracts inventory and government and federal agency obligations. Our overall net inventory position was \$6.6 billion and \$6.9 billion at February 28, 2019 and November 30, 2018, respectively. Our Level 3 Financial instruments owned as a percentage of total Financial instruments owned increased to 2.3% at February 28, 2019 from 2.1% at November 30, 2018.

Securities financing assets and liabilities include financing for our financial instruments trading activity, matched book transactions and mortgage finance transactions. Matched book transactions accommodate customers, as well as obtain securities for the settlement and financing of inventory positions. The aggregate outstanding balance of our securities borrowed and securities purchased under agreements to resell increased by 15.1% from November 30, 2018 to February 28, 2019, due to increases in our matched book activity and firm financing of our inventory, partially offset by an increase in the netting benefit for our collateralized financing transactions. The outstanding balance of our securities loaned and securities sold under agreement to repurchase increased by 10.1% from November 30, 2018 to February 28, 2019, due to increases in our matched book activity and firm financing of our inventory, partially offset by an increase in the netting benefit for our collateralized financing transactions. Our average month end balance of total reverse repos and stock borrows during the three months ended February 28, 2019 were 42.1% higher than the February 28, 2019 balance. Our average month end balance of total repos and stock loans during the three months ended February 28, 2019 were 57.8% higher than the February 28, 2019 balance.

The following table presents our period end balance, average balance and maximum balance at any month end within the periods presented for Securities purchased under agreements to resell and Securities sold under agreements to repurchase (dollars in millions):

	Three Months Ended February 28, 2019	Year Ended November 30, 2018
Securities Purchased Under Agreements to Resell:		
Period end	\$ 3,497	\$ 2,786
Month end average	6,418	5,232
Maximum month end	8,480	7,593
Securities Sold Under Agreements to Repurchase:		
Period end	\$ 9,307	\$ 8,643
Month end average	16,167	12,704
Maximum month end	19,654	15,579

Fluctuations in the balance of our repurchase agreements from period to period and intraperiod are dependent on business activity in those periods. Additionally, the fluctuations in the balances of our securities purchased under agreements to resell are influenced in any given period by our clients' balances and our clients' desires to execute collateralized financing arrangements via the repurchase market or via other financing products. Average balances and period end balances will fluctuate based on market and liquidity conditions and we consider the fluctuations intraperiod to be typical for the repurchase market.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES*****Leverage Ratios***

The following table presents total assets, total equity, total Jefferies Group LLC member's equity and tangible Jefferies Group LLC member's equity with the resulting leverage ratios (dollars in thousands):

	February 28, 2019	November 30, 2018
Total assets	\$43,133,748	\$41,168,773
Total equity	\$6,157,182	\$6,182,404
Total Jefferies Group LLC member's equity	\$6,151,268	\$6,180,493
Deduct: Goodwill and intangible assets	(1,825,745)	(1,824,638)
Tangible Jefferies Group LLC member's equity	\$4,325,523	\$4,355,855
Leverage ratio (1)	7.0	6.7
Tangible gross leverage ratio (2)	9.5	9.0

(1) Leverage ratio equals total assets divided by total equity.

Tangible gross leverage ratio (a non-GAAP financial measure) equals total assets less goodwill and identifiable intangible assets divided by tangible Jefferies Group LLC member's equity. The tangible gross leverage ratio is used by rating agencies in assessing our leverage ratio.

Liquidity Management

The key objectives of the liquidity management framework are to support the successful execution of our business strategies while ensuring sufficient liquidity through the business cycle and during periods of financial distress. Our liquidity management policies are designed to mitigate the potential risk that we may be unable to access adequate financing to service our financial obligations without material franchise or business impact.

The principal elements of our liquidity management framework are our Contingency Funding Plan, our Cash Capital Policy and our assessment of Maximum Liquidity Outflow.

Contingency Funding Plan. Our Contingency Funding Plan is based on a model of a potential liquidity contraction over a one year time period. This incorporates potential cash outflows during a liquidity stress event, including, but not limited to, the following:

- Repayment of all unsecured debt maturing within one year and no incremental unsecured debt issuance;
- Maturity rolloff of outstanding letters of credit with no further issuance and replacement with cash collateral;
- Higher margin requirements than currently exist on assets on securities financing activity, including repurchase agreements;
- Liquidity outflows related to possible credit downgrade;
- Lower availability of secured funding;
- Client cash withdrawals;
- The anticipated funding of outstanding investment and loan commitments; and
- Certain accrued expenses and other liabilities and fixed costs.

Cash Capital Policy. We maintain a cash capital model that measures long-term funding sources against requirements. Sources of cash capital include our equity and the noncurrent portion of long-term borrowings. Uses of cash capital include the following:

- Illiquid assets such as equipment, goodwill, net intangible assets, exchange memberships, deferred tax assets and certain investments;
- A portion of securities inventory that is not expected to be financed on a secured basis in a credit stressed environment (*i.e.*, margin requirements); and
- Drawdowns of unfunded commitments.

To ensure that we do not need to liquidate inventory in the event of a funding crisis, we seek to maintain surplus cash capital, which is reflected in the leverage ratios we maintain. Our total long-term capital of \$11.9 billion at February 28, 2019 exceeded our cash capital requirements.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Maximum Liquidity Outflow. Our businesses are diverse, and our liquidity needs are determined by many factors, including market movements, collateral requirements and client commitments, all of which can change dramatically in a difficult funding environment. During a liquidity crisis, credit-sensitive funding, including unsecured debt and some types of secured financing agreements, may be unavailable, and the terms (*e.g.*, interest rates, collateral provisions and tenor) or availability of other types of secured financing may change. As a result of our policy to ensure we have sufficient funds to cover what we estimate may be needed in a liquidity crisis, we hold more cash and unencumbered securities and have greater long-term debt balances than our businesses would otherwise require. As part of this estimation process, we calculate a Maximum Liquidity Outflow that could be experienced in a liquidity crisis. Maximum Liquidity Outflow is based on a scenario that includes both a market-wide stress and firm-specific stress, characterized by some or all of the following elements:

Global recession, default by a medium-sized sovereign, low consumer and corporate confidence, and general financial instability.

Severely challenged market environment with material declines in equity markets and widening of credit spreads.

Damaging follow-on impacts to financial institutions leading to the failure of a large bank.

A firm-specific crisis potentially triggered by material losses, reputational damage, litigation, executive departure, and/or a ratings downgrade.

The following are the critical modeling parameters of the Maximum Liquidity Outflow:

Liquidity needs over a 30-day scenario.

A two-notch downgrade of our long-term senior unsecured credit ratings.

No support from government funding facilities.

A combination of contractual outflows, such as upcoming maturities of unsecured debt, and contingent outflows (*e.g.*, actions though not contractually required, we may deem necessary in a crisis). We assume that most contingent outflows will occur within the initial days and weeks of a crisis.

No diversification benefit across liquidity risks. We assume that liquidity risks are additive.

The calculation of our Maximum Liquidity Outflow under the above stresses and modeling parameters considers the following potential contractual and contingent cash and collateral outflows:

All upcoming maturities of unsecured long-term debt, commercial paper, promissory notes and other unsecured funding products assuming we will be unable to issue new unsecured debt or rollover any maturing debt.

Repurchases of our outstanding long-term debt in the ordinary course of business as a market maker.

A portion of upcoming contractual maturities of secured funding trades due to either the inability to refinance or the ability to refinance only at wider haircuts (*i.e.*, on terms which require us to post additional collateral). Our assumptions reflect, among other factors, the quality of the underlying collateral and counterparty concentration.

Collateral postings to counterparties due to adverse changes in the value of our over-the-counter (“OTC”) derivatives and other outflows due to trade terminations, collateral substitutions, collateral disputes, collateral calls or termination payments required by a two-notch downgrade in our credit ratings.

Variation margin postings required due to adverse changes in the value of our outstanding exchange-traded derivatives and any increase in initial margin and guarantee fund requirements by derivative clearing houses.

Liquidity outflows associated with our prime services business, including withdrawals of customer credit balances, and a reduction in customer short positions.

Liquidity outflows to clearing banks to ensure timely settlements of cash and securities transactions.

Draws on our unfunded commitments considering, among other things, the type of commitment and counterparty.

Other upcoming large cash outflows, such as tax payments.

Based on the sources and uses of liquidity calculated under the Maximum Liquidity Outflow scenarios, we determine, based on a calculated surplus or deficit, additional long-term funding that may be needed versus funding through the repurchase financing market and consider any adjustments that may be necessary to our inventory balances and cash holdings. At February 28, 2019, we had sufficient excess liquidity to meet all contingent cash outflows detailed in the Maximum Liquidity Outflow. We regularly refine our model to reflect changes in market or economic conditions and our business mix.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES*****Sources of Liquidity***

The following are financial instruments that are cash and cash equivalents or are deemed by management to be generally readily convertible into cash, marginable or accessible for liquidity purposes within a relatively short period of time (dollars in thousands):

	February 28, 2019	Average Balance Quarter ended February 28, 2019 (1)	November 30, 2018	
Cash and cash equivalents:				
Cash in banks	\$2,569,630	\$2,494,197	\$2,333,476	
Money market investments	1,562,302	1,521,647	2,812,410	
Total cash and cash equivalents	4,131,932	4,015,844	5,145,886	
Other sources of liquidity:				
Debt securities owned and securities purchased under agreements to resell (2)	1,193,890	1,110,264	958,539	
Other (3)	365,087	441,277	499,576	
Total other sources	1,558,977	1,551,541	1,458,115	
Total cash and cash equivalents and other liquidity sources	\$5,690,909	\$5,567,385	\$6,604,001	
Total cash and cash equivalents and other liquidity sources as % of Total assets	13.2	%	16.0	%
Total cash and cash equivalents and other liquidity sources as % of Total assets less goodwill and intangible assets	13.8	%	16.8	%

(1) Average balances are calculated based on weekly balances.

Consists of high quality sovereign government securities and reverse repurchase agreements collateralized by U.S. government securities and other high quality sovereign government securities; deposits with a central bank within (2) the European Economic Area, Canada, Australia, Japan, Switzerland or the U.S.; and securities issued by a designated multilateral development bank and reverse repurchase agreements with underlying collateral comprised of these securities.

Other includes unencumbered inventory representing an estimate of the amount of additional secured financing that (3) could be reasonably expected to be obtained from our Financial instruments owned that are currently not pledged after considering reasonable financing haircuts.

In addition to the cash balances and liquidity pool presented above, the majority of financial instruments (both long and short) in our trading accounts are actively traded and readily marketable. At February 28, 2019, we had the ability to readily obtain repurchase financing for 71.2% of our inventory at haircuts of 10% or less, which reflects the liquidity of our inventory. In addition, as a matter of our policy, all of these assets have internal capital assessed, which is in addition to the funding haircuts provided in the securities finance markets. Additionally, certain of our Financial instruments owned, primarily consisting of bank loans, consumer loans and investments are predominantly funded by long term capital. Under our cash capital policy, we model capital allocation levels that are more stringent than the haircuts used in the market for secured funding; and we maintain surplus capital at these more stringent levels. We continually assess the liquidity of our inventory based on the level at which we could obtain financing in the market place for a given asset. Assets are considered to be liquid if financing can be obtained in the repurchase market or the securities lending market at collateral haircut levels of 10% or less. The following summarizes our financial instruments by asset class that we consider to be of a liquid nature and the amount of such assets that have not been pledged as collateral at February 28, 2019 and November 30, 2018 (in thousands):

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

	February 28, 2019		November 30, 2018	
	Liquid	Unencumbered	Liquid	Unencumbered
	Financial	Financial	Financial	Financial
	Instruments	Instruments	Instruments	Instruments
		(2)		(2)
Corporate equity securities	\$2,193,097	\$ 310,847	\$ 1,907,064	\$ 317,189
Corporate debt securities	1,669,358	72,722	1,775,721	104,685
U.S. government, agency and municipal securities	2,200,322	255,847	2,648,843	294,030
Other sovereign obligations	2,769,202	970,802	2,626,212	840,578
Agency mortgage-backed securities (1)	2,885,599	—	2,972,638	—
Loans and other receivables	321,419	—	272,201	—
Total	\$12,038,997	\$ 1,610,218	\$ 12,202,679	\$ 1,556,482

Consists solely of agency mortgage-backed securities issued by Freddie Mac, Fannie Mae and Ginnie Mae. These (1) securities include pass-through securities, securities backed by adjustable rate mortgages, collateralized mortgage obligations, commercial mortgage-backed securities and interest- and principal-only securities.

(2) Unencumbered liquid balances represent assets that can be sold or used as collateral for a loan, but have not been. Average liquid financial instruments were \$17.4 billion for the three months ended February 28, 2019, and \$18.5 billion and \$13.0 billion for the three and twelve months ended November 30, 2018, respectively. Average unencumbered liquid financial instruments were \$1.6 billion for the three months ended February 28, 2019, and \$1.5 billion and \$1.6 billion for the three and twelve months ended November 30, 2018, respectively.

In addition to being able to be readily financed at modest haircut levels, we estimate that each of the individual securities within each asset class above could be sold into the market and converted into cash within three business days under normal market conditions, assuming that the entire portfolio of a given asset class was not simultaneously liquidated. There are no restrictions on the unencumbered liquid securities, nor have they been pledged as collateral.

Sources of Funding and Capital Resources

Our assets are funded by equity capital, senior debt, securities loaned, securities sold under agreements to repurchase, customer free credit balances, bank loans and other payables.

Secured Financing

We rely principally on readily available secured funding to finance our inventory of financial instruments. Our ability to support increases in total assets is largely a function of our ability to obtain short and intermediate-term secured funding, primarily through securities financing transactions. We finance a portion of our long inventory and cover some of our short inventory by pledging and borrowing securities in the form of repurchase or reverse repurchase agreements (collectively “repos”), respectively. Approximately 76.4% of our cash and noncash repurchase financing activities use collateral that is considered eligible collateral by central clearing corporations. Central clearing corporations are situated between participating members who borrow cash and lend securities (or vice versa); accordingly, repo participants contract with the central clearing corporation and not one another individually. Therefore, counterparty credit risk is borne by the central clearing corporation which mitigates the risk through initial margin demands and variation margin calls from repo participants. The comparatively large proportion of our total repo activity that is eligible for central clearing reflects the high quality and liquid composition of the inventory we carry in our trading books. For those asset classes not eligible for central clearing house financing, we seek to execute our bi-lateral financings on an extended term basis and the tenor of our repurchase and reverse repurchase agreements generally exceeds the expected holding period of the assets we are financing. The weighted average maturity of cash and noncash repurchase agreements for non-clearing corporation eligible funded inventory is approximately three months at February 28, 2019.

Our ability to finance our inventory via central clearinghouses and bi-lateral arrangements is augmented by our ability to draw bank loans on an uncommitted basis under our various banking arrangements. At February 28, 2019, short-term borrowings, which must be repaid within one year or less and include bank loans and overdrafts,

borrowings under revolving credit facilities and structured notes totaled \$530.5 million. Interest under the bank lines is generally at a spread over the federal funds rate. Letters of credit are used in the normal course of business mostly to satisfy various collateral requirements in favor of exchanges in lieu of depositing cash or securities. Average daily short-term borrowings outstanding were \$477.6 million for the three months ended February 28, 2019.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

Our short-term borrowings include the following facilities:

Credit Facility. On December 27, 2018, one of our subsidiaries entered into a Credit Facility with JPMorgan Chase Bank, N.A. for a committed amount of \$135.0 million. Interest is based on an annual alternative base rate or an adjusted London Interbank Offered Rate (“LIBOR”), as defined in the Credit Facility. The Credit

- Facility contains certain covenants that, among other things, require Jefferies Group LLC to maintain a specified level of tangible net worth. The covenants also require the borrower to maintain specified leverage amounts and impose certain restrictions on the borrower’s future indebtedness. During the three months ended February 28, 2019, we were in compliance with all debt covenants under the Credit Facility.

Intraday Credit Facility. The Bank of New York Mellon has agreed to make revolving intraday credit advances (“Intraday Credit Facility”) for an aggregate committed amount of \$150.0 million. The Intraday Credit Facility contains financial covenants, which include a minimum regulatory net capital requirement for our U.S. broker-dealer, Jefferies LLC. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. During the three months ended February 28, 2019, we were in compliance with all debt covenants under the Intraday Credit Facility. Subsequent to quarter-end, on March 28, 2019, we entered into a promissory note with Jefferies Finance. For further information on this promissory note, refer to Note 9, Investments, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

For additional details on our short-term borrowings, refer to Note 11, Short-Term Borrowings, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

In addition to the above financing arrangements, we issue notes backed by eligible collateral under a master repurchase agreement, which provides an additional financing source for our inventory (our “repurchase agreement financing program”). The notes issued under the program are presented within Other secured financings in our Consolidated Statements of Financial Condition. At February 28, 2019, the outstanding notes were \$932.5 million, bear interest at a spread over LIBOR and mature from March 2019 to February 2020.

For additional details on our repurchase agreement financing program, refer to Note 8, Variable Interest Entities, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Total Long-Term Capital

At February 28, 2019 and November 30, 2018, we had total long-term capital of \$11.9 billion and \$11.8 billion, respectively, resulting in a long-term debt to equity capital ratio of 0.93:1 and 0.92:1, respectively. See “Equity Capital” herein for further information on our change in total equity. Our total long-term capital base at February 28, 2019 and November 30, 2018 was as follows (in thousands):

	February 28, 2019	November 30, 2018
Long-Term Debt (1)	\$5,741,835	\$5,657,420
Total Equity	6,157,182	6,182,404
Total Long-Term Capital	\$11,899,017	\$11,839,824

Long-term debt at February 28, 2019 excludes \$655.5 million of our 8.500% senior notes, as these notes mature on July 15, 2019 and \$183.7 million of our outstanding borrowings under our senior secured revolving credit facility (1) (“Revolving Credit Facility”). Long-term debt at November 30, 2018 excludes \$5.7 million of our structured notes, as these notes matured on February 26, 2019, \$699.7 million of our 8.500% senior notes, as these notes mature on July 15, 2019 and \$183.5 million of our outstanding borrowings under our Revolving Credit Facility.

Long-Term Debt

During the three months ended February 28, 2019, long-term debt increased \$34.7 million. This amount includes structured notes issuances with a total principal amount of approximately \$79.9 million, net of retirements, partially offset by repayments of \$36.0 million of our 8.500% senior notes. At February 28, 2019, all of our structured notes contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument-specific credit risk presented in other comprehensive income and changes in fair value resulting from non-credit components recognized in Principal transactions revenues. The fair value of all of our structured notes at February 28, 2019 was \$751.0 million. For further information, see Note 12, Long-Term Debt, in

our consolidated financial statements included in this Quarterly Report on Form 10-Q.

73

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

On May 16, 2018, we entered into a Revolving Credit Facility with a group of commercial banks for an aggregate principal amount of at \$185.0 million. At February 28, 2019, borrowings under the Revolving Credit Facility amounted to \$183.7 million. Interest is based on an annual alternative base rate or an adjusted LIBOR, as defined in the Revolving Credit Facility agreement. The Revolving Credit Facility contains certain covenants that, among other things, requires Jefferies Group LLC to maintain specified level of tangible net worth and liquidity amounts, and imposes certain restrictions on future indebtedness of and requires specified levels of regulated capital for certain of our subsidiaries. Throughout the period and at February 28, 2019, no instances of noncompliance with the Revolving Credit Facility covenants occurred and we expect to remain in compliance given our current liquidity, and anticipated funding requirements given our business plan and profitability expectations. For further information, see Note 12, Long-Term Debt, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

At February 28, 2019, our long-term debt, excluding the Revolving Credit Facility, has a weighted average maturity of approximately 8.5 years.

Our long-term debt ratings at February 28, 2019 are as follows:

	Rating	Outlook
Moody's Investors Service	Baa3	Stable
Standard and Poor's	BBB-	Stable
Fitch Ratings	BBB	Stable

At February 28, 2019, the long-term ratings on our principal operating broker-dealers, Jefferies LLC and Jefferies International Limited (a U.K. broker-dealer) are as follows:

	Jefferies	Jefferies LLC	International Limited
	Rating	Rating	Outlook
Moody's	Baa2	Stable	Baa2 Stable
S&P	BBB	Stable	BBB Stable

Access to external financing to finance our day to day operations, as well as the cost of that financing, is dependent upon various factors, including our debt ratings. Our current debt ratings are dependent upon many factors, including industry dynamics, operating and economic environment, operating results, operating margins, earnings trend and volatility, balance sheet composition, liquidity and liquidity management, our capital structure, our overall risk management, business diversification and our market share and competitive position in the markets in which we operate. Deteriorations in any of these factors could impact our credit ratings. While certain aspects of a credit rating downgrade are quantifiable pursuant to contractual provisions, the impact on our business and trading results in future periods is inherently uncertain and depends on a number of factors, including the magnitude of the downgrade, the behavior of individual clients and future mitigating action taken by us.

In connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. At February 28, 2019, the amount of additional collateral that could be called by counterparties, exchanges and clearing organizations under the terms of such agreements in the event of a downgrade of our long-term credit rating below investment grade was \$145.1 million. For certain foreign clearing organizations, credit rating is only one of several factors employed in determining collateral that could be called. The above represents management's best estimate for additional collateral to be called in the event of credit rating downgrade. The impact of additional collateral requirements is considered in our Contingency Funding Plan and calculation of Maximum Liquidity Outflow, as described above.

Equity Capital

As compared to November 30, 2018, the decrease to total Jefferies Group LLC member's equity at February 28, 2019 is primarily attributed to distributions to Jefferies, partially offset by net earnings, foreign currency translation adjustments and changes in instrument specific credit risk during the three months ended February 28, 2019.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

During the three months ended February 28, 2019, we paid a distribution of \$30.7 million to Jefferies, based on our results for the three months ended November 30, 2018. In addition, on January 29, 2019, our Board of Directors approved a distribution of \$100.0 million to Jefferies, which was paid on January 30, 2019. For the three months ended February 28, 2019, we have accrued a distribution payable of \$23.0 million.

Net Capital

As a broker-dealer registered with the SEC and member firms of the Financial Industry Regulatory Authority (“FINRA”), Jefferies LLC is subject to the Securities and Exchange Commission Uniform Net Capital Rule (“Rule 15c3-1”), which requires the maintenance of minimum net capital, and has elected to calculate minimum capital requirements using the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies LLC, as a dually-registered U.S. broker-dealer and futures commission merchant (“FCM”), is also subject to Rule 1.17 of the Commodity Futures Trading Commission (“CFTC”), which sets forth minimum financial requirements. The minimum net capital requirement in determining excess net capital for a dually-registered U.S. broker-dealer and FCM is equal to the greater of the requirement under Rule 15c3-1 or CFTC Rule 1.17.

At February 28, 2019, Jefferies LLC’s net capital and excess net capital were as follows (in thousands):

Net Capital	Excess Net Capital
Jefferies LLC \$1,411,616	\$1,303,243

FINRA is the designated examining authority for our U.S. broker-dealer and the National Futures Association is the designated self-regulatory organization for Jefferies LLC as an FCM.

Certain other U.S. and non-U.S. subsidiaries are subject to capital adequacy requirements as prescribed by the regulatory authorities in their respective jurisdictions, including Jefferies International Limited which is subject to the regulatory supervision and requirements of the Financial Conduct Authority in the United Kingdom. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) was signed into law on July 21, 2010. The Dodd-Frank Act contains provisions that require the registration of all swap dealers, major swap participants, security-based swap dealers, and/or major security-based swap participants. While entities that register under these provisions will be subject to regulatory capital requirements, these regulatory capital requirements have not yet been finalized. We expect that these provisions will result in modifications to the regulatory capital requirements of some of our entities, and will result in some of our other entities becoming subject to regulatory capital requirements for the first time, including Jefferies Financial Services, Inc., which registered as a swap dealer with the CFTC during January 2013 and Jefferies Financial Products LLC, which registered during August 2014.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from our regulated subsidiaries.

On March 29, 2017, the United Kingdom notified the European Council and triggered a period to negotiate its withdrawal from the European Union (“Brexit”). While, there is ongoing uncertainty as to the terms and any potential transition periods related to Brexit, we have taken steps to ensure our ability to provide services to our European clients without interruption. As such, we have established a wholly-owned subsidiary of our UK broker-dealer in Germany, which has been approved as an authorized MiFID investment firm by the German regulator and which will enable us to conduct business across all of our European investment banking, fixed income and equity platforms. Our plans contemplate providing sufficient capital pursuant to the regulatory requirements for the planned operations as well pursuant to requirements of relevant clearing organizations.

Off-Balance Sheet Arrangements and Contractual Obligations***Off-Balance Sheet Arrangements***

We have contractual commitments arising in the ordinary course of business for securities loaned or purchased under agreements to resell, repurchase agreements, future purchases and sales of foreign currencies, securities transactions on a when-issued basis and underwriting. Each of these financial instruments and activities contains varying degrees of off-balance sheet risk whereby the fair values of the securities underlying the financial instruments may be in excess of, or less than, the contract amount. The settlement of these transactions is not expected to have a material effect upon our consolidated financial statements.

In the normal course of business, we engage in other off-balance sheet arrangements, including derivative contracts. Neither derivatives' notional amounts nor underlying instrument values are reflected as assets or liabilities in our Consolidated Statements of Financial Condition. Rather, the fair values of derivative contracts are reported in our Consolidated Statements of Financial Condition as Financial instruments owned or Financial instruments sold, not yet purchased as applicable. Derivative contracts are reflected net of cash paid or received pursuant to credit support agreements and are reported on a net by counterparty basis when a legal right of offset exists under an enforceable master netting agreement. For additional information about our accounting policies and our derivative activities, see Note 2, Summary of Significant Accounting Policies our in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2018 and Note 4, Fair Value Disclosures and Note 5, Derivative Financial Instruments, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES**

We are routinely involved with variable interest entities (“VIEs”) in the normal course of business. At February 28, 2019, we did not have any commitments to purchase assets from these VIEs. For additional information regarding our involvement with VIEs, see Note 7, Securitization Activities, and Note 8, Variable Interest Entities, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Due to the uncertainty regarding the timing and amounts that will ultimately be paid, our liability for unrecognized tax benefits has been excluded from the below contractual obligations table. See Note 15, Income Taxes, in our consolidated financial statements included in this Quarterly Report on Form 10-Q for further information for further information.

For information on our commitments and guarantees, see Note 16, Commitments, Contingencies and Guarantees, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Contractual Obligations

The table below provides information about our contractual obligations at February 28, 2019. The table presents principal cash flows with expected maturity dates (in millions):

	Expected Maturity Date					Total
	2019	2020	2021 and 2022	2023 and 2024	2025 and Later	
Debt obligations:						
Unsecured long-term debt (contractual principal payments net of unamortized discounts and premiums) (1)	\$655.5	\$568.4	\$819.5	\$663.4	\$3,690.5	\$6,397.3
Revolving credit facility (1)	—	—	183.7	—	—	183.7
Interest payment obligations on long-term debt (2)	327.1	299.4	492.0	389.2	1,496.8	3,004.5
Total	\$982.6	\$867.8	\$1,495.2	\$1,052.6	\$5,187.3	\$9,585.5

(1) For additional information on long-term debt, see Note 12, Long-Term Debt, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

(2) Amounts based on applicable interest rates at February 28, 2019.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Risk Management

Overview

Risk is an inherent part of our business and activities. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our activities is critical to our financial soundness, viability and profitability. Accordingly, we have a comprehensive risk management approach, with a formal governance structure and processes to identify, assess, monitor and manage risk. Principal risks involved in our business activities include market, credit, liquidity and capital, operational, legal and compliance, new business and reputational risk.

Risk management is a multifaceted process that requires communication, judgment and knowledge of financial products and markets. Our risk management process encompasses the active involvement of executive and senior management, and also many departments independent of the revenue-producing business units, including the Risk Management, Operations, Compliance, Legal and Finance Departments. Our risk management policies, procedures and methodologies are flexible in nature and are subject to ongoing review and modification.

In achieving our strategic business objectives, our risk appetite incorporates keeping our clients' interests at the top of our priority list and ensuring we are in compliance with applicable laws, rules and regulations, as well as adhering to the highest ethical standards. We undertake prudent and conservative risk-taking that protects the capital base and franchise, utilizing risk limits and tolerances that avoid outsized risk-taking. We maintain a diversified business mix and avoid significant concentrations to any sector, product, geography, or activity and set quantitative concentration limits to manage this risk. We consider contagion, second order effects and correlation in our risk assessment process and actively seek out value opportunities of all sizes. We manage the risk of opportunities larger than our approved risk levels through risk sharing and risk distribution, sell-down and hedging as appropriate. We have a limited appetite for illiquid assets and complex derivative financial instruments. We maintain the asset quality of our balance sheet through conducting trading activity in liquid markets and generally ensure high turnover of our inventory. We subject less liquid positions and derivative financial instruments to oversight and use a wide variety of specific metrics, limits, and constraints to manage these risks. We protect our reputation and franchise, as well as our standing within the market. We operate a federated approach to risk management with risk oversight responsibilities assigned to those areas of the business that have the appropriate knowledge.

For discussion of liquidity and capital risk management, refer to the "Liquidity, Financial Condition and Capital Resources" section herein.

Governance and Risk Management Structure and Risk Policy Framework

For a discussion of our governance and risk management structure and our risk management framework, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk Management" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended November 30, 2018.

Risk Considerations

We apply a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limits reflects our risk tolerance for a certain activity under normal business conditions. Key metrics included in our risk management framework include inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value-at-Risk ("VaR"), sensitivities, exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage and cash capital.

Market Risk

Market risk is defined as the risk of loss due to fluctuations in the market value of financial assets and liabilities attributable to changes in market variables.

Our market risk principally arises from interest rate risk, from exposure to changes in the yield curve, the volatility of interest rates, and credit spreads, and from equity price risks from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices. In addition, commodity price risk results from exposure to the changes in prices and volatilities of individual commodities, commodity baskets and commodity indices, and foreign exchange risk results from changes in foreign currency rates.

Market risk is present in our market making, proprietary trading, underwriting, specialist and investing activities and is principally managed by diversifying exposures, controlling position sizes, and establishing economic hedges in related securities or derivatives. Due to imperfections in correlations, gains and losses can occur even for positions that are economically hedged. Position limits in trading and inventory accounts are established and monitored on an ongoing basis. Each day, consolidated position and exposure reports are prepared and distributed to various levels of management, which enable management to monitor inventory levels and the results of our trading businesses.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES***VaR*

VaR is a statistical estimate of the potential loss from adverse market movements over a specified time horizon within a specified probability (confidence level). It provides a common risk measure across financial instruments, markets and asset classes. We estimate VaR using a model that simulates revenue and loss distributions on our trading portfolios by applying historical market changes to the current portfolio. We calculate a one-day VaR using a one year look-back period measured at a 95% confidence level.

As with all measures of VaR, our estimate has inherent limitations due to the assumption that historical changes in market conditions are representative of the future. Furthermore, the VaR model measures the risk of a current static position over a one-day horizon and might not capture the market risk over a longer time horizon where moves may be more extreme. Previous changes in market risk factors may not generate accurate predictions of future market movements. While we believe the assumptions and inputs in our risk model are reasonable, we could incur losses greater than the reported VaR. Consequently, this VaR estimate is only one of a number of tools we use in our daily risk management activities.

Our average daily VaR decreased to \$9.06 million for the three months ended February 28, 2019 from \$9.59 million for the three months ended November 30, 2018. The decrease was primarily due to lower equity and fixed income market price volatility, an increase in diversification benefit, and was partially offset by equity block trading activity during the quarter.

The following table illustrates each separate component of VaR for each component of market risk by interest rate, equity, currency and commodity products, as well as for our overall trading positions using the past 365 days of historical data (in millions):

<u>Risk Categories</u>	Daily VaR (1) Value-at-Risk in Trading Portfolios							
	VaR at February 28, 2019	Daily VaR for the Three Months Ended February 28, 2019			VaR at November 30, 2018	Daily VaR for the Three Months Ended November 30, 2018		
		Average	High	Low		Average	High	Low
Interest Rates	\$3.80	\$5.14	\$6.22	\$3.80	\$5.33	\$5.20	\$6.61	\$2.18
Equity Prices	7.72	7.30	11.48	4.75	8.47	7.73	11.62	4.34
Currency Rates	0.38	0.18	0.41	0.10	0.09	0.11	0.16	0.04
Commodity Prices	0.86	0.62	1.56	0.40	0.48	0.54	1.51	0.24
Diversification Effect (2)	(5.90)	(4.18)	N/A	N/A	(3.12)	(3.99)	N/A	N/A
Firmwide	\$6.86	\$9.06	\$14.50	\$6.03	\$11.25	\$9.59	\$12.78	\$5.86

(1) For the VaR numbers reported above, a one-day time horizon, with a one year look-back period, and a 95% confidence level were used.

(2) The diversification effect is not applicable for the maximum and minimum VaR values as the firmwide VaR and the VaR values for the four risk categories might have occurred on different days during the period.

The aggregated VaR presented here is less than the sum of the individual components (*i.e.*, interest rate risk, foreign exchange rate risk, equity risk and commodity price risk) due to the benefit of diversification among the four risk categories. Diversification benefit equals the difference between aggregated VaR and the sum of VaRs for the four risk categories and arises because the market risk categories are not perfectly correlated.

The primary method used to test the efficacy of the VaR model is to compare our actual daily net revenue for those positions included in our VaR calculation with the daily VaR estimate. This evaluation is performed at various levels of the trading portfolio, from the overall level down to specific business lines. For the VaR model, trading related revenue is defined as principal transactions revenues, trading related commissions, revenue from securitization activities and net interest income.

For a 95% confidence one day VaR model (*i.e.*, no intra-day trading), assuming current changes in market value are consistent with the historical changes used in the calculation, net trading losses would not be expected to exceed the VaR estimates more than twelve times on an annual basis (*i.e.*, once in every 20 days). During the three months ended

February 28, 2019, results of the evaluation at the aggregate level demonstrated no days when the net trading loss exceeded the 95% one day VaR.

78

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

The chart below reflects our daily VaR over the last four quarters with the significant increase in the daily VaR in late August 2018 due to the acquisition and short-term holding of an equity block position that was substantially liquidated within a few days subsequent to quarter end and the significant increase in the daily VaR in the middle of the current quarter also due to an equity block position. In addition, our daily VaR increased in the latter part of 2018 due to the transfer to us by Jefferies, in the fourth quarter of 2018, of investments in certain separately managed accounts and funds. See Note 1, Organization and Basis of Presentation for further details on this transfer. Our daily VaR then decreased in the three months ended February 28, 2019 due to lower market price volatility.

Daily Net Trading Revenue

There were nine days with trading losses out of a total of 59 trading days in the three months ended February 28, 2019. The histogram below presents the distribution of our actual daily net trading revenue for substantially all of our trading activities for the three months ended February 28, 2019 (in millions).

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES***Other Risk Measures*

Certain positions within financial instruments are not included in the VaR model because VaR is not the most appropriate measure of risk. Accordingly, Risk Management has additional procedures in place to assure that the level of potential loss that would arise from market movements are within acceptable levels. Such procedures include performing stress tests, monitoring concentration risk and tracking price target/stop loss levels. The table below presents the potential reduction in net income associated with a 10% stress of the fair value of the positions that are not included in the VaR model at February 28, 2019 (in thousands):

	10% Sensitivity
Private investments	\$ 25,199
Corporate debt securities in default	8,946
Trade claims	5,555

The impact of changes in our own credit spreads on our structured notes for which the fair value option was elected is not included in VaR. The estimated credit spread risk sensitivity for each one basis point widening in our own credit spreads on financial liabilities for which the fair value option was elected was an increase in value of approximately \$967,000 at February 28, 2019, which is included in other comprehensive income.

Stress Tests and Scenario Analysis

Stress tests are used to analyze the potential impact of specific events or extreme market moves on the current portfolio both firm-wide and within business segments. Stress testing is an important part of our risk management approach because it allows us to quantify our exposure to tail risks, highlight potential loss concentrations, undertake risk/reward analysis, set risk controls and overall assess and mitigate our risk.

We employ a range of stress scenarios, which comprise both historical market price and rate changes and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in the scenarios include, but are not limited to, a large widening of credit spreads, a substantial decline in equities markets, significant moves in selected emerging markets, large moves in interest rates and changes in the shape of the yield curve.

Unlike our VaR, which measures potential losses within a given confidence interval, stress scenarios do not have an associated implied probability. Rather, stress testing is used to estimate the potential loss from market moves that tend to be larger than those embedded in the VaR calculation. Stress testing complements VaR to cover for potential limitations of VaR such as the breakdown in correlations, non-linear risks, tail risk and extreme events and capturing market moves beyond the confidence levels assumed in the VaR calculations.

Stress testing is performed and reported at least weekly as part of our risk management process and on an ad hoc basis in response to market events or concerns. Current stress tests provide estimated revenue and loss of the current portfolio through a range of both historical and hypothetical events. The stress scenarios are reviewed and assessed at least annually so that they remain relevant and up to date with market developments. Additional hypothetical scenarios are also conducted on a sub-portfolio basis to assess the impact of any relevant idiosyncratic stress events as needed.

Counterparty Credit Risk

Credit risk is the risk of loss due to adverse changes in a counterparty's credit worthiness or its ability or willingness to meet its financial obligations in accordance with the terms and conditions of a financial contract.

We are exposed to credit risk as trading counterparty to other broker-dealers and customers, as a direct lender and through extending loan commitments, as a holder of securities and as a member of exchanges and clearing organizations. Credit exposure exists across a wide-range of products, including cash and cash equivalents, loans, securities finance transactions and over-the-counter derivative contracts. The main sources of credit risk are:

Loans and lending arising in connection with our capital markets activities, which reflects our exposure at risk on a default event with no recovery of loans. Current exposure represents loans that have been drawn by the borrower and lending commitments that are outstanding. In addition, credit exposures on forward settling traded loans are included within our loans and lending exposures for consistency with the balance sheet categorization of these items.

Securities and margin financing transactions, which reflect our credit exposure arising from reverse repurchase agreements, repurchase agreements and securities lending agreements to the extent the fair value of the underlying collateral differs from the contractual agreement amount and from margin provided to customers.

80

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

OTC derivatives, which are reported net by counterparty when a legal right of setoff exists under an enforceable master netting agreement. OTC derivative exposure is based on a contract at fair value, net of cash collateral received or posted under credit support agreements. In addition, credit exposures on forward settling trades are included within our derivative credit exposures.

Cash and cash equivalents, which includes both interest-bearing and non-interest-bearing deposits at banks.

Credit is extended to counterparties in a controlled manner and in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction. All extensions of credit are monitored and managed as a whole to limit exposure to loss related to credit risk. Credit risk is managed according to the Credit Risk Policy, which sets out the process for identifying counterparty credit risk, establishing counterparty limits, and managing and monitoring credit limits. The policy includes our approach for:

Client on-boarding and approving counterparty credit limits;

Negotiating, approving and monitoring credit terms in legal and master documentation;

Determining the analytical standards and risk parameters for ongoing management and monitoring credit risk books;

Actively managing daily exposure, exceptions and breaches; and

Monitoring daily margin call activity and counterparty performance.

Counterparty credit exposure limits are granted within our credit ratings framework, as detailed in the Credit Risk Policy. The Credit Risk Department assesses counterparty credit risk and sets credit limits at the counterparty master agreement level. Limits must be approved by appropriate credit officers and initiated in our credit and trading systems before trading commences. All credit exposures are reviewed against approved limits on a daily basis.

Current counterparty credit exposures at February 28, 2019 and November 30, 2018 are summarized in the tables below and provided by credit quality, region and industry (in millions). Credit exposures presented take netting and collateral into consideration by counterparty and master agreement. Collateral taken into consideration includes both collateral received as cash as well as collateral received in the form of securities or other arrangements. Current exposure is the loss that would be incurred on a particular set of positions in the event of default by the counterparty, assuming no recovery. Current exposure equals the fair value of the positions less collateral. Issuer risk is the credit risk arising from inventory positions (for example, corporate debt securities and secondary bank loans). Issuer risk is included in our country risk exposure tables below.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****Counterparty Credit Exposure by Credit Rating**

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total	Cash and Cash Equivalents		Total with Cash and Cash Equivalents		
	At		At		At			At		At		
	February 28, 2019 (1)	November 30, 2018	February 28, 2019	November 30, 2018	February 28, 2019	November 30, 2018		February 28, 2019	November 30, 2018	February 28, 2019	November 30, 2018	
AAA Range	\$—	\$—	\$1.7	\$3.2	\$—	\$—	\$1.7	\$3.2	\$1,562.3	\$2,981.2	\$1,564.0	\$2,984.4
AA Range	45.2	45.1	42.0	45.3	0.7	4.2	87.9	94.6	3.4	111.6	91.3	206.2
A Range	0.6	0.3	550.9	573.3	177.2	97.9	728.7	671.5	2,556.8	1,865.8	3,285.5	2,537.3
BBB Range	0.5	0.1	166.6	206.6	22.4	15.5	189.5	222.2	3.7	2.3	193.2	224.5
BB or Lower	530.0	—	9.5	5.5	55.7	15.7	595.2	21.2	5.1	107.5	600.3	128.7
Unrated	60.4	80.0	—	—	0.2	—	60.6	80.0	0.6	77.5	61.2	157.5
Total	\$636.7	\$125.5	\$770.7	\$833.9	\$256.2	\$133.3	\$1,663.6	\$1,092.7	\$4,131.9	\$5,145.9	\$5,795.5	\$6,238.6

Counterparty Credit Exposure by Region

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total	Cash and Cash Equivalents		Total with Cash and Cash Equivalents		
	At		At		At			At		At		
	February 28, 2019 (1)	November 30, 2018	February 28, 2019	November 30, 2018	February 28, 2019	November 30, 2018		February 28, 2019	November 30, 2018	February 28, 2019	November 30, 2018	
Asia/Latin America/Other	\$530.1	\$—	\$31.4	\$30.2	\$1.3	\$0.1	\$562.8	\$30.3	\$126.3	\$304.0	\$689.1	\$334.3
Europe	0.2	0.3	373.4	427.0	43.5	27.3	417.1	454.6	132.5	170.8	549.6	625.4
North America	106.4	125.2	365.9	376.7	211.4	105.9	683.7	607.8	3,873.1	4,671.1	4,556.8	5,278.9
Total	\$636.7	\$125.5	\$770.7	\$833.9	\$256.2	\$133.3	\$1,663.6	\$1,092.7	\$4,131.9	\$5,145.9	\$5,795.5	\$6,238.6

Counterparty Credit Exposure by Industry

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total	Cash and Cash Equivalents		Total with Cash and Cash Equivalents		
	At		At		At			At		At		
	February 28, 2019 (1)	November 30, 2018	February 28, 2019	November 30, 2018	February 28, 2019	November 30, 2018		February 28, 2019	November 30, 2018	February 28, 2019	November 30, 2018	
Asset Managers	\$0.1	\$—	\$3.4	\$0.6	\$1.7	\$—	\$5.2	\$0.6	\$1,562.3	\$2,812.4	\$1,567.5	\$2,813.0
Banks, Broker-dealers	1.1	0.4	554.4	619.6	199.2	118.9	754.7	738.9	2,569.6	2,333.5	3,324.3	3,072.4
Corporates	594.7	92.9	—	—	45.9	7.2	640.6	100.1	—	—	640.6	100.1
Other	40.8	32.2	212.9	213.7	9.4	7.2	263.1	253.1	—	—	263.1	253.1
Total	\$636.7	\$125.5	\$770.7	\$833.9	\$256.2	\$133.3	\$1,663.6	\$1,092.7	\$4,131.9	\$5,145.9	\$5,795.5	\$6,238.6

The increase in our exposure from November 30, 2018 to February 28, 2019 within loans and lending (1) commitments and within Israel country risk is due to one \$530.0 million unfunded commitment in connection with a contingent acquisition.

For additional information regarding credit exposure to OTC derivative contracts, refer to Note 5, Derivative Financial Instruments, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES***Country Risk Exposure*

Country risk is the risk that events or developments that occur in the general environment of a country or countries due to economic, political, social, regulatory, legal or other factors, will affect the ability of obligors of the country to honor their obligations. We define the country of risk as the country of jurisdiction or domicile of the obligor, and monitor country risk resulting from both trading positions and counterparty exposure. The following tables reflect our top exposure at February 28, 2019 and November 30, 2018 to the sovereign governments, corporations and financial institutions in those non- U.S. countries in which we have a net long issuer and counterparty exposure (in millions):

February 28, 2019

	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending (1)	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Israel	\$ 17.3	\$ (15.1)	) \$ 0.1	\$ 530.0	\$ —	\$ 1.3	\$ —	\$ 533.6	\$ 533.6
Netherlands	717.2	(211.0)	) (62.9)	—	39.0	—	—	482.3	482.3
Germany	173.1	(306.9)	) 220.9	—	62.9	8.9	91.9	158.9	250.8
United Kingdom	500.5	(388.9)	) 6.1	0.2	72.3	17.6	40.6	207.8	248.4
Canada	146.4	(120.6)	) (31.1)	0.1	0.5	147.6	1.3	142.9	144.2
Switzerland	113.7	(37.4)	) (5.4)	—	27.2	2.0	3.6	100.1	103.7
Japan	106.2	(58.5)	) 4.7	—	22.2	—	22.8	74.6	97.4
Hong Kong	30.2	(17.4)	) —	—	0.6	—	63.5	13.4	76.9
India	46.8	(1.7)	) —	—	—	—	18.8	45.1	63.9
China	182.0	(129.7)	) (6.3)	—	—	—	—	46.0	46.0
Total	\$ 2,033.4	\$ (1,287.2)	) \$ 126.1	\$ 530.3	\$ 224.7	\$ 177.4	\$ 242.5	\$ 1,804.7	\$ 2,047.2

November 30, 2018

	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending (1)	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Finland	\$ 279.8	\$ (6.7)	) \$ —	\$ —	\$ —	\$ —	\$ 1.0	\$ 273.1	\$ 274.1
Japan	97.7	(92.8)	) 8.0	—	11.3	—	136.9	24.2	161.1
Italy	1,778.1	(1,267.5)	) (354.5)	—	0.2	0.1	—	156.4	156.4
United Kingdom	311.6	(168.2)	) (30.3)	0.3	63.1	18.5	(56.4)	195.0	138.6
Belgium	65.4	(39.8)	) 2.8	—	—	—	107.3	28.4	135.7
Netherlands	317.4	(316.1)	) 70.4	—	39.5	—	—	111.2	111.2
Germany	175.4	(384.8)	) 129.4	—	89.7	1.3	93.3	11.0	104.3
Switzerland	100.5	(50.1)	) 5.7	—	37.7	2.7	3.8	96.5	100.3
Hong Kong	13.8	(39.7)	) 3.5	—	0.5	—	84.9	(21.9)	63.0
Singapore	21.1	(1.4)	) 1.0	—	0.1	—	31.2	20.8	52.0
Total	\$ 3,160.8	\$ (2,367.1)	) \$ (164.0)	\$ 0.3	\$ 242.1	\$ 22.6	\$ 402.0	\$ 894.7	\$ 1,296.7

The increase in our exposure from November 30, 2018 to February 28, 2019 within loans and lending (1) commitments and within Israel country risk is due to one \$530.0 million unfunded commitment in connection with a contingent acquisition.

Our net issuer and counterparty risk exposure to Puerto Rico of \$43.1 million at February 28, 2019 is in connection with our municipal securities market-making activities. The government of Puerto Rico is seeking to restructure much of its \$74.0 billion in debt on a voluntary basis. At February 28, 2019, we had no other material exposure to countries where either sovereign or non-sovereign sectors potentially pose potential default risk as the result of liquidity

concerns.

83

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Operational Risk

Operational risk refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in our internal control processes. Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In addition, the transactions we process have become increasingly complex. If our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or our inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage our exposure to risk. In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located. This may include a disruption involving electrical, communications, transportation or other services used by us or third parties with which we conduct business.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Our Operational Risk framework includes governance, collection of operational risk incidents, proactive operational risk management, and periodic review and analysis of business metrics to identify and recommend controls and process-related enhancements. Each revenue producing and support department is responsible for the management and reporting of operational risks and the implementation of the Operational Risk policy and processes within the department. Operational Risk policy, framework, infrastructure, methodology, processes, guidance and oversight of the operational risk processes are centralized and consistent firm wide and also subject to regional operational risk governance.

Model Risk

Model risk refers to the risk of losses resulting from decisions that are based on the output of models, due to errors or weaknesses in the design and development, implementation, or improper use of models. We use quantitative models primarily to value certain financial assets and liabilities and to monitor and manage our risk. Model risk is a function of the model materiality, frequency of use, complexity and uncertainty around inputs and assumptions used in a given model. Robust model risk management is a core part of our risk management approach and is overseen through our risk governance structure and risk management controls.

Legal and Compliance Risk

Legal and compliance risk includes the risk of noncompliance with applicable legal and regulatory requirements. We are subject to extensive regulation in the different jurisdictions in which we conduct our business. We have various procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and

safekeeping of customer funds, credit granting, collection activities, anti-money laundering and record keeping. These risks also reflect the potential impact that changes in local and international laws and tax statutes have on the economics and viability of current or future transactions. In an effort to mitigate these risks, we continuously review new and pending regulations and legislation and participate in various industry interest groups. We also maintain an anonymous hotline for employees or others to report suspected inappropriate actions by us or by our employees or agents.

New Business Risk

New business risk refers to the risks of entering into a new line of business or offering a new product. By entering a new line of business or offering a new product, we may face risks that we are unaccustomed to dealing with and may increase the magnitude of the risks we currently face. The New Business Committee reviews proposals for new businesses and new products to determine if we are prepared to handle the additional or increased risks associated with entering into such activities.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Reputational Risk

We recognize that maintaining our reputation among clients, investors, regulators and the general public is an important aspect of minimizing legal and operational risks. Maintaining our reputation depends on a large number of factors, including the selection of our clients and the conduct of our business activities. We seek to maintain our reputation by screening potential clients and by conducting our business activities in accordance with high ethical standards. Our reputation and business activity can be affected by statements and actions of third parties, even false or misleading statements by them. We actively monitor public comment concerning us and are vigilant in seeking to assure accurate information and perception prevails.

85

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Quantitative and qualitative disclosures about market risk are set forth under “Management’s Discussion and Analysis of Financial Condition and Results of Operations —Risk Management” in Part I, Item 2 of this Form 10-Q.

Item 4. Controls and Procedures.

Our Management, under the direction of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

No change in our internal control over financial reporting occurred during the quarter ended February 28, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Many aspects of our business involve substantial risks of legal and regulatory liability. In the normal course of business, we have been named as defendants or co-defendants in lawsuits involving primarily claims for damages. We are also involved in a number of judicial and regulatory matters, including exams, investigations and similar reviews, arising out of the conduct of our business. Based on currently available information, we do not believe that any matter will have a material adverse effect on our consolidated financial statements.

Item 1A. Risk Factors

Information regarding our risk factors appears in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended November 30, 2018 filed with the SEC on January 29, 2019. These risk factors describe some of the assumptions, risks, uncertainties and other factors that could adversely affect our business or that could otherwise result in changes that differ materially from our expectations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 6. Exhibits

Exhibit No. Description

4	Instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. Registrant hereby agrees to furnish copies of these instruments to the Commission upon request.
31.1*	<u>Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer.</u>
31.2*	<u>Rule 13a-14(a)/15d-14(a) Certification by Chief Executive Officer.</u>
32*	<u>Rule 13a-14(b)/15d-14(b) and Section 1350 of Title 18 U.S.C. Certification by the Chief Executive Officer and Chief Financial Officer.</u>
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Statements of Financial Condition as of February 28, 2019 and November 30, 2018; (ii) the Consolidated Statements of Earnings for the three months ended February 28, 2019 and 2018; (iii) the Consolidated Statements of Comprehensive Income for the three months ended February 28, 2019 and 2018; (iv) the Consolidated Statements of Changes in Equity for the three months ended February 28, 2019 and 2018; (v) the Consolidated Statements of Cash Flows for the three months ended February 28, 2019 and 2018; and (vi) the Notes to Consolidated Financial Statements.

* Filed herewith.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JEFFERIES GROUP LLC

(Registrant)

Date: April 9, 2019 By: /s/ Peregrine C. Broadbent

Peregrine C. Broadbent

Chief Financial Officer

(duly authorized officer)