PILLAR 3 REGULATORY DISCLOSURES REPORT – AS AT 30 NOVEMBER 2018

JEFFERIES INTERNATIONAL LIMITED

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1 OVERVIEW AND BASIS OF PREPARATION

1.1 BUSINESS BACKGROUND

Jefferies (Jefferies Group LLC and its subsidiaries) is a global investment banking firm providing clients with capital markets and financial advisory services, institutional brokerage and securities research, as well as wealth management. It provides research and execution services in equity, fixed income, and foreign exchange markets, and a range of investment banking services including underwriting, mergers and acquisitions, restructuring and recapitalisation, and other advisory services, with all businesses operating in the Americas, Europe and Asia. Jefferies Group LLC is a wholly-owned subsidiary of Jefferies Financial Group Inc. (NYSE: JEF), a diversified holding company formerly known as Leucadia National Corporation.

Jefferies operates in the United Kingdom (UK) through its main broker-dealer, Jefferies International Limited (JIL) and JIL's subsidiary Leucadia Investment Management Limited (LIML) (together the 'Firm' or 'JIL Consolidated'). As at 30 November 2018, JIL and LIML were the only two UK entities for regulatory and accounting purposes.

1.2 REGULATORY FRAMEWORK: BASEL ACCORD AND PURPOSE OF THE PILLAR 3 REPORT

The Basel framework, implemented in the European Union (EU) via the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR), sets out minimum capital requirement standards for firms to ensure they are adequately capitalised against the risks they face and are able to withstand losses during periods of stress conditions. The framework consists of three pillars:

- **Pillar 1** sets out the minimum capital requirements for credit and counterparty, market and operational risks;
- **Pillar 2** covers the review process by firms and supervisors to assess the appropriateness of the Pillar 1 level of capital and concludes on any additional capital to be held for risks not captured or not adequately captured by Pillar 1; and,
- **Pillar 3** encourages market discipline and transparency through appropriate disclosures on capital adequacy and risk management processes.

The purpose of this Disclosures Report (the 'Report') is to comply with the Pillar 3 requirements under Basel 3 as set out in articles 431 to 455 of the CRR as well as with other relevant standards including SYSC19.3A (the FCA's Sourcebook for Senior Management Arrangements, Systems and Controls) and technical standards published by the European Banking Authority (EBA). This Report focuses primarily on remuneration disclosures as well as disclosures on regulatory measures of risk exposure and capital requirements for the following Principal Risks under Pillar 1: credit (counterparty) risk; market risk; and operational risk.

1.3 SCOPE OF THE PILLAR 3 DISCLOSURES AND BASIS OF CONSOLIDATION

This Report relates to the activities and position of JIL on a consolidated basis and all its significant regulated subsidiaries as at 30 November 2018. JIL is subject to regulatory supervision by the FCA and minimum capital standards both on a standalone and consolidated basis.

Changes to the Firm's Ownership Structure

During 2018, the Firm carried out a series of capital transactions which resulted in a change in control for JIL. As a result, the Company's sole shareholder is now Jefferies Holdings II Limited ("JHII"), which is incorporated in the Cayman Islands. JHII is ultimately wholly owned by Jefferies Group LLC. In addition, Leucadia Investment Management Limited was transferred from LAM Holding LLC to JIL.

As at 30 November 2018, JIL along with its fully owned subsidiary LIML form the UK consolidation group for regulatory and accounting consolidation purposes. At all times JIL's risk profile has materially represented the risk profile of the applicable consolidated group.

As part of the Firm's Brexit preparations, Jefferies GmbH was incorporated in June 2018, with JIL as its sole shareholder and granted approval in January 2019 by the German Federal Financial Supervisory Authority (BaFin) to conduct financial services pursuant to section 32 of the German Banking Act (Kreditwesengesetz, "KWG"). As at 30 November 2018, Jefferies GmbH was outside the scope of the JIL Consolidated accounts for regulatory purposes and had not commenced business activities and is excluded from these Pillar 3 disclosures.

1.4 POLICY, FREQUENCY OF PUBLICATION AND VERIFICATION

Policy - As part of its Strategic Risk Management processes, the Firm has a policy in place to assess the appropriateness of its Pillar 3 disclosures, including their verification and frequency of review and publication. The Pillar 3 policy, in line with the CRR requirements, also requires that the external disclosures present the Firm's risk profile comprehensively, subject to the information being material and not proprietary or confidential.

Frequency - The Firm's policy is to publish this Report at least annually using the accounting reference date and, if appropriate, more frequently if there is a significant change in the Firm's risk profile. The legal entity and capital re-structuring that took place during 2018 had no impact on the Firm's risk profile.

Verification - The 2018 disclosures were validated and approved internally by senior management in line with the Pillar 3 Disclosures policy. Validation checks and reconciliations are performed within the Controllers and Treasury functions. The internal validation process included data validation by Senior Management in Controllers, Risk, Legal and Regulatory Reporting, and final approval by the Firm's Board of Directors.

1.5 PRESENTATION OF RISK EXPOSURES AND ACCOUNTING PRINCIPLES

Unless otherwise stated, the calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements in this Report are those required in the CRR for use by the Firm in its consolidated regulatory risk reporting submitted to the FCA. In general, the measurement of exposures for regulatory risk reporting purposes is based on standard regulatory calculations. Therefore, these exposure measures may be materially different from those used by Jefferies generally for risk management internally and those used for external risk disclosures, including in the Firm's financial statements and Jefferies' public disclosures.

The basis of consolidation used for the Firm for accounting purposes is materially consistent with that used for regulatory purposes. Except for the application of the exposure measurement methodologies described above, these disclosures have been prepared in accordance with applicable UK Generally Accepted Accounting Principles (UK GAAP) with further adjustments made where required to comply with the requirements of part two (own funds) and part three (own funds requirements) of the CRR.

This document does not constitute a set of financial statements. Financial statements for the Firm are prepared in accordance with applicable UK company law and accounting standards. The Firm sets out its approach to valuation and impairments in the notes to its financial statements. As such, the disclosures are made on the JIL consolidated basis with certain disclosures on a standalone basis for JIL as the only significant subsidiary for the regulatory group.

1.6 OTHER DISCLOSURES

Whilst the Firm is a material sub-group of Jefferies, the information disclosed in this document is not necessarily indicative of Jefferies as a whole, nor is it comprehensively representative of the Jefferies' activities in any particular region, nor does it preclude possible changes in policy, strategy, risk appetite, or approach. Investors, stakeholders, or other users seeking information on capital adequacy, risk exposures and risk management policies should consult the public disclosures of Jefferies.

Jefferies is committed to disseminating concise and transparent disclosures of its capital resources and risk management practices. In addition, complementary disclosures to this document may be found in different reports. Where the Pillar 3 disclosures focus on regulatory capital information and risk management, other disclosures include Jefferies public disclosures and financial statements.

- ***Jefferies Regulatory Disclosures:*** Jefferies is required by the US Securities and Exchange Commission (SEC) to file public disclosures at a consolidated group level. Some of the information in these disclosures is applicable to the Firm. These disclosures can be found at:

  http://ir.jefferies.com/

- ***Financial Statements:*** These disclosures should be read in conjunction with the financial statements of Jefferies. These can be found at:

  https://beta.companieshouse.gov.uk/company/01978621/filing-history

  http://ir.jefferies.com/

2 GOVERNANCE & RISK OVERSIGHT

2.1 BOARD OF DIRECTORS

2.1.1 BOARD AND DIRECTORSHIPS

The Board of Directors in the Firm are responsible for the long term success of the Firm by creating sustainable value for the firm's sole shareholder, Jefferies Group LLC, whilst safeguarding Jefferies' name, reputation and credit rating. Figure 1 shows the number of directorships held by members of the Firm. The JIL Board ('the Board') sets strategy, in line with delegated authority from the shareholder, and oversees its implementation through the approved Business Plans ensuring that those are pursued within the Board-approved Risk Appetite.

Figure 1: Number of Directorships Held by Members of the JIL Board

		Directorships	
Name	**Position**	**Executive**	**Non-Executive**
Alan Gibbins	Chairman of the Board	0	2
Timothy Cronin	JIL President	1	0
Huw Tucker	JIL Chief Financial Officer	1	0
Joel Maryles	Non-Executive	0	2
Jacob Katz	Non-Executive	0	2
Nicholas Williams	Non-Executive (Appointed 14 March 2018)	0	2

Directorships within the Firm and its parent undertakings are counted as a single directorship. All of the above directorships are compliant with CRDIV requirements.

2.1.2 BOARD RECRUITMENT

Recruitment for, and appointment of, a member of the Board combines an assessment of technical capability and knowledge base as well as competency skills with reference to Jefferies' leadership framework. The Nominations Committee formalises the process for the appointment of new Board members by identifying and recommending for approval, by the Board, candidates to fill Board vacancies having evaluated the balance of knowledge, skills, diversity (including gender) and experience of the Board. When recruiting members to the Board the Committee considers a broad set of qualities and competencies and assesses the time commitment required.

Board recruitment is subject to the approval of the Board. As part of the formal Director appointment process, Jefferies takes a number of additional checks, coordinated through the Human Resources and Legal Departments, which include but are not limited to: criminal record searches; a financial probity search; a UK directorship check; a sanction list check; an electoral register check; FCA/PRA Register search; and employment reference checks. Regulatory approval is co-ordinated through the Head of Compliance EMEA. The Nominations Committee has oversight of the induction process for new Directors and the on-going training and development of all Board members.

2.1.3 BOARD DIVERSITY

Jefferies is committed to promoting a diverse workplace, and approaches diversity in the broadest sense recognising that successful businesses embrace diversity at all levels. As part of its duties, the Nominations Committee is also responsible for considering a broad set of qualities, skills and competencies when recruiting members to the Board and for that purpose consider the diversity of the Board, including gender. The Nominations Committee will also periodically, and at least annually, assess the structure, size and composition, including diversity of the Board, and make recommendations to the Board with regard to any changes.

2.2 RISK OVERSIGHT COMMITTEES AND INFORMATION FLOWS

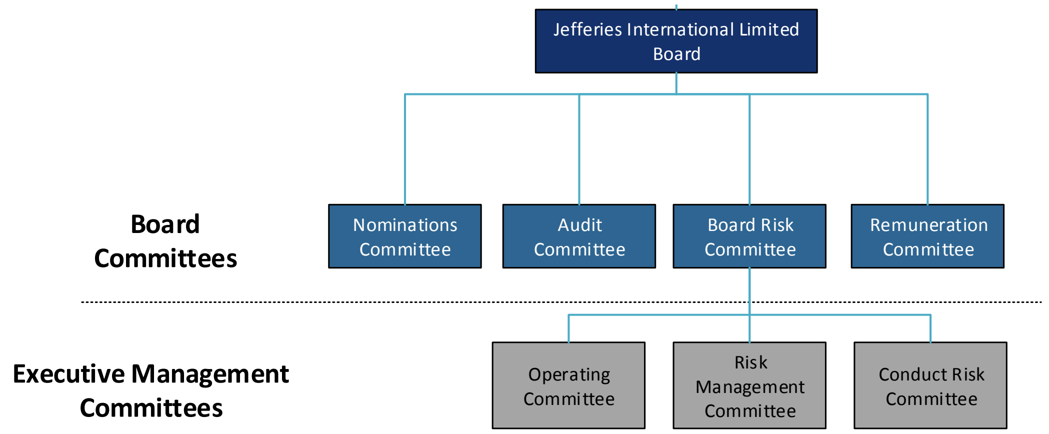
The Board requires that Senior Management including the executive members of the Board, business heads and heads of control functions, take an active role in the risk management process and require business and support functions to assist in the identification, assessment and control of all risks.

The Board has set up a hierarchy of Board and Executive Management Committees and Sub-Committees, collectively the 'Risk Oversight Committees', with the objective of ensuring an effective risk governance structure. The Board approves the Terms of Reference of each of the Board Committees and Executive Management Committees. In addition to delegating, the Board reserve certain matters to themselves as set out in the Board Charter. This arrangement enables the Board to:

- Interact effectively with the executive team which is charged with delivering the Group's agreed strategy whilst effectively managing the risks;

- Establish a robust control framework to manage risk effectively across the businesses, whilst allowing effective challenge, oversight and decision making;
- Benefit from the work of dedicated committees focussed on important risk areas;
- Receive management information on compliance with the Risk Appetite; and,
- Ensure clear escalation procedures are in place to enable effective decision making and risk management.

Figure 2: Board and Executive Management Committees



Through the Risk Management Framework, the Board requires a comprehensive and integrated view of risk and risk management and the use of a common risk language and taxonomy across the Firm. They also approve the standardised form, frequency and content of the risk information they require to be presented to Board meetings.

2.2.1 Board Committees

The members of each of the Board Committees are all non-executive directors.

- **Board Risk Committee** –The Committee reviews management information on the risk profile of the Group and recommends the risk appetite statements to the Board. The Committee has met five times in 2018.
- **Audit Committee** –The Committee assesses and provides oversight on regulatory matters, reviews disclosures, significant financial reporting issues and material information in annual reports. It evaluates external and internal auditors, reviews the management letter and response, approves the annual audit plan and reviews the adequacy of internal controls.
- **Nominations Committee –** The Committee is responsible for identifying and recommending for approval, by the Board, candidates to fill Board vacancies, having evaluated the balance of knowledge, skills, diversity and experience of the Board.
- **Remuneration Committee** – The Committee is responsible for ensuring the Firm's annual Remuneration Policy Statement and remuneration structures comply with the Remuneration Code *(see section 5 for more details).*

2.2.2 Executive Management Committees & Sub-Committees

Executive Management Committees meet more frequently, typically at least monthly. The Committees oversee specialised areas and escalate significant issues to the Board Committees and the Board accordingly.

The Firm's Executive Management Committees include:

- **Risk Management Committee** - supports the Board in the development of the Risk Appetite Statements for Market, Credit, Operational and Strategic Risk. Responsible for oversight of the risk profile and limit framework across the Firm including all business lines in line with the Board-approved risk appetite.
- **Operating Committee** - is the key forum for the management of Operational Risk across the business and it reviews Operational Risk events, Key Risk Indicators (KRIs) and any other operating issues.
- **Conduct Risk Committee** - supports the Board in the development of the Conduct Risk Appetite Statements and oversees the Conduct Risk profile. Reviews significant Conduct Risk matters as they arise (both business and employee related).

The Firm's Executive Sub-Committees include:

• **European Asset and Liability Committee** - seeks to ensure effective management and control of the balance sheet in terms of risk profile, adequacy of capital and liquidity resources, and funding profile and strategy.

• **Independent Price Verification ("IPV") Committee** - establishes the Firm's valuation policies and procedures and is responsible for independently validating the fair value of our financial instruments.

• **New Business Committee** - reviews new business, products and activities and extensions of existing businesses, that may introduce materially different or greater risks than those of a business' existing activities.

• **Outsourcing Committee** – approves new critical outsourcing arrangements and ensures the implementation of the Firm's Outsourcing Policy.

• **Model Governance Committee** - approves the model risk policy and sets common standards for managing model risk, and reviews and approves all model validation reports.

• **Stress Testing Steering Committee** - responsible for the review and approval of all assumptions and methodologies stress testing and scenario analysis.

• **Transaction Approval Committee** - reviews and approves proposals involving equity or debt capital markets transaction commitments.

3 RISK MANAGEMENT FRAMEWORK

3.1 BOARD RESPONSIBILITY

The Board is ultimately responsible for the governance and oversight of risk management and ensuring adequate systems and controls are maintained to enable risks to be appropriately identified, measured, managed and monitored. With reliance on the Risk Management Framework (RMF) and the annual controls assurance testing programme undertaken by internal audit, the Board considers that the risk management systems and controls in place are adequate for the Firm's strategy and risk profile. These being designed to manage rather than eliminate the risks the Firm is exposed to and as such offer reasonable but not absolute assurance against material misstatement, fraud and loss.

3.2 APPROACH TO RISK MANAGEMENT

3.2.1 Three Lines of Defence Model

The Board has adopted the Three Lines of Defence operational model which ensures segregation of duties and demonstrates the roles, responsibilities and accountabilities for risk, control and decision making. The approach adopted includes:

- **First Line** - Those responsible for initiating and directly identifying and managing the risks. Includes those that commit the Firm's liquidity and capital resources.
- **Second Line** - Oversight and independent controls.
- **Third Line** - Provide independent challenge and assurance.

3.2.2 Risk Management Department

The independent Risk Management Department ('Risk Management'), headed by the International Chief Risk Officer (CRO) forms the second line of defence. Risk Management consists of seven teams: Market Risk; Liquidity Risk; Credit Risk; Operational Risk; Strategic Risk and Prudential Planning; Model Validation and Model Control; and Risk Operations.

The Board approves the mandate of the Department and the job specification for the CRO as part of the RMF. The CRO reports directly to the President and meets with the Board at least quarterly to provide updates on the Firm's risk profile and compliance with the Risk Appetite Statements.

3.2.3 RMF

The RMF sets out the processes for the review, challenge and approval of the risk management policies and procedures, the risk appetite statements, risk limit structures and risk management processes and reporting.

The RMF requires that there are policies in place for managing each of the Principal Risks identified by the Board with named owners and committees responsible for the day-to-day monitoring of each of those risks on behalf of the Board. The ICAAP[1] and ILAAP[2] documents which govern the over-arching risks of capital and liquidity are approved annually by the Board; the other Principal Risk policies are presented to the Risk Management Committee for review and approval at least annually.

3.2.4 Limit Framework

The Firm applies a comprehensive framework of limits on a number of key metrics to constrain the risk profile of the business activities as part of the Risk Appetite Statements (RASs). The size of each limit reflects the risk tolerance for a certain activity under normal business conditions.

Stress testing is performed and reported daily as part of the risk management process. In addition, ad hoc stress tests and scenario analyses are performed and new scenarios added as market conditions dictate. Stress testing is used to assess our aggregate risk position as well as for limit setting and risk/reward analysis.

3.2.5 Risk Assurance

The Audit Committee reviews the work and resourcing of Internal Audit which provides independent assurance on the design, adequacy and effectiveness of the system of internal controls.

Reviews from third parties including External Audit, exchanges, regulatory authorities and rating agencies also provide independent feedback on the internal control arrangements. However, since they are third parties, the Firm cannot rely upon them to be a formal part of their control structure, accountable to the Board.

[1] Internal Capital Adequacy Assessment Process
[2] Internal Liquidity Adequacy Assessment Process

Internal Audit takes steps to verify compliance with the approved policies as part of their role to verify the implementation and effectiveness of the RMF.

3.3 ADHERENCE TO THE BOARD RISK APPETITE STATEMENT

The Board-approved Risk Appetite Framework (RAF) sets the overall approach through which risk appetite is established, communicated, and monitored. The RAF is a key component of the RMF, the ICAAP, the ILAAP, the proceedings of the Board and Risk Oversight Committees. It provides a common understanding and guidance on the acceptable level of risk in all the Principal Risk categories the Firm faces and provides a link between the Business Plans and risk management.

The Board has identified and approved the Principal Risks which arise from implementing the Board approved Business Plans: Strategic Risk; Market Risk; Credit Risk; Operational Risk; Conduct Risk; and Funding and Liquidity Risk**.** The overall risk appetite is to accept moderate and controlled risks as part of the Firm's main focus of facilitating client-driven business[3] while maintaining:

- Adequate capital resources, to cover both regulatory requirements and to support the business plans in business as usual (BAU) and stressed conditions; and,
- Stable and efficient access to funding and liquidity, to ensure that there is sufficient liquidity to meet the Firm's obligations when due.

The Board is updated at least quarterly on the status against the risk appetite metrics. Figure 3 sets out the Principal Risks and a number of key measures used to monitor the Firm's risk profile.

Figure 3: Principal Risks and RAS Metrics

Principal Risk	RAS Metric(s) and Comments	Status of Key RAS Metrics as at 30 November 2018
Strategic Risk Strategic Risk is defined as the risk resulting from adverse business decisions, inappropriate business plans, ineffective business strategy execution, or failure to respond in a timely manner to changes in the regulatory, macroeconomic and competitive environments.	Strategic risk includes capital risk, and business risk. The Firm maintains targets for the following ratios (after capital buffers): - Common Equity Tier 1 (CET1) Ratio; and - Total Capital Ratio. The Firm targets minimum buffers well above the regulatory capital guidance thresholds and has consistently maintained throughout the year significant surpluses to those thresholds. The Business Plans are approved on the basis of capital plans over a time horizon of three years. The ICAAP also shows surplus capital over a three year period even after a range of severe but plausible stress scenarios.	CET1 Ratio - JIL Cons 19.6% - JIL Solo 19.6% Total Capital Ratio - JIL Cons 26.6% - JIL Solo 26.7%
Market Risk Market risk is defined as the risk of loss due to fluctuations in the market value of positions attributable to changes in market variables.	JIL has set up a limit framework consisting of a Tiering system, from Level 0 to firm-wide limits to more granular Level 1, Level 2, and Level 3 limits at desk level. The Level 0 limits set at firm level include metrics around the maximum loss of a series of stress tests; and a 1-day 95% Value at Risk limit. Level 1 and 2 limits are set up at desk level and include additional limits based on inventory and exposure positions on a gross and net basis, exposure concentrations, aged inventory, amount of Level 3 assets.	JIL utilisation of Firm-wide limits: - Stress: 76% - VaR: 29%
Credit Risk Credit risk is defined as the risk resulting from the default of counterparties before the settlement of the transaction's cash flows.	JIL sets a potential exposure (PE) limit to the largest non-centrally cleared (CCP) counterparties. It also limits % PE credit exposure to non-IG counterparties and % PE credit exposure to Cat. 4 countries (BBB rated) and below. The credit limit approval process is managed under the Credit Risk Policy (set out in section 4.2) and includes consideration of exposures to single counterparties, groups of connected counterparties, by country, and sector.	All credit risk exposures were within the credit risk limits as at 30 November 2018.

[3] In order to facilitate client transactions, the Firm may act as principal to provide liquidity which requires the commitment of its capital and maintenance of dealer inventory.

Operational Risk Operational risk is defined as the risk resulting from inadequate or failed internal processes, people and systems, or from external events, which includes model, regulatory and legal risk.	The risk profile of operational risks is determined using a Heat Map (based on assessments for operational risks against potential financial impact and likelihood of occurrence). There is no appetite for any events to fall in the red zone without Board approval and an action plan set. The risk appetite for operational risk is also assessed using quantitative limits such as the one on absolute value of Operational and Conduct risk events. Other metrics are also set linked to sub-categories of operational risk. For example, these include metrics to limit: model risk; and, material personal data breaches or breaches that would require notification to the supervisory authority and/ or the data subjects. Operational risks are also assessed using forward-looking scenario analysis and other ad-hoc risk assessments (as described in section 4.4).	As at 30 November 2018, there were no operational risk events assessed to be outside the risk appetite.
Conduct Risk Conduct risk is the risk that detriment is caused to our customers, clients, counterparties, markets or the Company itself because of inappropriate execution of our business activities.	As per operational risk above, this is assessed using an internal Heat Map, as well as forward-looking scenarios analysis and ad-hoc assessments. The Risk appetite is set using the following non-exhaustive criteria: ▪ The Firm aims to have minimal breaches of our key Compliance and Human Resource policies, and to deliver the lowest possible detriment to our customers, clients, counterparties, the market and Jefferies itself through the conduct of the Firm's staff. The Board requires that staff refrain from inappropriate behaviour that could cause such detriment. ▪ The Firm has minimal appetite for regulatory breaches, breaches of its internal policies, for violations of the applicable laws and regulations. Business activities must not facilitate illegal activities or financial crime, or trade in unauthorized jurisdictions.	No conduct risk is assessed to be outside the risk appetite as at 30 November 2018.
Funding and Liquidity Risk Funding and Liquidity risk is defined as the risk that the Company, although solvent, does not have sufficient liquid resources available to enable it to meet its cash or funding obligations as they fall due, or can secure such resources only at excessive cost.	The risk appetite for liquidity risk is managed using the following: ▪ Prudent Funding Profile – setting targets for the profile of the funding structure to ensure both compliance with targeted funding maturity and currency mismatch levels and appropriate diversification with respect to sources, tenors and maturity; and, ▪ Ensuring there is a Liquid Asset Buffer (LAB) of a sufficient size and quality to cover the higher of the external stress requirement set by the FCA and that the LAB and Cash is sufficient to cover the internal daily liquidity stress tests requirements. The surpluses over the external and internal stress requirements are subject to internal monitoring thresholds. The Firm has maintained at all times throughout the year liquid resources above the regulatory and internal minimum requirements (assessed through liquidity stress testing over its chosen survival period). The Firm's liquidity risk management includes Early Warning Indicators, monitoring concentrations, limits on intraday liquidity exposures and FTP charging.	All liquidity risk measures complied with internal and FCA requirements as at 30 November 2018.

4 PRINCIPAL RISK MANAGEMENT

4.1 CAPITAL RISK MANAGEMENT

4.1.1 CAPITAL MANAGEMENT FRAMEWORK OVERVIEW

The Strategic Risk Management Framework formalises the overall approach to capital management within the Firm as directed by the Board. The capital management policies require the risk appetite statement for capital risk is supported by a comprehensive set of monitoring metrics, management information, appropriate oversight and that adequate capital is held against all material capital risks.

4.1.2 GOVERNANCE

Senior management review capital levels on an on-going basis to support business needs as well as respond appropriately to market conditions. Capital adequacy, including resources and requirements, is monitored and managed daily by the Regulatory Controllers Department which also needs to sign-off on all New Business Approvals. Within the Firm, capital management and planning are overseen by various committees reporting up to the Board, including the Operating Committee, and the European ALCO and, at least on a quarterly basis to the Board. Management Information (MI) on capital ratios, solvency ratios, capital utilisation, key risk indicators and trends are reported to these Committees and are readily available at all times to support the strategic and business decision making as required.

4.1.3 CAPITAL MANAGEMENT AND OWN FUNDS

The capital management policy is to maintain a strong capital base that is comfortably above the minimum regulatory capital requirements to support all material risks inherent in the Firm's businesses and market environment; capital forecasts are evaluated both short-term (less than three months) as well as medium-term (minimum of three years) with the following objectives:

- To support the Board-approved strategic objectives and business plans; and,
- To remain adequately capitalized and be able to withstand losses during periods of stressed conditions without material franchise or business impact.

The size and composition of the Firm's capital base are determined by a number of factors including the minimum regulatory capital requirements (Pillar 1) as well as the capital planning methodologies and processes, which include the ICAAP (Pillar 2). They may also be impacted by other factors such as rating agency guidelines for Jefferies, the business initiatives and opportunities; cost and availability of both long term and short term funding; stress testing analysis (which assesses the potential future losses due to adverse changes in Firm's business and market environment); as well as regulatory changes such as the implementation EBA guidelines and/or requirements.

Figure 4 shows the composition and size of own funds as at 30 November 2018 based on the audited financial statements. Appendix 1 summarises the key features of the Tier 1 and Tier 2 capital instruments. Appendix 2 details information on own funds and key capital ratios.

Figure 4: Own Funds - Reconciliation between Financial Statements and Regulatory Own Funds

Own Funds position as at 30 November 2018 **£m**	**JIL consolidated**	**JIL solo**
Common Equity Tier 1 Capital		
Shareholders funds per the financial statements	649.9	646.3
Regulatory Deductions		
Intangible assets	(3.2)	(3.2)
Non-significant holdings of Financial Sector Entities	(1.7)	(1.9)
Additional value adjustments	(6.1)	(6.1)
Deferred tax assets	(5.4)	(5.4)
Total Common Equity Tier 1 Capital	**633.6**	**629.6**
Tier 2 Capital		
Subordinated loan notes per the financial statements	166.7	166.7
Subordinated loan per the financial statements	58.8	58.8
Regulatory Deductions		
Non-significant holdings of Financial Sector Entities	(0.6)	(0.7)
Total Tier 2 Capital	**224.9**	**224.8**
Total Own Funds	**858.5**	**854.5**

Note. The group has no Additional Tier 1 instruments; as such, the Tier 1 requirements are met solely with CET1 instruments.

During 2018, the Firm carried out a series of capital transactions which resulted in JIL becoming a direct subsidiary of Jefferies Holdings II Limited ("JHII"). As part of this legal restructuring, JIL repayed a total of $347.5mm of Tier 2 subordinated debt instruments, and has issued equity capital instruments qualifying as Common Equity Tier 1 of $196mm.These transactions had the effect of increasing the Firm's CET1 capital resources and releasing excess Tier 2 capital to Group, thereby reducing JIL's cost of capital.

Application of the Pillar 1 Framework

The Firm makes use of the following approaches for the calculation of the minimum regulatory capital requirements under Pillar 1 for each risk factor:

- **Credit (and Counterparty Risk) -** The Mark to Market method and the Financial Collateral Comprehensive Method are used for the calculation of risk exposures and for securities financing transactions respectively. The Financial Collateral Comprehensive Method is used for the valuation of any credit risk mitigants.
- **Market Risk -** The Standardised Approach is used except for a limited scope of products within the JIL equity options book. As at 30 November 2018, the size of these books was not material.
- **Credit Valuation Adjustment (CVA)** – The capital requirement is calculated using the Standardised Approach.
- **Operational Risk -** Basic Indicator Approach.

The Firm makes no use of advanced internal models for the calculation of its capital requirements. Figure 5 summarises the capital requirements for the JIL Group (consolidated) and JIL per risk type as at 30 November 2018.

Figure 5: Summary of Capital Requirements

Regulatory Capital Requirements As at 30th November 2018 £m	JIL Consolidated	JIL solo
Market Risk Requirement	161	160
Credit Risk Requirement	18	18
Counterparty Risk Requirement	19	19
Concentration Risk Requirement	-	-
Operational Risk Requirement	55	53
Credit Valuation Adjustment Requirement	5	5
Total Regulatory Capital Requirements	**259**	**256**

Notes:

The calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements above are those prescribed by the CRR for use by the Firm in its consolidated regulatory risk reporting submitted to the FCA. These exposure measures may be materially different from those used by the Firm and the Jefferies Group generally for risk management internally and those used for other risk disclosures, including in Financial Statements and the Jefferies SEC disclosures.

Leverage ratio

The leverage ratio is a measure of Tier 1 capital as a percentage of exposures as defined under CRR rules. JIL's Consolidated leverage ratio as at 30th November 2018 was 7.68%. See Appendix 3: Leverage.

Capital Buffers

As part of the Firm's capital planning and risk assessment, the additional requirements for capital buffers (including the conservation buffer and the countercyclical buffer) are considered according to the CRR requirements. Requirements for both the conservation buffer and countercyclical buffer (CCyB) are phased-in from 1 January 2016 to 1 January 2019.

The countercyclical buffer requirement as at 30th November 2018 was £7.7m. Further details are in Appendix 4: Countercyclical Buffer.

Application of the Pillar 2 Framework

As part of the capital planning process, Jefferies ensures that JIL, at both a consolidated and on a standalone basis, has capital resources in excess of the minimum regulatory capital requirements which would be required under stressed conditions. These stress tests inform decisions on the size and quality of capital buffers required to ensure capital adequacy under severe but plausible stressed scenarios. These results are incorporated into the capital planning process.

The minimum regulatory capital requirements for the JIL at a consolidated and on a standalone basis have been agreed with the FCA through the FCA's Supervisory Review and Evaluation Process (SREP) which sets the Individual Capital Guidance (ICG). The level of Pillar 2 capital held by JIL, on a consolidated and standalone basis, reflects the risks inherent in the business model and products traded as well as the governance, control and risk management infrastructure. JIL's assessment of its Pillar 2 requirements at the solo level and at the consolidated level are then reviewed by the FCA and the final ICG levels agreed. The minimum regulatory capital requirement is the sum of the respective Pillar 1 and 2. The Firm's on-going compliance with the internal capital management targets and minimum regulatory capital requirements are monitored daily by senior management and reviewed against current and possible future market conditions, current portfolio composition and expected future business developments.

The Firm's ICAAP assesses:

- Current and future capital adequacy under BAU and stressed operating environments over the capital planning horizon and in line with the stress testing framework; and,
- Internal capital adequacy thresholds relating directly to the Board-approved risk appetite and in line with the capital management framework.

Following the application of the Pillar 2 framework, the Firm identifies the capital buffers and ratios that it seeks to apply at the entity level. These buffers set out:

- The minimum Solvency Ratio, CET1 Ratio and Total Capital Ratio required for each entity and the Group as a whole. The regulatory Leverage Ratio is also considered; and,
- Any capital buffers required to be held including any amounts to be held under BAU conditions above these minimums to reduce the risk that these limits will ever be breached.

Other Risks Considered

As part of its capital management processes, the Firm considers and assesses other risks relevant to its operating activities that may not be covered, or adequately covered by Pillar 1. These include:

- **Concentration Risk** - This considers the risk that any credit exposures are concentrated with respect to sector, geography and type of counterparty.
- **Model Risk** - This considers the risk that weaknesses or failures in the (i) design and development, (ii) implementation, (iii) or improper use of the Firm's models, cause the Firm to misprice or underestimate risk or otherwise incur losses.
- **Regulatory Risk and Legal Risk -** This considers the risks of financial loss arising from either a breach of the regulatory requirements, adverse impact of the rules (or changing rules) in conducting business, and/or the impact of the Firm defending itself against regulatory action or private litigation.
- **Group Risk (including Reputational Risk) -** This assesses the risk that the financial position of the Group may be adversely affected by its relationships with other entities in Jefferies or by risks which may (or be perceived to) affect the financial position of the Jefferies group of firms, for example through reputational contagion.
- **Business Risk –** This risk is captured as part of Strategic Risk and considers any risk to the Firm arising from changes in its business, including: the acute risk to earnings posed by falling or volatile income; the broader risk of the Firm's business model or strategy proving inappropriate due to macro-economic, geopolitical, industry, regulatory or other factors; and the risk that the Firm may not be able to carry out its business plan and desired strategy.
- **Non-Material Risks**
    - **Interest Rate Risk in the Non-Trading Book** - This considers the interest rate risk arising from non-trading book activities. This is a non-material risk for the Firm as the Firm manages all its trading exposures within the Trading Book; as such this risk for the Firm is only limited to interest rate risk arising from its variable rate borrowing facilities used to support the trading activities as well as other assets and liabilities in the balance sheet with short duration (such as cash balances, and advisory fees).
    - **Securitisation Risk** – This considers the risks derived from securitisation transactions where the Firm is investor, originator or sponsor, including potential reputational risk. The Firm's role in securitisations is only as an investor.
    - **Pension Risk** – This considers the risk caused by contractual or other liabilities to a defined benefit pension scheme. The Firm has had no Pension Risk since February 2018 following the sale of the defined benefit legacy pension scheme associated with another entity in the group (Jefferies Bache Limited) which has been wound down in 2015.

4.1.4 TRANSFERABILITY OF CAPITAL

The Firm does not believe that legal or regulatory restrictions constitute a material impediment to the transfer of capital between JIL and its ultimate parent company, Jefferies Group LLC, or to the transfer of capital within the Jefferies Financial Group Inc. Any redemption terms in the Group's capital instruments are set out in Appendix 1.

4.2 CREDIT AND COUNTERPARTY RISK MANAGEMENT

4.2.1 Credit Risk Management

JIL is exposed to credit risk from banks, hedge funds, other broker-dealers and customers and as a member of exchanges and clearing organisations.

Credit risk is managed according to the framework of the Jefferies Credit Risk Management Policy and Procedures (the 'Credit Risk Policy') which is responsible for identifying counterparty credit risk throughout the trading businesses, establishing counterparty limits and managing and monitoring those credit limits. The policy is approved annually by the Risk Management Committee and includes:

- Defining credit limit guidelines and credit limit approval processes;
- Considering exposures to a single counterparty, or groups of connected counterparties, counterparties in the same country or region, and/or in the same industry (sector);
- Approving counterparties and counterparty limits (which take into account applicable enforceable netting agreements, collateral or other acceptable forms of credit risk mitigation negotiated by the Legal Department) within parameters set by the Credit Policy;
- Negotiating, approving and monitoring credit terms in legal and master documentation;
- Determining the analytical standards and risk parameters for on-going management and monitoring credit risk books;
- Actively managing daily exposure, exceptions, and breaches; and,
- Monitoring daily margin call activity and counterparty performance (in concert with the JIL Collateral Management Department).

The Firm utilises a number of legal and market available credit risk mitigants to manage counterparty risk.

4.2.2 Assigning Credit Limits for Counterparty Credit Exposures

Credit Limit Assessment and Approval

Client Credit Exposure Limits are granted within a framework of Credit Ratings. Ratings are provided by the external credit assessment institutions (ECAIs). Standard & Poor's (S&P), Moody's and Fitch are used for all types of exposures, where these are available. Where a counterparty is rated by at least one of the three ECAIs, that rating is typically considered, otherwise an internal risk rating model is used, together with detailed credit analysis, to assess a credit rating for each client. Internal rating models are not used for the calculation of regulatory capital requirements.

Credit Risk Management assesses counterparty credit risk and sets credit limits in the aggregate (at the counterparty group level), for each individual counterparty and by netting set.

The counterparties' credit rating, together with considerations on size and leverage will signify a maximum credit limit ceiling for that client within the Global Credit Policy. A Credit Approval Grid within the Credit Policy dictates the size of credit limit which may be approved by Credit Manager, Senior Credit officer and Chief Credit Officer.

Documentation

The Firm employs standard market documentation enhanced where relevant with the Firm's own Terms of Business.

Limit Framework Methodology

Credit Risk Management assesses counterparty credit risk and sets credit limits at the counterparty group level; for each individual counterparty; and by specific product type. Counterparties are grouped in a hierarchy by common ultimate parent ('Corporate Hierarchy Group'). Limits must be approved per appropriate credit authorities and set as live in credit and trading systems before trading commences.

Limits are measured in terms of potential exposure. Credit limit and exposure methodology includes:

- **Credit Limit Types (CLT) -** individual equity, fixed income and commodity product-specific limits defined and governed by master legal documentation; collateral terms; netting rules; trading and settlement characteristics; and,
- **Credit Limit Measures -** based on various exposure metrics including notional, margin financing, settlement, mark-to-market or fair value amounts, and potential or expected exposures; tenor; haircuts; and collateralization.

The Group uses the large exposures regime and the limits within it to constrain regulatory capital to counterparty credit exposures.

4.2.3 Credit Risk Exposure Measurement and Reporting

The Group uses an in-house designed Credit Risk Management System. The system holds the detailed reports written by the credit analysts on counterparties and gives detailed information on exposures grouped by industry type, country and by the type of underlying product traded.

All credit exposures are reviewed against approved limits on a daily basis. Credit exposures to companies with common ownership are grouped together to ensure aggregate limits do not exceed Credit Policy limits.

4.2.4 Wrong-Way Risk

Wrong Way Risk (WWR) is the risk that the probability of default of a credit exposure is positively correlated with the credit quality of the counterparty to which the exposure relates. Specific WWR exists when legal or structural dependence adversely links exposure at default with the counterparty's credit quality. General WWR is present when counterparty creditworthiness and exposure are both correlated with market risk factors. In some instances both specific and general WWR can exist.

Incidences of Wrong Way Risk

Jefferies recognises that General WWR is inherent in certain businesses. Where Jefferies has a requirement to finance or borrow securities, it is recognised that often it is most practical to obtain that funding from counterparties registered in the same country as the securities collateral. General Wrong Way Risk occurs where Jefferies is a borrower of securities.

The incidence of General WWR is considered in New Business Approval proposals and requires approval by the New Business Committee.

Little appetite exists for Specific WWR. Instances of specific WWR occasionally occur, for example where Jefferies borrows a counterparty's own securities as part of a diversified portfolio. Where initiated, Specific WWR trades must conform to the following:

- Counterparties of the highest creditworthiness available;
- Portfolio must remain within counterparty's potential exposure (PE) limit after reduction to zero of the collateral item causing specific WWR; and,
- Minimal tenors.

Specific WWR trades require approval of trade documentation by the CRO. Exposure is recorded as the full notional and frequent monitoring and reporting takes place to senior management throughout the life of the trade.

4.2.5 Collateral Management and Valuation

The Firm makes use of eligible credit risk mitigants including netting and collateral to reduce its credit risk exposures, subject to the relevant legal agreements meeting the requirements of the CRR.

Collateral Management

The key objectives of collateral management are to:

- Define the underlying products that require margin maintenance within JIL;
- Define the operational margin process; and,
- Ensure the appropriate management of credit and operational risk for the margin process.

The appropriate level of collateralisation is set for each client by Credit Risk in the legal negotiation process. These refer to valuations of transactions, in accordance with the contractual legal agreement and may include levels for any unsecured threshold, Minimum Transfer Amounts (MTA) and acceptable collateral. Typically, this entails a preliminary review as well as periodic reviews of the credit risk for the counterparties.

The underlying business lines are governed by legal agreements. The Legal Department conducts negotiations, drafting and review of agreements. They enforce the collateral and margin agreements, including initiation of collections and lawsuits where appropriate. Risk Management are part of the negotiation process and will provide approval for any non-standard terms.

Collateral Eligibility and Valuation

Liquid, easy to settle and of high quality are the properties the Firm seeks in collateral. All the securities accepted as collateral must be approved by the Credit Risk Management team which assesses the counterparty's financial strength and the credit risks associated with the type of business and products. The team will then recommend credit limits and eligible collateral types on a client by client basis. This will be negotiated and approved in the legal documentation process prior to execution of any business.

The types of collateral considered include cash, fixed income securities (predominantly government bonds), equity stocks (large cap and highly liquid shares listed on major exchanges) and convertible bonds. As at 30 November 2018, the non-cash collateral held by the Firm was not material. The collateral agreement or the trade documents set out who is responsible for the valuation of the collateral. No credit derivatives were used as credit risk mitigants as at 30 November 2018. Given that the collateral held was predominantly cash, there were no credit or market risk concentrations related to collateral as a credit risk mitigant as at 30 November 2018.

Depending on the type of trade, the valuation may be done on a Mark-to-Market or Mark-to-Model basis. Valuation can be carried out intraday or real time for liquid products, or less frequently for any less liquid products as deemed necessary by senior management.

4.2.6 Collateral on Downgrade of Jefferies Credit Rating

The impact of a one-notch downgrade in Jefferies rating on the collateral demanded by central counterparties is assessed as part of the Firm's liquidity stress test assumptions and contributes to the liquid asset buffer calculation.

Collateral is considered for: derivative agreements (ISDA / CSA), securities financing agreements (GMRA / GMSLA), and exchange and central counterparty (CCP) agreements. The Firm seeks to manage its obligations by minimising the number of derivative agreements and securities financing agreements that have terms permitting the calling of additional collateral for credit downgrades of Jefferies. On 13 February 2018, Fitch Ratings upgraded Jefferies Group LLC's long-term Issuer Default Rating (IDR) to 'BBB' from 'BBB-' and affirmed the short-term IDR at 'F3' with the Rating Outlook at Stable. Therefore, a one notch downgrade in the future is expected to have a minimal impact as Jefferies will remain investment grade with no significant adverse reaction expected from counterparties. However, as a part of its liquidity stress testing, JIL conservatively evaluates the impact of being downgraded to sub-investment grade. As of 30 November 2018, such a downgrade is assessed to generate an additional aggregate collateral requirement of £35m from CCPs and bilateral counterparties.

4.2.7 Credit Risk Quantitative Disclosures

Figure 6 provides a summary of the consolidated capital requirements for credit and counterparty risk as at 30 November 2018. Exposures for derivatives and long settlement transactions are calculated using the Mark-to-Market method (article 274 of CRR). Figure 6 to Figure 13 provide an overview of the credit risk exposures as at 30 November 2018.

The firm does not have exposures in equities not included in the trading book other than JIL's equity investment in its subsidiary Jefferies Schweiz AG (JSA) which is not deducted from capital resources due to being under applicable thresholds. The activities of JSA were transferred to the JIL Zurich Branch in 2015 and JSA is in the process of being deregistered and ultimately being liquidated.

Figure 6: Credit Risk Capital Requirements by Exposure Class

Consolidated Credit Risk Capital Requirement
Analysed by Applicable Standardised Approach Exposure Classes
As at 30th November 2018

£m	Credit Risk Capital Component	Counterparty Risk Capital Component	Concentration Risk Capital Component	Credit Risk Capital Requirement
Institutional	5	17	-	23
Corporate	6	2	-	8
High Risk	0	0	-	0
Government	2	-	-	2
Other	5	0	-	5
Total Consolidated Credit Risk Capital Requirements	**18**	**19**	**-**	**38**

Notes:

The calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements above are those prescribed by the CRR for use by the Firm in its consolidated regulatory risk reporting submitted to the FCA. These exposure measures may be materially different from those used by the Firm and the Jefferies Group generally for risk management internally and those used for external risk disclosures, including in Financial Statements and the Jefferies SEC disclosures.

Figure 7: Breakdown of Counterparty Credit Risk Exposure

Consolidated Counterparty Credit Risk Exposure
Analysis of Net Exposure
As at 30th November 2018

£m	Derivatives	SFTs	Other
Gross positive fair value	775	11,220	24
Netting	(235)	(4,076)	0
Netted current credit exposure	540	7,144	24
Collateral held	(221)	(6,707)	0
Consolidated Net Credit Exposure	**319**	**437**	**24**

Figure 8: Average Credit Risk Exposure

Consolidated Average Credit Risk Exposure As at 30th November 2018 £m	Total exposure pre-mitigation	Total exposure Post-mitigation	YTD average total exposure pre-mitigation	YTD average total exposure post-mitigation
Exposure class				
Institution	12,340	1,388	11,320	1,355
Corporate	148	94	196	120
High Risk	7	3	11	7
Government	9	9	12	12
Other	65	65	66	66
Consolidated Total	**12,568**	**1,559**	**11,605**	**1,561**

Figure 9: Credit Risk Exposure by Geographic Region

Total Consolidated Credit Risk Exposure - Geographical Analysis	Pre-Mitigation				Post-Mitigation			
As at 30th November 2018 £m	EMEA	AMERICAS	ASIA PACIFIC	TOTAL	EMEA	AMERICAS	ASIA PACIFIC	TOTAL
Exposure class								
Institution	10,859	1,395	86	12,340	1,061	307	19	1,388
Corporate	116	23	9	148	78	13	3	94
High Risk	2	5	0	7	2	1	0	3
Government	9	-	-	9	9	-	-	9
Other	65	-	-	65	65	-	-	65
Consolidated Total	**11,051**	**1,423**	**94**	**12,568**	**1,215**	**321**	**22**	**1,559**

Figure 10: Credit Risk Exposures by Maturity Bucket

Total Consolidated Credit Risk Exposure- Maturity Analysis	Pre-Mitigation						Post-Mitigation					
As at 30th November 2018 £m	</= 1m	>1m </=3m	>3m </=6m	>6m </=12m	>12m	Total	</= 1m	>1m </=3m	>3m </=6m	>6m </=12m	>12m	Total
Exposure class												
Institution	10,239	599	750	74	677	12,340	592	155	74	21	547	1,388
Corporate	123	1	0	0	22	148	80	1	0	0	12	94
High Risk	2	1	0	1	2	7	2	-	0	-	-	3
Government	9	-	-	-	-	9	9	-	-	-	-	9
Other	65	-	-	-	-	65	65	-	-	-	-	65
Consolidated Total	**10,439**	**602**	**751**	**76**	**702**	**12,568**	**748**	**156**	**74**	**21**	**559**	**1,559**

Figure 11: Credit Risk Exposures (Pre-Mitigation) by Mitigation Type

Total Consolidated Credit Risk (Pre-Mitigation) Exposure – Mitigation Analysis As at 30th November 2018 £m	Covered by eligible financial collateral	Covered by eligible unfunded credit	Not covered by collateral
Exposure class			
Institution	11,131	-	1,208
Corporate	64	-	84
High Risk	4	-	3
Government	-	-	9
Other	-	-	65
Consolidated Total	**11,199**	**-**	**1,369**

Figure 12: Notional Value of Credit Derivative Contracts

Consolidated Notional Value of Credit Derivative Contracts As at 30th November 2018 £m	Firm portfolio management	Client intermediation
Single name underlying		
Index underlying	53	
Protection bought	**53**	-
Single name underlying		
Index underlying		
Protection Sold	-	-

Figure 13: Credit Risk Exposures (Pre and Post Mitigation) by Credit Quality Step

Total Pre-/Post-Mitigation Consolidated Credit Risk Exposures - CRR Credit Quality Step Analysis
As at 30th November 2018

CRR Standardised Approach credit quality step	S&P equivalent ratings	Moody's equivalent ratings	Fitch equivalent ratings	Total exposure pre mitigation £m	Total exposure post mitigation £m
1	AAA to AA-	Aaa to Aa3	AAA to AA-	357	184
2	A+ to A-	A1 to A3	A+ to A-	1,831	330
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	934	131
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	88	7
5	B+ to B-	B1 to B3	B+ to B-	2	2
6	CCC+ and below	Caa1 and below	CCC+ and below	-	-
No external rating				9,356	905
of which centrally cleared				8,295	472
Total				**12,568**	**1,559**

4.2.8 PAST DUE AND IMPAIRED EXPOSURES

For investment banking fees and certain commissions, payment terms are agreed as part of the client engagement. Senior Management makes a provision for receivable items falling behind their agreed contractual due date ('past due exposures'). As at 30 November 2018 the Firm recognised specific provisions related to past due exposures as shown in

Figure 14. The Firm does not make general provisions according to its accounting principles.

In terms of impaired exposures, the Firm assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Where this evidence exists, the assets are re-measured to reflect the present value of expected future cash flows. The difference between the carrying amount and the present value of expected future cash flows is recognised in the profit and loss account for the period. As at 30 November 2018, JIL recognised an impairment of £1.622 million in the year for its equity investment in its subsidiary Jefferies Schweiz AG. In the consolidated accounts of JIL, the impairment is eliminated.

Figure 14: Provisions related to past due exposures

£m Counterparty Type	Past Due Exposures	Bad Debt Provision Charged to P&L During the Period
Institution	0.33	0.28
Corporate	42.04	0.22
Total	42.37	0.50

*Note: Positive/negative bad debt provision denotes a debit/credit to P&L

4.3 MARKET RISK MANAGEMENT

4.3.1 MARKET RISK MANAGEMENT

Market risk may arise from a variety of activities including market-making, trading, underwriting, and investing. The Firm's trading strategies to manage exposure to market risk include diversifying exposures, controlling position size, and establishing economic hedges in related securities or derivatives, although gains and losses can occur for positions that are hedged.

The management and reporting of the Firm's consolidated regulatory exposures and capital requirements against applicable internal thresholds, regulatory limits or available regulatory resources is carried out independently by the Regulatory Controllers Department.

The Market Risk Management team ('Market Risk Management') is a function independent of the revenue-generating units that monitors all trading activities; it reports to the CRO and to global Market Risk Management Heads.

Market Risk Management designs and develops risk management approaches which are subject to ongoing review. Risk exposures are monitored against pre-defined limits on a daily basis as part of the suite of internal risk reports produced by Risk Operations. Market Risk Management also assists Product Control in the Independent Price Verification (IPV) process for valuations where external prices are not readily available.

Market Risk Management uses a wide range of techniques to manage the market risks inherent in our businesses/portfolios, including Value-at-Risk for internal reporting purposes (but not for the calculation of regulatory capital requirements). Market Risk Management recognises the limitations in using VaR as an isolated measurement of market risk. Hence, Market Risk Management uses additional methodologies to complement the VaR calculations to assess, monitor and manage market risk. Other key metrics included in the framework include inventory position and exposure limits on a gross and net basis; scenario analysis and stress tests; Risks-Not-in-VaR reports; sensitivities (including Greeks); exposure concentrations including collateral; aged inventory; amount of Level 3 assets; and performance analysis metrics. The stress testing methodology also has a methodology to assessing illiquid and concentrated positions through the consideration of longer liquidity horizons or haircuts for these positions.

Scenario Analysis and Stress Tests

Stress testing is used to analyse the potential impact of specific events or moderate or extreme market moves on the current portfolio both firm wide and within business segments. Stress scenarios comprise both historical and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in the Firm's 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; changes in the shape of the yield curve and large moves in European markets. In addition, Market Risk Management also performs ad hoc stress tests and develops new scenarios as market conditions dictate. Stress testing is performed and reported at least daily as part of the risk management process.

4.3.2 Market Risk Quantitative Disclosures

Figure 15 shows the components of the consolidated market risk regulatory capital requirements for the Firm as at 30 November 2018.

Figure 15: Market Risk Capital Requirements

Market Risk Capital Requirements As at 30th November 2018 £m	JIL consolidated	JIL solo
Interest Rate Position Risk Requirement	132	132
Equity Position Risk Requirement	18	18
CIU Position Risk Requirement	6	6
Commodity Position Risk Requirement	-	-
Foreign Exchange Position Risk Requirement	4	4
Total Consolidated Market Risk Capital Requirements	**161**	**160**

Notes:

1. The calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements above are those prescribed by the CRR for use by the Firm in its consolidated regulatory risk reporting submitted to the FCA These exposure measures may be materially different from used by the Firm and the Jefferies Group generally for risk management internally and those used for external risk disclosures, including in the Financial Statements and the Jefferies SEC disclosures.
2. The firm has no positions in commodities.

4.3.3 Securitisations

As part of JIL's Fixed Income business, the Firm engages in buying and selling third-party securitisations to support its client franchise. As such JIL is not defined as an originator or a sponsor for regulatory purposes. The Firm is defined as an 'investor' (as per the definition in the CRR).

JIL holds long inventory only in the trading book. There is no activity booked in the non-trading book. The activities are valued and subject to the Jefferies Group's Accounting Policies, as set out in the Jefferies Group 10-K disclosures. The risks associated with this activity are managed under the Credit and Market Risk Management frameworks.

4.3.4 Approach to Calculating Risk Weighted Assets (RWAs)

The Firm uses ratings from Moody's, Fitch and Standard & Poor's for its securitisation positions and calculates its capital requirements under the standardised approach as set out in article 251 of the CRR. Figure 16 to Figure 17 set out the securitisation exposures in the trading book and associated capital requirements broken down by type of exposures and risk weight bands (credit quality steps – 'CQS'). As at 30 November 2018, 48% of JIL's securitisation inventory was in CQS 3 or above. As at 30 November 2018, JIL's re-securitisation positions were not material.

Figure 16: Securitisation Exposures and corresponding Capital Requirement

JIL Consolidated securitisation exposures and corresponding capital requirements As at 30th November 2018 £m			
Underlying credit quality step ("CQS")	**Exposures value / securitisation positions per risk weight band**	**Of which resecuritisations**	**Capital requirements**
CQS1	8	-	0
CQS2	19	-	1
CQS3	15	-	1
CQS4	11	-	3
Other	34	-	34
Total	**88**	**-**	**40**

Figure 17: Securitisation Exposures by Type of Exposure

JIL Securitisation exposures by type As at 30th November 2018 £m			
	Exposure value per Type		
Underlying Type	**Traditional Securitisation**	**Synthetic Securitisation**	**Total**
RMBS	35		35
CMBS	10		10
CDO	0		0
CLO	39		39
Other	4		4
Total	**88**	**-**	**88**

Effective 1 January 2019 a revised regime for calculating regulatory capital requirements for securitisation exposures came into effect. These rules apply immediately to securitisations issued after 1 January 2019. From 1 January 2020, it will also apply to all historic securitisations. The impact of the new rules on the securitisations held by JIL as at 30 November 2018 would not have been material had they been in effect.

4.4 OPERATIONAL RISK MANAGEMENT

The Firm has an Operational Risk Management Policy (ORMF) which has been approved by the Board. This is a key component of the RMF and includes governance; application of common principles and standards; collection and analysis of operational risk events and exposures; proactive operational risk management; and periodic review and analysis of business metrics to identify and recommend controls and process-related enhancements. The framework is supplemented by several policies and controls including:

- Bottom-Up Risk Self-Assessments (RSA) by each Department, aggregated to form the Risk Register;
- Top-Down Risk Control Self-Assessment (RCSA) with controls assurance testing against the assessed risks;
- Event Reporting requirements, detailing the timing and process of reporting;
- Key Indicators (KIs) subject to measurable thresholds reflecting the risk tolerance of the business;
- Ad-hoc risk assessments, triggered by a Board or Senior Management request, on a specific business line, support area, product, process or system; and,
- Consistent operational risk taxonomy for data classification, aggregation and trend analysis.

Each revenue-producing and support department is responsible for implementing the Operational Risk Management Policy; carrying out regular Risk Self-Assessments; and timely reporting and managing their incidents and Key Risk Indicators. A central Operational Risk Management team (ORM) is responsible for the maintenance and oversight of the policy, ensuring its consistent implementation across Jefferies as well as providing the operational risk tools and infrastructure for departments to record, manage and report their operational risk exposures.

Internal Audit is responsible for providing independent, objective assurance on the management of operational risk in each department, audit of key controls, and review of the effectiveness of the Operational Risk Policy.

The Jefferies Operational Risk System (JORS) accommodates all processes and data on the same platform for analysis and reporting.

Capital Requirements Calculation for Operational Risk

The Firm follows the CRR's Basic Indicator Approach for the calculation of the minimum Operational Risk capital requirement under Pillar 1. Strategic Risk Management is responsible for the methodology for assessing the capital requirement as part of ICAAP under Pillar 2A based on modelling a capital calculation by Basel risk category across; (1) Internal Events collected in the Jefferies Operational Risk System (JORS); (2) External Loss Data; and, (3) a Top-Down RCSA of forward looking inherent risk assessment (which considers the design and operating effectiveness of key controls).

4.5 CONDUCT RISK MANAGEMENT

Conduct Risk is recognised by the Board as one of the Firms' Principal Risks. The Board retains overall responsibility for Conduct Risk. The Board has defined the Firm's Conduct Risk Appetite Statement, ensures that Conduct Risk matters are considered when determining strategy, and mandates various policies and procedures to enable the Firm and its staff to fully understand and comply with the regulatory and ethical standards expected of them. Business line management are the first line of defence against Conduct Risk, with Compliance, Human Resources and Operational Risk being the second line, and Internal Audit the third.

Each employee is responsible for his or her own conduct in carrying out their role and to ensure that such conduct is consistent with the ethical values of respect, honesty and integrity. Such conduct includes acting in compliance with all the relevant laws, rules and regulations that impact on the employees' role. The Board has mandated various policies and procedures to enable the Firm and its employees to understand and fully comply with the regulatory and ethical standards expected from them.

4.6 FUNDING AND LIQUIDITY RISK MANAGEMENT

4.6.1 FUNDING AND LIQUIDITY RISK MANAGEMENT FRAMEWORK AND PROCESS

The Firm's main liquidity risks analysed using the Prudential Regulatory Authority's (PRA) categorisation of liquidity risk drivers are rating risk, wholesale secured funding risk, intraday liquidity risk and off-balance sheet liquidity risk. Liquidity risk is managed through the implementation of the Liquidity Risk Management Framework (LRMF): this sets out the limits supporting the liquidity risk appetite statement; identifies the liquidity risks inherent in the business and funding models; and sets out the tools through which those liquidity risks are measured, managed, monitored and controlled including stress testing, early warning indicators, liquid asset buffer management, intra-day liquidity management and funds transfer pricing. Funding and liquidity risk and how it is managed is assessed as part of the Board-approved ILAAP.

More details about the Jefferies Group Liquidity Risk Management Framework and the use of the Jefferies Group stress testing approach can be found in the Jefferies Group 10-K report.

4.6.2 ASSET ENCUMBRANCE

An asset is considered encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any on balance sheet or off-balance sheet transaction from which it cannot be freely withdrawn. An asset is considered unencumbered if it has not been pledged against an existing liability. We categorise unencumbered assets as "available" or "not available": available unencumbered assets are the assets that are readily available for future collateral needs; not available unencumbered assets are the assets that cannot be pledged as collateral (this comprises most of the client receivables, derivative contracts and certain assets that do not meet the collateral requirements).

As an integral aspect of its business model, JIL engages in activities that result in certain assets being encumbered as security for borrowings. Figure 18 to Figure 20 provide a breakdown of the asset encumbrance at the JIL consolidated level using the median of quarter end value of the Firms' financial year in 2018. Figures 18 and 19 provide analyses of the encumbrance of on-balance sheet assets only and do not include off-balance sheet assets received as collateral which are separately disclosed in Figure 20. The Firm does not exceed the FCA's threshold for disclosure of the fair value of collateral received.

Figure 18: Asset Encumbrance Summary

JIL consolidated Asset Encumbrance - 2018				
£m Asset Type	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Equity instruments	68	68	53	53
Debt securities	2056	2056	336	336
Other assets	225		4632	
Total	**2350**	**2124**	**5021**	**389**

* Numbers were calculated based on the median value for each quarter end of the Firm's financial year in 2018.

Figure 19: Breakdown of Encumbered and Unencumbered Assets at Fair Value

Breakdown of Encumbered and Unencumbered Assets - 2018 £m	Encumbered - Fair Value Pledged as Collateral	Unencumbered - Fair Value Available	Unencumbered - Fair Value Not Available	Total Assets
Cash & Other Liquid Assets	-	165	-	165
Equity Instruments	68	53	-	121
Debt Instruments	2,056	336	-	2,392
Derivative and Other Inventories	-	-	526	526
Other Assets	-	-	87	87
Receivables	225	-	1,977	2,202
Fixed Assets	-	-	24	24
Reverse Repo	-	-	1,339	1,339
Stock Borrow	-	-	553	553
Total Assets	**2,350**	**554**	**4,506**	**7,409**

Figure 20: Summary of Encumbered Assets / Collateral Received and Associated Liabilities

Encumbered assets / collateral received and associated liabilities - 2018		
£m	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and
Carrying amount of selected financial liabilities	3,970	5,219

4.6.3 INFORMATION ON IMPORTANCE OF ENCUMBRANCE

The Firm's main source of encumbrance is JIL's use of secured financing to fund inventory for its market-making activities. This funding is predominantly secured on high quality liquid cash securities such as government bonds and main index equities using industry-standard market legal agreements (GMRAs for repo and GMSLAs for stock borrow/loan). These agreements permit the counterparty to realise the security held to recover their funds once the stipulated terms of default are met.

The sources and types of the encumbrance of the Firm's assets have not changed in the last 12 months. The extent varies in accordance with the growth or decline in the value of the market-making inventory.

Jefferies

5 REMUNERATION

The following remuneration disclosures are made in accordance with article 450 of the CRR and the FCA's SYSC[4]19.3A (Remuneration Code, 'the Code') for the financial year ended 30 November 2018 in respect of JIL. These disclosures are made in accordance with the guidance on proportionality; JIL is classified as a Level 3 firm.

5.1 REMUNERATION POLICY AND THE DECISION-MAKING PROCESS

The Firm's business strategy is to provide quality services to Jefferies' clients, to increase revenues, and to provide a return to shareholders and other stakeholders. As such the compensation policies and practices are designed to be flexible to support these objectives in a highly competitive market, improve individual and corporate performance and contribution while managing risk effectively and taking into account relevant conduct issues.

5.1.1 GOVERNANCE

The Board, through the RMF, controls the taking and managing of enterprise wide risks within the RAF. The Risk Oversight Committees provide a robust control framework to manage risk effectively across the businesses whilst allowing for effective challenge, oversight and decision making. Management information is provided to the Board and Committees to assist in assessing issues relating to remuneration policies, practices and appropriate incentives.

The Board has established a Remuneration Committee whose members are the Non-Executive Directors of the JIL Board. The Remuneration Committee meets at least twice a year and is supported by the Remuneration Working Group (RWG), which provides information and guidance to the Remuneration Committee on Remuneration Code issues and practices. The RWG is constituted of representatives from Finance, Legal, Compliance, Risk, and Human Resources. The Remuneration Committee met three times in 2018. During the year, the RWG received advice from Price Waterhouse Coopers (PWC) on the Remuneration policies and practices in the Firm.

The remit of the Remuneration Committee is set out in the Committee's charter. Principally, the Committee is responsible for:

- Annual review and approval of the Remuneration Policy Statement for JIL;
- Annual review of the Firm's policies and practices for remuneration and incentives created by its remuneration system for staff generally and Code Staff *(as defined in section 5.3)*; and,
- Ensuring that the Firm's remuneration policy complies with the Remuneration Code and other legal and regulatory requirements and industry guidance as considered relevant.

5.2 DESIGN CHARACTERISTICS OF THE REMUNERATION SYSTEM

Jefferies rewards employees with fixed and variable remuneration (principally, base salaries and bonuses respectively). Fixed pay is decided by reference to a variety of factors including seniority of the role within the organisation, experience of the person in that role and competitive market data for that role.

As regards to bonuses, Jefferies operates a general discretionary year-end bonus scheme, the purpose of which is to reward and incentivise JIL employees, including Code Staff (see section 5.2.1 below regarding the link between pay and performance). All employees of the Firm are eligible to participate in this scheme; there are no bonus schemes specific to Code Staff only. Year-end performance awards are made from annual bonus pools for the relevant financial year, calculated on a business unit basis as follows.

Jefferies Group employs a combination of "bottom-up" and "top-down" processes to determine the distribution of the discretionary component of the compensation programme for Equities, Fixed Income, Investment Banking, Research and Corporate divisions and ensure that the final compensation pool is aligned with overall Group's financial and non-financial strategic objectives.

The "top down" process assesses the Group's and divisions' performances to allocate a discretionary bonus pool by division. The primary considerations include;

- Forecasts submitted by the divisional heads as part of the "bottom up" process;
- Financial performance of the Group and other relevant financial metrics and the respective contributions of the individual divisions;
- Ensuring all risk factors, including conduct risk, have been appropriately addressed; and,
- Marketplace position on compensation rates and ratios.

[4] FCA's Senior Management Arrangements, Systems and Control Sourcebook

As part of the "bottom up" process the senior management teams of each division consider;

- Divisional compensation on an individual-by-individual basis;
- Incorporates feedback on conduct and other risk areas to ensure that individual employees and divisions are aligned with the Group's strategic goals and core values; and,
- The metrics used for determining bonuses are tailored to be appropriate for the revenue generating model at the level of division and desk.

Compensation for Account Executives in the Wealth Management division differs in that they are paid on a commission basis on the sale of designated Wealth Management products. A proportion of these payments are subject to deferrals and only paid out where there are no adverse conduct issues for the individual during the performance year to which the commission relates.
Jefferies will consider offering guarantee payments and/or buying out deferred variable remuneration for prospective hires where the hire is of particular importance to the Firm for achieving its business objectives. Guarantees and buy-outs are subject to senior management approval.

Depending on the level of an employee's total compensation, variable remuneration may either be paid in unrestricted or restricted cash (guaranteed or buy-out awards are always restricted). Where awards are restricted they are subject to vesting and clawback terms. The Firm monitors the ratio of fixed to variable compensation for Code Staff to ensure adherence with the General Requirement of the Code.

Jefferies considers that its remuneration practices are appropriate, taking into account the size, internal organisation and the nature, scope and complexity of the activities of the Jefferies Group, and:

- Align with Jefferies's business strategy (stated above); and,
- Encourage behaviour that supports long term financial soundness and risk management framework.

5.2.1 Link between Pay and Performance

JIL produces an annual Business and Strategy Plan ('Plan') which is reviewed and approved by the Board in January each year. The Plan incorporates performance targets, budgets and remuneration costs for each of the businesses which are regularly reviewed by the Board against the Plan. In the event of the Firm's performance being weak, the bonus pool and any distributions will be reduced accordingly at the discretion of the senior management of the relevant business unit.

The discretionary nature of the bonus scheme enables management to review individual employee performance against financial and non-financial measures and to take appropriate action to reduce or otherwise extinguish any entitlement to bonus on the grounds of failure to comply with risk, conduct and/or compliance policies even where performance against financial targets would otherwise have led to a bonus being awarded.

When determining employee performance awards, the factors considered include, but are not limited to:

- An employee's performance during the year, against financial and non-financial metrics, with specific attention to stand-out performance, active contribution and adherence to expected risk, conduct and compliance requirements;
- Performance and profitability of the business unit, the relevant legal entity, and the wider Jefferies group;
- Overall contribution of the individual to the business unit performance;
- Importance of the sector / business unit and the need to retain the individual; and,
- Competitive market data and performance of the financial markets in general.

5.2.2 Vesting

The performance awards are announced and paid in the fiscal quarter immediately following the end of the financial year to which the bonus relates, provided the individual is a Jefferies' employee on the date that the award is made and is not under notice, whether given by Jefferies or the employee, to terminate their employment. Further, individuals will not be eligible to receive bonus awards where they are suspended or under investigation for conduct that could result in termination for misconduct.

Jefferies' current practice is to pay end-of-year performance bonuses in cash up-front. The vesting periods applicable to 2018 restricted awards range between one and four years to encourage employees to take a long-term perspective. Using its discretion under the proportionality principle, the Firm does not disclose information on vesting remuneration.

5.3 AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION

Figure 21 presents the aggregate quantitative remuneration by business area for Code Staff in the Firm for the financial year ended 30 November 2018. Code Staff are broken down into:

i. Senior Management: includes all employees who are registered with the FCA as performing Significant Influence Functions (SIFs) for the entities in scope, and all employees who (whether or not a SIF) have responsibility for the management and supervision of a significant business line or who head a business line that has a material impact on the Firm's risk profile; and,

ii. Other members of staff: includes all other employees whose professional activities could have a material impact on the Firm's risk profile.

Figure 21 Aggregate Remuneration for Code Staff

Aggregate Remuneration 2018 - Code Staff £m **Business Area**	
Capital Markets	105
Asset Management	8
Corporate	7
Total staff payout	**119**

5.4 AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION FOR CODE STAFF

Figure 22: Breakdown of Fixed and Variable Remuneration for Senior Managers and Other members of staff

£m	Senior Management	Other Members of Staff	Total for Code Staff
Fixed Remuneration	6	27	32
Variable Remuneration	11	76	87
of which Cash	11	76	87
of which Shares	-	-	-
of which Share-linked instruments	-	-	-
of which Other	-	-	-
Number of Staff	**21**	**121**	**142**

Note: No remuneration in non cash equivalents (e.g. shares)

Figure 23: Breakdown of Sign-On and Severance Payments during the Year

New Sign-on and Severance Payments made during the financial year 2016 £m	**Senior Management**	**Other Members of Staff**
New Sign-On Bonuses		15
Number of Staff	**0**	**20**
Severance Payments		1
Number of Staff	**2**	**10**

The highest severance amount reward to a single person (GBP)		274,364

Figure 24: Staff Remuneration by Value

Number of Staff Remunerated Euro 1 million or more	Senior Management	Other members of staff	Total
€1 million to 1.49 million	1	15	16
€1.5 million to 1.99 million	1	8	9
€2 million to 2.49 million	2	2	4
€2.5 million to 2.99 million	1	2	3
€3 million to 3.49 million	1	1	2
€3.5 million to 3.99 million	-	2	2
€4 million to 4.49 million	-	1	1
€4.5 million to 4.99 million	-	1	1
Total number of staff	**6**	**32**	**38**

APPENDIX 1: CAPITAL INSTRUMENTS' MAIN FEATURES

As at 30 November 2018

Capital instruments main features						
1	Issuer	Jefferies International Ltd.	Jefferies International Ltd.	Jefferies International Ltd.	Jefferies International Ltd.	Jefferies International Ltd.
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	N/A	N/A	N/A	N/A
3	Governing law(s) of the instrument	English Law	English Law	English Law	English Law	English Law
Regulatory treatment						
4	Transitional CRR rules	N/A	N/A	N/A	N/A	N/A
5	Post-transitional CRR rules	CET1	T2	T2	T2	T2
6	Eligible at solo/(sub-)consolidated/ solo&(sub-)consolidated	Solo	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary share	Subordinated loan notes	Subordinated loan notes	Subordinated loan	Subordinated loan notes
8	Amount recognised in regulatory capital (in millions)	£422	£110	£20	£59	£37
9	Nominal amount of instrument	£422	$140m (£112m)	$25m (£20m)	$75m (£60m)	$47.5m (£38m)
9a	Issue price	N/A	$140m (£112m)	$25m (£20m)	$75m (£60m)	$47.5m (£38m)
9b	Redemption price	N/A	$140m (£112m)	$25m (£20m)	$75m (£60m)	$47.5m (£38m)
10	Accounting classification	Shareholders' equity	Liability- Amortised cost	Liability- Amortised cost	Liability- Amortised cost	Liability- Amortised cost
11	Original date of issuance	N/A	25/04/2013	14 December 2015	14-Dec-15	21/11/2016
12	Perpetual or dated	N/A	Dated	Dated	Dated	Dated
13	Original maturity date	N/A	30-Apr-33	31-May-34	31-Dec-30	30-Nov-36
14	Issuer call subject to prior supervisory approval	N/A	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A	N/A
Coupons / dividends						
17	Fixed or floating dividend/coupon	N/A	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related index	N/A	7.50%	7.50%	7.50%	7.50%
19	Existence of a dividend stopper	No	N/A	N/A	N/A	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	no discretion	no discretion	no discretion	no discretion
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	no discretion	no discretion	no discretion	no discretion
21	Existence of step up or other incentive to redeem	N/A	No	No	No	No
22	Noncumulative or cumulative	N/A	Non cumulative	Non cumulative	Non cumulative	Non cumulative
23	Convertible or non-convertible	N/A	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A	N/A	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	No	No	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A	N/A	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately s	N/A	Non-Subordinated Creditors	Non-Subordinated Creditors	Non-Subordinated Creditors	Non-Subordinated Creditors
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

APPENDIX 2: OWN FUNDS

	Own Funds	JIL Consolidated 30th November 2018 (£m)	JIL Solo 30th November 2018 (£m)
Common Equity Tier 1 (CET 1) Capital: insturments and reserves			
1	Capital instruments and the related share premium accounts	483.8	483.8
	of which: ordinary shares	483.8	483.8
2	Retained earnings	71.2	71.2
3	Accumulated other comprehensive income (and other reserves)	101.0	101.7
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	655.9	656.7
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(6.1)	(6.1)
8	Intangible assets (net of related tax liability) (negative amount)	(3.2)	(3.2)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(5.4)	(5.4)
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(1.7)	(1.9)
25a	Losses for the current financial year (negative amount)	(6.0)	(10.4)
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(22.4)	(27.0)
29	Common Equity Tier 1 (CET1) capital	633.6	629.6
Additional Tier 1 (AT1) capital: instruments			
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	-
45	Tier 1 capital (T1 = CET1 + AT1)	633.6	629.6
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	225.6	225.6
51	Tier 2 (T2) capital before regulatory adjustments	225.6	225.6
Tier 2 (T2) capital: regulatory adjustments			
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	(0.6)	(0.7)
57	Total regulatory adjustments to Tier 2 (T2) capital	(0.6)	(0.7)
58	Tier 2 (T2) capital	224.9	224.8
59	Total capital (TC = T1 + T2)	858.5	854.5
60.0	Total risk weighted assets	3,231.5	3,205.1
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	19.6%	19.6%
62	Tier 1 (as a percentage of total risk exposure amount)	19.6%	19.6%
63	Total capital (as a percentage of total risk exposure amount)	26.6%	26.7%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure	6.6%	6.6%
65	of which: capital conservation buffer requirement	1.875%	1.875%
66	of which: countercyclical buffer requirement	0.2%	0.2%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	15.1%	15.1%
Amounts below the thresholds for deduction (before risk weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	63.5	63.2
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	8.9	8.9

APPENDIX 3: LEVERAGE

CRR Leverage Ratio – Disclosure Template

Reference date	**30 November 2018**
Entity name	**Jefferies International Limited**
Level of application	**Consolidated**

Table LRSum: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

		Applicable Amounts
1	Total assets as per published financial statements	The firm does not publish financial statements at the level of consolidation presented in the Pillar 3 disclosures. Accordingly, under Article 4 of the Implementing Technical Standards on disclosure of the Leverage Ratio this template is not completed.
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	
4	Adjustments for derivative financial instruments	
5	Adjustments for securities financing transactions "SFTs"	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	
7	Other adjustments	
8	**Total leverage ratio exposure**	

Table LRCom: Leverage Ratio Common Disclosure

Table LRCom: Leverage ratio common disclosure (£m)		
		CRR leverage ratio exposures All Figures in £m
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	4,999
2	(Asset amounts deducted in determining Tier 1 capital)	(16)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	4,983
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	334
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	303
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	637
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	4,074
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(1,643)
14	Counterparty credit risk exposure for SFT assets	167
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	2,598

£mm		
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	
18	(Adjustments for conversion to credit equivalent amounts)	
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	0
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	**Tier 1 capital**	634
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	8,218
	Leverage ratio	
22	**Leverage ratio**	7.71%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	n/a
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
£m		**CRR leverage ratio exposures**
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	4,999
EU-2	Trading book exposures	4,865
EU-3	Banking book exposures, of which:	134
EU-4	Covered bonds	0
EU-5	Exposures treated as sovereigns	9
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0
EU-7	Institutions	9
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporate	18
EU-11	Exposures in default	0
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	98

Table LRQua: Free format text boxes for disclosure on qualitative items

Table LRQua: Free format text boxes for disclosure on qualitative items		
1	Description of the processes used to manage the risk of excessive leverage	The risk of excessive leverage in Jefferies International Limited, as an investment firm, is largely managed through control and monitoring of balance sheet exposures, since the movement of Tier 1 capital is relatively inflexible on a short term basis. The leverage ratio and its components are included in periodic management information and are considered as part of the firm's financial planning process.
2	Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	Although the composition of the group has changed during 2018 due to the change in ownership of JIL and the acquisition of LIML the leverage ratio has increased between 2017 and 2018. This was driven by an increase in CET1 capital following the issuance of new equity during the year. The increase in CET1 more than offset the increase in the leverage ratio exposure measure which was driven by an increase in holdings of government bonds.

APPENDIX 4: COUNTERCYCLICAL BUFFER

Level of application	Consolidated

Table 1 - Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

£'000

Row		General credit exposures	Trading book exposures	Securitisation exposures	Own funds requirements				Own funds requirements weights	Countercyclical capital buffer rate
		Exposure value for SA	Sum of long and short positions of trading book exposures for SA	Exposure value for SA	of which: General credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
		010	030	050	070	080	090	100	110	120
010	Breakdown by Country:									
	United Kingdom	137,422	128,306	0	11,033	12,836	0	23,870	0.213%	1.000%
	Sweden	0	5,015	0	0	276	0	276	0.005%	2.000%
	Hong Kong	3,365	7,516	0	73	506	0	579	0.010%	1.875%
	Norway	0	6,713	0	0	575	0	575	0.010%	2.000%
	Czech Republic	0	1	0	0	0	0	0	0.000%	1.000%
	Other (countries with 0% buffer rate)	70,484	746,406	0	1,325	83,597	0	84,922		
020	**Total**	211,271	893,957	0	12,432	97,790	0	110,222	0.238%	

Table 2 - Amount of institution-specific countercyclical capital buffer

Row		Column (£'000)
		010
010	Total risk exposure amount	3,231,488
020	Institution specific countercyclical capital buffer rate	0.238%
030	Institution specific countercyclical capital buffer requirement	7,707

Jefferies does not use internal models hence columns 040 and 060 are not applicable and have been omitted from the disclosure template.

GLOSSARY

ALCO	Asset and Liability Management Committee
BaFin	Federal Financial Supervisory Authority in Germany
BAU	Business as Usual
Board	The JIL Board
CCP	Central Counterparty
CET1	Common Equity Tier 1
CLT	Credit Limit Type
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
GMRA	Global Master Repurchase Agreement
GMSLA	Global Master Securities Lending Agreement
ICAAP	Internal Capital Adequacy Assessment Process
ICG	Individual Capital Guidance
ILAA	Individual Liquidity Adequacy Assessment
ISDA	International Swaps and Derivatives Association
Jefferies	Jefferies Group LLC and Subsidiaries
JIHL	Jefferies International (Holdings) Limited
JIL	Jefferies International Limited
JORS	Jefferies Operational Risk System
KRI	Key Risk Indicator
LCR	Liquidity Coverage Ratio
LIML	Leucadia Investment Management Limited
LRMF	Liquidity Risk Management Framework
MI	Management Information
MTA	Minimum Transfer Amount
ORM	Operational Risk Management
ORMF	Operational Risk Management Framework
PE	Potential Exposure
PRA	Prudential Regulatory Authority
RAF	Risk Appetite Framework
RAS	Risk Appetite Statement
Report	Pillar 3 Disclosures Report
RMF	Risk Management Framework
RWA	Risk Weighted Assets
RWG	Remuneration Working Group
S&P	Standard and Poor's
SEC	Securities and Exchanges Commission
SIF	Significant Influence Function
SREP	Supervisory Review and Evaluation Process
SRM	Strategic Risk Management
WWR	Wrong Way Risk