PILLAR 3 REGULATORY DISCLOSURES – AS AT 30 NOVEMBER 2013

JEFFERIES INTERNATIONAL (HOLDINGS) LIMITED

Jefferies

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1 OVERVIEW AND BASIS OF PREPARATION OF THE PILLAR 3 DISCLOSURES

1.1 BUSINESS BACKGROUND

Jefferies operates as a global full service, integrated securities and investment banking group offering its clients a wide range of services in two business segments, Capital Markets and Asset Management. Capital Markets includes securities, commodities, futures and foreign exchange trading and investment banking activities, which provide the research, sales, trading, origination and advisory effort, covering various equity, fixed income and commodity products and services. Asset Management provides investment management services to various private investment funds, separate accounts and mutual funds. There have not been any significant changes in our principal activities in the period under review.

Jefferies operates in the United Kingdom ('UK') through its two main broker-dealers, Jefferies International Limited ('JIL') and Jefferies Bache Limited ('JBL') along with their parent-holding company Jefferies International (Holdings) Limited ('JIHL') (together the 'JIHL Group' for regulatory and accounting consolidation purposes). JIHL's ultimate parent undertaking and controlling entity is Jefferies Group, LLC ('Jefferies'), which on 1 March 2013 became, through a series of merger transactions, a wholly owned subsidiary of Leucadia National Corporation and was converted into a limited liability company (and renamed from Jefferies Group, Inc.).

JIHL and its subsidiaries are incorporated in the UK and are an integrated part of Jefferies. From 1 April 2013, JIHL and its subsidiaries are regulated by the Financial Conduct Authority ('FCA') and have been subject on a consolidated basis to the relevant regulatory capital requirements set out in the FCA's handbooks. Prior to that, JIHL was regulated by the FCA's predecessor, the Financial Services Authority ('FSA').

1.2 BASEL ACCORD AND PURPOSE OF THE PILLAR 3 DISCLOSURES

The Basel framework, implemented in the European Union ('EU') via the Capital Requirements Directive ('CRD'), sets out minimum capital requirement standards for firms to ensure they are adequately capitalised against the risks they face and be 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, market and operational risk;
- 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 these disclosures is to set out how Jefferies applies the Basel framework in the UK to meet the requirements of Pillar 3. It focuses on regulatory measures of risk exposure and capital requirements for principal risks under Pillar 1 for market, credit, counterparty, and operational risk.

As of 1 January 2014, JIHL and its subsidiaries have implemented the Basel 3 framework as it applies to the JIHL Group. However, as these disclosures relate to the 2012 - 2013 financial period, they have been prepared according to section 11 of the FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms ('BIPRU') requirements to which the UK entities were required to comply under the Basel 2 framework.

1.3 SCOPE OF THE PILLAR 3 DISCLOSURES

The 2013 disclosures relate solely to the consolidated activities and position of JIHL and its material subsidiaries as at 30 November 2013. The FCA requires significant subsidiaries to make certain disclosures according to BIPRU 11 on a standalone or sub-consolidated basis. As at 30 November 2013, the JIHL Group included the following significant subsidiaries, both of which are incorporated in the UK and are subject by the FCA to regulatory supervision and minimum capital standards both on a standalone and consolidated basis:

- Jefferies International Limited ('JIL'); and
- Jefferies Bache Limited ('JBL').

JIL and JBL's aggregated financial results are material to the JIHL Group. The consolidated results and aggregated risk profile of JIL and JBL are materially the same as that of the JIHL Group. In addition, risk management policies, procedures and standards are applied consistently to the two entities and to the JIHL Group as a whole. As such, the capital and risk management disclosures for JIL and JBL are included in this document.

These disclosures are published for the JIHL Group for the year ended 30 November 2013. The consolidation basis used is the same as that used for reporting regulatory capital adequacy to the FCA. This scope of consolidation is materially the same as that used for statutory accounting reporting for JIHL Group's activities.

Jefferies Investment Management Limited ('JIML'), which was a subsidiary of JIHL, was sold to Leucadia Investment Management ('LAM') during 2013 and renamed to Leucadia Investment Management Limited ('LIML') and is now out of the JIHL Group. The purpose of the restructure was to consolidate all the investment management businesses of the wider Leucadia Group into a single organisational structure to optimise management, control and governance arrangements.

1.4 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 document are those prescribed by the FCA for use by the JIHL Group in its consolidated regulatory risk reporting submitted to the FCA. In general, the measurement of exposures for regulatory risk reporting purposes is based on a supervisory formula method. 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 JIHL Group's financial statements and the Jefferies public disclosures. This is one of the reasons why exposure values in the Pillar 3 report will differ from asset values as reported in the Annual Report. Where this document discloses credit exposures or capital requirements, Jefferies has followed the scope and application of its Pillar 1 capital adequacy calculations.

The basis of consolidation used for JIHL Group 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 with further adjustments made where required to comply with the requirements of the FCA Handbook section GENPRU[1] 1.3, implemented within Jefferies through the Group Independent Price Verification ('IPV') policy and the Fair Value Adjustments ('FVA') Policy. Full details of the JIHL Group's accounting policies are set out in the JIHL Group's financial statements (which should be read in conjunction with this document).

The JIHL Group sets out its approach to valuation and impairment in the notes to its financial statements. As at 30 November 2013 the JIHL Group did not have any material valuation adjustments or impairments. This is a reflection of the vanilla nature of our product portfolio, the proven creditworthiness of our clients and counterparties, and the low risk profile of our trading portfolio.

This document does not constitute a set of financial statements. Financial statements for the JIHL Group are prepared in accordance with applicable UK company law and accounting standards.

1.5 PILLAR 3 DISCLOSURES POLICY, VALIDATION AND SIGN-OFF

The JIHL Group has a policy in place to assess the appropriateness of its Pillar 3 disclosures, including their verification and frequency of review and publication. The policy is part of our Capital Management Framework.

The Pillar 3 policy, in line with BIPRU requirements, also requires that our external disclosures present the JIHL Group's risk profile comprehensively, subject to the information being material and not proprietary or confidential.

The 2013 disclosures were validated and approved internally by senior management in line with our Pillar 3 Disclosures policy. The internal validation process included data attestation by Finance, Risk and Regulatory Reporting senior management, and final approval by Board members to ensure the disclosures comprehensively represent JIHL Group's risk profile. Consistency checks and reconciliations are performed within our Finance function to ensure consistency in disclosures.

1.6 OTHER DISCLOSURES

Jefferies is committed to providing transparency of its capital resources and risk management practices to provide better information to a wide range of users while minimising duplication. As such, complementary disclosures to this document may be found in different reports.

Whilst the JIHL Group is a material sub-group of the Jefferies Group, the information disclosed in this document is not necessarily indicative of the Jefferies Group as a whole, nor is it comprehensively representative of the Jefferies Group's activities in any particular region. Investors, stakeholders, or other users seeking information on

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[1] General Prudential Sourcebook

capital adequacy, risk exposures and risk management policies should consult the public disclosures of Jefferies Group.

Where the Pillar 3 disclosures focus on regulatory capital information and risk management, other disclosures include Jefferies public disclosures and financial statements.

- *US Securities and Exchange Commission ('SEC') disclosures:* Jefferies is required by the US SEC to file public disclosures at a consolidated group level, including annual reports (on Form 10-K), quarterly reports (on Form 10-Q) and current reports (on Form 8-K). Some of the information in these disclosures is applicable to the JIHL Group. These disclosures can be found at:

  http://investor-relations.jefferies.com/CorporateProfile.aspx?iid=102756

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

  http://www.jefferies.com/cositemgr.pl/html/InvestorRelations

- *Country by country reporting:* As of 1 January 2014, entities in the JIHL Group have to comply with country by country reporting ('CBCR') requirements under article 89 of CRD4. The regulations require each institution to publicly disclose annually on a consolidated basis, by country where they have an establishment, certain information on their activities according to geographical location. The table in Appendix A provides this information for JIL and JBL as at 30 November 2013.

2 REGULATORY CAPITAL MANAGEMENT APPROACH

2.1 CAPITAL MANAGEMENT FRAMEWORK OVERVIEW

Capital Management

The management of capital risk is one of our key objectives in line with JIHL Group's overall risk appetite; this is documented in our Risk Management Framework ('RMF'). As such the capital management strategy is driven by the strategic objectives of the JIHL Group, the business plans and the Board-approved risk appetite. Our capital management approach is forward-looking and risk-based; capital forecasts are evaluated both short-term (less than 3 months) as well as medium term (up to 3 years) with the following objectives:

- To support the Board-approved business plans and strategic objectives;
- To mitigate potential risk that JIHL and its subsidiaries, without material franchise or business impact, remain adequately capitalised and are able to withstand losses during periods of stressed conditions.

JIHL Group's actual levels of capital, total assets, and financial leverage are a function of a number of factors, including asset composition, business initiatives and opportunities, regulatory requirements and cost and availability of both long term and short term funding.

The size and composition of JIHL's capital base are determined by a number of factors including the minimum regulatory capital requirements as well as our capital planning methodologies and processes, which include our Internal Capital Adequacy Assessment Process ('ICAAP'). They also may be impacted by other factors such as rating agency guidelines for Jefferies, the business environment, future business plans, the financial markets, as well as stress testing analysis and results (which assess the potential future losses due to adverse changes in JIHL's business and market environment), as well as regulatory changes such as recent implementation of Basel 3.

Risk identification and assessment

JIHL Group's consolidated regulatory capital requirements for each risk factor as at 30 November 2013 are generally calculated on the basis of the most conservative approaches set out in the FCA Handbook:

- The Market Risk Requirement is calculated using the FCA's Standardised Approach with the sole exceptions of the requirement for the JIL equity options book and the JBL base metals options book for which the FCA have given permission to apply a CAD1 approach.
- The Credit, Counterparty and Concentration Risk Requirements are calculated using the FCA's Standardised Approach.
- The Operational Risk Requirement is calculated using the FCA's Basic Indicator Approach.

The JIHL Group's capital management policy is to manage its overall solvency ratio around a target materially in excess of its minimum regulatory capital requirement. This policy is a reflection of a number of factors – our business strategy, risk appetite and the market environment in which we operate.

JIHL Group's on-going compliance with our 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.

Transferability of capital

There are no material practical or legal impediments to the transfer of capital between JIHL and its parent company, Jefferies Group, LLC. There are also no material practical or legal impediments to the transfer of capital within the JIHL Group.

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 Group against applicable internal thresholds, regulatory limits or available regulatory resources.

Governance

Within the JIHL Group, capital management and planning are overseen by various executive and Board Committees reporting up to the JIL and JBL Boards, including the Operating Committee, the Balance Sheet & Liquidity Management Committee and the Board Audit Committee. 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.

Application of the Pillar 2 framework

As part of our capital planning process, Jefferies ensures that the JIHL Group at consolidated level and its subsidiaries on a standalone basis have adequate capital to support all material risks inherent in our business activities and market environment. The framework is based on calculating and holding additional capital that may be required under stressed conditions in line with regulatory requirements. 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 JIHL Group entities have been agreed with the FCA through the FCA's Supervisory Review and Evaluation Process ('SREP') which sets our Individual Capital Guidance ('ICG'). The level of Pillar 2 capital held by JIL and JBL reflects the risks inherent in our business models and products traded as well as our governance, control and risk management infrastructure. JIL and JBL's assessments of their Pillar 2 requirements are then reviewed by the FCA and the final ICG levels agreed. The minimum regulatory capital requirement for JIL and JBL is the sum of the respective Pillar 1 and 2 requirements for each entity. The JIHL Group holds consolidated regulatory capital resources in excess of the consolidated regulatory capital requirements of JIL and JBL.

The JIHL Group ICAAP:

- Identifies and sets out our Principal Risks as accepted by the Boards;
- Assesses current and future capital adequacy under normal and stressed operating environments over the capital planning horizon and in line with our stress testing framework; and
- Assesses internal capital adequacy thresholds relating directly to the Board-approved risk appetite and in line with the capital management framework.

2.2 REGULATORY CAPITAL RESOURCES

The table below shows the financial resources for the JIHL Group, JIL and JBL, as at 30 November 2013 based upon the audited financial statements.

Regulatory Capital Resources As at 30 November 2013 (GBP in millions)	JIHL Group *GBPm*	JIL *GBPm*	JBL *GBPm*
Tier 1 capital			
Core Tier 1 (share capital and reserves)	371	313	167
Other Tier 1 capital			
	371	313	167
Less Deductions from Tier 1 capital			
Total Tier 1 capital after deductions	**371**	**313**	**167**
Tier 2 capital			
Upper Tier 2 capital			2
Lower Tier 2 capital	343	214	15
	343	214	17
Less Deductions from Tier 2 capital	(157)	(57)	0
Total Tier 2 capital after deductions	**186**	**157**	**17**
Tier 1 and Tier 2 capital			
Tier 1 and Tier 2 capital	557	470	184
Less Deductions from Tier 1 and Tier 2 capital	0	(3)	0
Total Tier 1 and Tier 2 capital after deductions	**557**	**467**	**184**
Tier 3 capital			
Short term subordinated debt			
Current year Earnings	(6)	16	(10)
GBPm Tier 2 excess	157	57	0
Total Tier 3 capital	151	73	(10)
Total capital before deductions	708	540	174
Less Deductions from total capital			
Total Regulatory Capital Resources per FCA year-end return	**708**	**540**	**174**

2.3 REGULATORY CAPITAL REQUIREMENTS

The table below summarises the capital requirements for the JIHL Group, JIL and JBL per risk type as at 30 November 2013.

Regulatory Capital Requirements **As at 30 November 2013** **(GBP in millions)**	**JIHL Group** ***GBPm***	**JIL** ***GBPm***	**JBL** ***GBPm***
Market Risk Requirement	176	169	7
Credit Risk Requirement	21	15	5
Counterparty Risk Requirement	56	15	41
Concentration Risk Requirement	12	0	12
Operational Risk Requirement	48	39	8
Total Regulatory Capital Requirements	**312**	**237**	**73**

3 APPROACH TO RISK MANAGEMENT

3.1 GOVERNANCE AND RISK MANAGEMENT FRAMEWORK

Risk within the JIHL Group is managed in accordance with the Jefferies global risk management framework. Further details of Jefferies risk management objectives, governance, policies and procedures are presented in the 2013 year-end Jefferies annual report ('Form 10-K') included in the SEC disclosures.

The Boards of Directors are ultimately responsible for the governance and oversight of risk management, including the risk management framework ('RMF'). This 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 Boards are also responsible for ensuring adequate systems and controls are maintained to enable risks to be appropriately identified, measured, managed and monitored.

Operationally, risk management is performed by the EMEA Risk Management Department ('Risk Management'), operating at the legal entity levels. This includes the monitoring, management and reporting of risk exposures against applicable internal thresholds. Risk Management consists of five teams, Market and Liquidity Risk, Credit Risk, Operational Risk, Model Validation, and Risk Control; the heads of the teams report to the EMEA Chief Risk Officer ('CRO').

Risk Committee Framework

The Boards require that Senior Management including the executive members of the Boards, 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.

Through the RMF, the Boards have set up a hierarchy of Board and Management Committees and Sub-Committees, collectively the 'Risk Oversight Committees', with the objective of ensuring an effective risk governance structure. This arrangement enables the Boards to:

- interact effectively with the executive team which is charged to deliver JIHL Group's agreed strategy whilst effectively managing our 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.

RMF Policy Framework

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

The Risk Appetite Statements ('RASs') include quantitative limits that constrain activity and behaviour often at the extremes (for example they limit the maximum amount of market risk and liquidity risk that we may run). Through their challenge and approval of risk policies, the Boards reach further into everyday activities and behaviours in business-as-usual scenarios.

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

We make use of various policies in the risk management process including the:

- Market Risk Management Policy – This policy sets out roles, responsibilities, processes and escalation procedures regarding market risk management.

[2] Individual Liquidity Adequacy Assessment process

- Independent Price Verification Policy – This policy sets out roles, responsibilities, processes and escalation procedures regarding independent price verification for securities and other financial instruments.
- Operational Risk Framework Policy – This policy sets out roles, responsibilities, processes and escalation procedures regarding operational risk management.
- Credit Risk Management Policies – This policy provides standards and controls for credit risk-taking throughout our global business activities. This policy also governs credit limit methodology and counterparty review.
- Liquidity Risk Management Policies – These policies (including the ILAA process, and the Contingency Funding Plan ('CFP')) set out roles, responsibilities, processes, methodologies and escalation procedures for liquidity risk management. They also includes the risk appetite for liquidity risk management, supported by all relevant controls including limits, thresholds, indicators and triggers to ensure that JIHL operates within the stated risk tolerance at all times.
- Model Validation Policy - This policy outlines the process for the validation of pricing valuation models.

Limit framework

The JIHL Group applies a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limit reflects our 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 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 MARKET RISK MANAGEMENT, METHODOLOGIES AND QUANTITATIVE DISCLOSURES

Market risk is the risk of loss from adverse changes in instrument values and/or earnings fluctuations arising from changes in market factors such as interest rates, exchange rates, equity and commodity prices.

The market risk infrastructure and processes are common across the Jefferies Group, thus reflecting the integrated nature of the market risk management function. Operationally, market risk management is performed at the level of the JIL and JBL legal entities. The management and reporting of JIHL'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 group.

The EMEA Market Risk Management function ('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 tailored to the specific risk profiles in their various business activities and these approaches are subject to ongoing review. Risk exposures are monitored daily against pre-defined limits. In addition, risk reports are generated and monitored every day including VaR, stress tests and sensitivity reports. Key risks, overall level of risk and significant changes in risk profile are reported to senior management. Market Risk Management also assists Product Control in the 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 VaR for internal reporting purposes. VaR is a measure of potential change in value of a position given a specified time horizon (e.g. 1 day) and confidence level (e.g. 95%, which implies that there is only an estimated 5% probability that a one-day loss will exceed the calculated VaR).

Key metrics included in the framework include inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value at Risk ('VaR'), sensitivities (Greeks), and exposure concentrations including collateral, aged inventory, amount of Level 3 assets, counterparty exposure, leverage, cash capital, and performance analysis metrics.

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 including exposure limits, sensitivity limits, stress testing and scenario analysis.

Hedging and Risk Mitigation

Our risk management policies and strategies aim at mitigating risks inherent in our business and trading activities including through hedging. Our policies include:

- All hedging activity takes place within the current trader mandates, issued and maintained by Market Risk Management, independent of the risk-taking units.
- Soft limits for regulatory large exposures monitoring. Any exposure above the set thresholds would be mitigated through protection cover, although we have successfully managed to keep this to a minimum.
- Currency exposure has to be mitigated subject to the Jefferies Currency Management Policy.

Scenario analysis and stress tests

We use stress testing to analyze the potential impact of specific events or moderate or extreme market moves on our 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 our 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, we also perform ad hoc stress tests and add new scenarios as market conditions dictate. Unlike our VaR, which measures potential losses within a given confidence interval, stress scenarios do not have an associated implied probability; rather, stress testing is used to estimate the potential loss from market moves that tend to be larger than those embedded in the VaR calculation.

Stress testing is performed and reported at least daily as part of the risk management process. Stress testing is used to assess our aggregate risk position as well as for limit setting and risk/reward analysis.

Market Risk Exposure to the Sovereign Debt, Corporate and Financial Securities of Greece, Ireland, Italy, Portugal and Spain

JIHL Group's net exposure to sovereign debt of Greece, Ireland, Italy, Portugal, and Spain (before economic derivative hedges) was net long $120.3m at 30 November 2013.

More information at the Jefferies Group consolidated level can be found in the SEC 10-K report. This report includes detailed tables reflecting not only our exposure to the sovereign debt of Greece, Ireland, Italy, Portugal, and Spain at 30 November 2013 but also the exposure to the securities of corporations, financial institutions and mortgage-backed securities collateralized by assets domiciled in these countries. The information is presented in a manner consistent with how management views and monitors these exposures as part of the Jefferies risk management framework.

The issuer exposure to these European countries arises primarily in the context of our market making activities and our role as a dealer in the debt securities of these countries. Accordingly, the issuer risk arises due to holding securities as long and short inventory, which does not carry counterparty credit exposure. Long and short financial instruments are offset against each other for determining net exposure although they do not represent identical offsetting positions of the same debt security. Components of risk embedded in the securities will generally offset, however, basis risk due to duration and the specific issuer may still exist. Economic hedges as represented by the notional amounts of the derivative contracts may not be perfect offsets for the risk represented by the net fair value of the debt securities. Additional information relating to the derivative contracts, including the fair value of the derivative positions, is included in the 10-K report.

Market Risk Regulatory Capital Requirements

The table below shows the components of the consolidated market risk regulatory capital requirements for the JIHL Group as at 30 November 2013.

Market Risk Capital Requirements			
As at 30 November 2013	**JIHL**	**JIL**	**JBL**
(GBP in millions)	***GBPm***	***GBPm***	***GBPm***
Interest Rate Position Risk Requirement	140.4	140.4	0.0
Equity Position Risk Requirement	16.9	16.9	0.0
Option Position Risk Requirement	2.5	2.5	0.0
CIU Position Risk Requirement	2.5	2.5	0.0
Commodity Position Risk Requirement	5.4	0	5.4
Foreign Exchange Position Risk Requirement	7.9	6.2	1.7
Total Consolidated Market Risk Capital Requirements	**175.6**	**168.5**	**7.1**

Notes:

The calculation methodologies underlying the measurement of the risk exposures and risk exposure requirements above are those prescribed by the FCA for use by the JIHL Group in its consolidated regulatory risk reporting submitted to the FCA. In general, the measurement of exposures for regulatory risk reporting purposes is based on notional with prescribed haircuts. Therefore, these exposure measures may be materially different from those based on up-to-date market pricing used by the JIHL Group and the Jefferies Group generally for risk management internally and those used for external risk disclosures, including in the JIHL Group's Financial Statements and the JGI SEC disclosures referred to above.

3.3 CREDIT RISK MANAGEMENT, METHODOLOGIES AND QUANTITATIVE DISCLOSURES

Credit risk is the risk of loss due to adverse changes in the JIHL Group's clients' and counterparties' creditworthiness, or their inability or unwillingness to meet their financial obligations under the terms and conditions of a financial contract as and when they fall due. We are exposed to credit risk as trading counterparty to other broker-dealers and customers, as a direct lender and through extending loan commitments, as a holder of securities and as a member of exchanges and clearing organizations.

Credit risk is a key component of the RMF: it is managed within the framework of Jefferies Credit Risk Management Policy and Procedures (the 'Credit Risk Policy') which is responsible for identifying credit risks throughout the operating businesses, establishing counterparty limits and managing and monitoring those credit limits.

The framework includes:

- Defining credit limit guidelines and credit limit approval processes;
- Providing a consistent and integrated credit risk framework across the entities and groups;
- 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;
- Delivering credit limits to all relevant sales and trading desks;
- Maintaining credit reviews for all active and new counterparties;
- Operating a control function for exception management and reporting;
- Determining the analytical standards and risk parameters for on-going management and monitoring of global credit risk books;
- Actively managing daily exposure, exceptions, and breaches;
- Monitoring daily margin call activity and counterparty performance (in concert with the JIL and JBL Collateral Management Departments); and
- Setting minimum global requirements for systems, reports and technology.

The JIHL Group applies a conservative credit risk assessment methodology and utilises a number of legal and market available credit risk mitigants to minimize counterparty risk. Credit is extended to counterparties in a controlled manner in line with the credit risk appetite approved by the Boards in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction.

3.3.1 ASSIGNING CREDIT LIMITS FOR COUNTERPARTY CREDIT EXPOSURES

Credit Approval Authority

JIHL operates within the Jefferies Global Credit Policy. Client Credit Exposure Limits are granted within a framework of Credit Ratings. Where a client is rated by Standard & Poor's ('S&P'), Moody's or Fitch, that rating is used, otherwise an internal risk rating model is used, together with detailed credit analysis, to assess a credit rating for each client.

The internal risk rating model has been calibrated to assign credit limits at the same level as if they were assigned by one of the major ratings agencies. This has been achieved in three ways.

i. When the model was initially built, it was run for companies already rated by S&P or Moody's and the output of the rating model compared to the agency ratings. If the Credit Department agreed with the rating the agency had assigned (which was the case in all instances), the rating model was fine-tuned until the output matched that of the agencies.
ii. For companies not publicly rated, the output was assessed by the credit analyst, based upon their own experience and knowledge. Again, rating model was fine-tuned.
iii. Under the Global Credit Policy, analysts may downgrade (but not upgrade) the output from the rating model. The output from the rating model over each twelve month period is analysed by the Credit Analytics Department. Each case where analysts have assigned a credit rating by more than one notch is discussed separately and the model is adjusted if appropriate.

The client's credit rating, together with considerations on size and leverage will signify a maximum credit limit ceiling for that client within the Global Credit Policy. For limit purposes, credit exposure is assessed at a 99% 3-day VaR, depending on the underlying product traded. 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. Trading limits and margin waivers are granted to clients within the overall framework of Credit Exposure Limits.

In addition, where limits are approved by credit officers outside the UK, the JBL Senior Credit Officer must also approve all new and increased credit limits and also annual facility reviews for accounts domiciled at JBL.

Documentation

It is JIHL Group's policy only to trade when appropriate legal documentation is in place between us and our counterparty which allow for collateralisation and regular margin payments to maintain our exposure within agreed Credit Exposure Limits. Rare exceptions are made for highly-rated investment grade counterparties and sovereign entities. Such decisions are based upon the Credit Department's evaluation of the financial strength of the counterparty, the size, volatility and tenor of the proposed business.

Credit Limit Overview

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

Credit Risk Management employs both specific analysis and general guidelines when establishing Ceiling corporate hierarchy group credit limits. A counterparty group tiering framework methodology is used based on metrics including asset size, capital, leverage, and ordinal credit ratings (external or internal).

Primary risk ceiling limits are measured in terms of potential exposure. Limits and exposures are also expressed and measured through additional metrics. 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.

Each credit limit type may be measured by one or more metrics in order to properly gauge the relative size, amount at risk, and nature of exposure. Notional and Settlement limits are measured in both gross and net terms, with Mark-to-Market ('MTM') and Potential Exposure measures illustrating netted exposure.

- Notional basis ('NL') – gross and net contract or face values of the credit-sensitive transaction;
    - Limits include precious metal settlement limits, daily and aggregate FX NOP limits.

- Settlement basis ('SL') – gross and net notional values as measured on a future date, typically beyond normal cash settlement dates;
- Mark-to-Market (or Fair Value) basis – the actual change in net values of the credit-sensitive transaction based on the daily marking of the transaction to market;
- Current Exposure ('CE') is the amount that would be lost on a particular set of positions in the event of default by the counterparty. Current exposure can be net or gross depending on the closeout netting assumptions (CE adjusted by loss given default is referred to as adjusted current exposure or 'ACE').
    - Net Current Exposure is the exposure if there is closeout netting. It equals the positive part of the fair value or mark-to-market of the positions in question minus the net collateral at hand.
    - Gross Current Exposure is the exposure if there is no closeout netting. This measure is more informative of settlement risk, as it provides information, jointly with the net exposure, of the size of the settlement payments or receivables. Settlement Risk is the risk that a settlement in a transfer system does not take place as expected.
- Potential Exposure ('PE') – potential exposure is based on market factors over different measures of time and which takes into account netting and collateral mitigation. PE is defined as MTM after collateral plus close-out risk (PE adjusted by loss given default is referred to as adjusted potential exposure or 'APE').
- Other Types of Limits – In certain margin-based businesses, specific account level limits are used including risk margin limits, hedge, speculative, Vega, and band limits.

3.3.2 Credit risk management in JIL

For JIL, counterparty risk may arise from Over-the-Counter ('OTC') derivatives trading and collateralised borrowing and lending arrangements. The majority of JIL's business is settled on a Delivery versus Payment ('DvP') settlement basis where associated credit risk is perceived to be relatively low particularly as an increasing percentage is settled via central counterparties ('CCPs').

The businesses that carry credit risk are:

- The Stock-borrow / Loan and Repo businesses, where transactions can be fully collateralised but the value of the collateral is subject to market movement;
- OTC Fixed Income and Equity Derivatives where limited unsecured credit is extended to third parties under the terms of standard ISDA[3] legal agreement and Credit Support Annex ('CSA') documentation; and
- The issuer portfolio, which is predominantly made up of high quality, investment grade rated positions.

All counterparties are subject to completion of a detailed counterparty credit review, which approves specific credit limits controlling the gross, market value, and margin value of securities subject to borrowing / lending or purchase / repurchase transactions, and other key trading terms. The majority of counterparties are investment grade regulated financial institutions and central clearing institutions.

Except with specific approval, and typically only for highly-rated sovereign counterparties, trading may commence only after execution of market standard (typically GMSLA, GMRA, or ISDA with Credit Support Annex) agreements as appropriate, permitting appropriate netting as approved by senior JIL Legal and Credit Risk management.

All credit exposures are reviewed against approved limits on a daily basis and reflect the risk tolerance levels for each firm.

3.3.3 Credit risk management in JBL

Principal credit risk exposures

JBL's principal business is executing and clearing listed futures, forwards and options for corporate and financial institution clients. Clearing houses require members to post cash collateral known as margin to cover potential losses on open contracts. Clearing houses call for these margin payments initially as soon as the trade is executed and also subsequently if there are any significant variations in the relevant market prices that determine the value of the trade. Under its standard terms of business, JBL reserves the right to re-charge its clients the equivalent or a multiple of the relevant CCP margin requirements. JBL also executes OTC products, such as foreign exchange ('FX'), Precious Metals and OTC Commodities Contracts for clients and applies similar initial and variation margin call processes. The market risk exposure on any OTC FX or Precious Metals trades is generally fully hedged via back-to-back trades with another Jefferies subsidiary.

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[3] International Swaps and Derivatives Association

Apart from the risk of not receiving margin cash from a client once called, JBL's exposures to credit risk arise when it agrees to grant a credit line to certain clients for certain products and so waive all or some part of the requirement to post margin with JBL. All credit lines offered are Uncommitted and On-Demand in nature, meaning they can be cancelled without notice. All trading relationships and any credit line agreements are governed by either JBL's standard Professional Client Agreement ('PCA') documentation or the market standard ISDA agreements. JBL may at its discretion also accept high quality liquid assets with clear market pricing and bank Standby Letters of Credit in lieu of cash margin. Acceptability of these items must be approved by the Credit Risk Management Department.

Credit approval

Credit is extended to clients and counterparties in a controlled manner. All counterparties are subject to completion of a detailed counterparty credit review, which approves specific credit limits controlling the exposure, gross position, margin credit line if appropriate and other key trading terms. Trading may commence only after execution of an approved trading agreement.

Credit Derivatives

JBL does not use any credit derivative contracts to hedge its credit exposures.

3.3.3.1 Credit risk exposure measurement and reporting in JIHL

JIHL uses an in-house designed Credit Risk Management System. The system holds the detailed reports written by JIHL's credit analysts on clients and counterparties.

The system was originally designed within the futures business and gives detailed information on exposures for JBL grouped by industry type, country and by the type of underlying product traded. JIL exposures are currently monitored within the separate systems for each trading area. Migration of these exposures to the Credit Risk Management System proceeded in 2013 and is on-going.

JIHL uses a VaR-based potential exposure metric to manage its exposure to clients. The VaR calculation uses a 99% confidence level and a three day holding period to reflect the expected period between a client or market counterpart breaching their limit, the margin call being issued and payment being received from the client.

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.

3.3.4 Wrong-way risk

Wrong way risk ('WWR') is the risk that a credit exposure is negatively correlated with the credit quality of a counterparty. Specific WWR exists when legal or structural dependence adversely links exposure at default with the counterparty's credit quality. General WWR is 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 recognizes that General Wrong Way Risk will exist in certain businesses and it is our policy to ensure that such risk is appropriately recognized, approved, limited, monitored and reported to senior management. Where Jefferies has a requirement to finance or borrow securities, it is recognized 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 Wrong Way Risk is discussed in all New Business Approval proposals and requires approval by the New Business Committee.

Little or no appetite exists for Specific WWR. Instances of specific WWR occasionally occur, typically where Jefferies borrows a counterparty's own securities as part of a diversified portfolio. In these circumstances, the collateral item concerned is valued at zero for credit risk exposure monitoring and limiting purposes. Where initiated, specific WWR trades must conform to the following:

- counterparties of the highest creditworthiness available;
- portfolio must remain within counterparty's P/E limit after reduction to zero of the collateral item causing specific WWR; and
- minimal tenors.

Our policy is to prohibit at all times certain Specific WWR trades, such as purchasing a put option on a counterparty's own shares.

Jefferies Credit Policy

All businesses causing General Wrong-Way Risk must be approved by the New Business Committee. Risk management consists of identifying key risk factors; stress testing and scenario analysis including assessment of when relationships between risk factors are dynamic; procedures for trade sign-off and escalation to senior management; and frequent monitoring and reporting to senior management throughout the life of the trade.

Specific wrong-way risk trades require approval of trade documentation by the Chief Credit Officer and CRO. Exposure is recorded as the full notional. Weekly monitoring/reporting of the trade is presented to the Chief Credit Officer and CRO until expiry of the trade.

3.3.5 COLLATERAL ON DOWNGRADE

JIHL seeks to manage its exposure to its obligation to post collateral following downgrades (i.e. the incremental collateral that derivative counterparties would require if Jefferies credit rating was downgraded) by minimising the number of legal agreements with counterparties that include terms permitting this. As a result, at 30 November 2013, a one-notch downgrade in Jefferies rating would have no material impact on the collateral demanded from JIHL by its derivative counterparties.

The impact of a one-notch downgrade in Jefferies rating on the collateral demanded by central counterparties is assessed and monitored daily as part of our liquidity stress test scenario assumptions.

3.3.6 CREDIT AND COUNTERPARTY RISK CAPITAL REQUIREMENTS – METHODOLOGIES AND RISK PROFILE

JIHL utilises the standardised approaches for the calculation of capital requirements for credit and counterparty risk (MTM approach). In the calculation of risk weighted exposure amounts under the standardised approach, the ratings for Fitch, Standard & Poor's and Moody's are used for all applicable exposure classes.

3.3.7 CREDIT RISK QUANTITATIVE DISCLOSURES

JIHL's consolidated credit risk capital requirements broken down by exposure class are provided in the table below.

Consolidated Credit Risk Capital Requirement
Analysed by Applicable Standardised Approach Exposure Classes

As at 30 November 2013 (GBPm)	Credit Risk Capital Component	Counterparty Risk Capital Component	Concentration Risk Capital Component	Credit Risk Capital Requirement
Sovereign	0	0	0	0
Institutional	20	22	12	54
Corporate	1	33	0	34
Other	0	0	0	0
Total Consolidated Credit Risk Capital Requirements	**21**	**56**	**12**	**88**

JIHL's credit risk exposures are provided in the tables below. The calculation methodologies underlying the measurement of the risk exposures are those prescribed by the FCA for use by the JIHL Group in its consolidated regulatory risk reporting submitted to the FCA. In general, the measurement of exposures for regulatory risk reporting purposes is based on notional with prescribed haircuts. Therefore, these exposure measures may be materially different from those based on up-to-date market pricing used by the JIHL Group and the Jefferies Group generally for risk management internally and those used for external risk disclosures, including in the JIHL Group's Financial Statements and the SEC disclosures referred to above.

Consolidated Derivative Counterparty Credit Risk Exposure Analysed by Applicable Standardised Approach Exposure Classes **As at 30 November 2013**	*GBPm*
Gross positive MTM values pre-netting	354
Potential Future Exposure values	1,859
Gross exposure values	2,214
Netting benefits	341
Netted current credit exposure	1,873
Collateral held	502
Consolidated Net Derivative Credit Exposure	**1,371**

Consolidated Counterparty Credit Exposure By Contract Type Standardised Approach (i.e. Mark-To-Market plus Potential Future Exposure values) Pre-Mitigation **As at 30 November 2013**	*GBPm*
Interest rate contracts	342
Foreign Exchange contracts	138
Equity contracts	2
Commodities contracts	1,730
Credit Derivatives	1
Consolidated Total	**2,214**

Consolidated Notional Value of Credit Derivative Contracts **As at 30 November 2013** **(GBP in millions)**	**Firm portfolio management** *GBPm*	**Client intermediation** *GBPm*
Single name underlying	8	0
Index underlying	12	0
Protection bought	**21**	**0**
Single name underlying	0	0
Index underlying	8	0
Protection Sold	**8**	**0**

Consolidated Notional Average Credit Risk Exposure Pre-Mitigation **As at 30 November 2013**	**Total exposure pre-mitigation** *GBPm*	**Average exposure pre-mitigation** *GBPm*
Exposure class		
Sovereign	5	5
Institutional	3,635	5,087
Corporate	913	2,480
Other	378	408
Consolidated Total	**4,931**	**7,980**

Total Consolidated Credit Risk (Pre-Mitigation) Exposure - Geographical Analysis				
As at 30 November 2013	EMEA	AMERICAS	ASIA PACIFIC	TOTAL
	GBPm	*GBPm*	*GBPm*	*GBPm*
Exposure class				
Sovereign	5	0	0	5
Institutional	2,896	726	14	3,636
Corporate	583	202	128	913
Other	378	0	0	378
Consolidated Total	**3,861**	**928**	**142**	**4,931**

Total Consolidated Credit Risk (Pre-Mitigation) Exposure-Maturity Analysis							
As at 30 November 2013	On Call	</= 1m	>1m </=3m	>3m </=6m	>6m </=12m	>12m	Total
	GBPm	*GBPm*	*GBPm*	*GBPm*	*GBPm*	*GBPm*	*GBPm*
Exposure class							
Sovereign	5	0	0	0	0	0	5
Institutional	27	2,704	95	152	185	473	3,636
Corporate	0	826	49	15	11	12	913
Other	378	0	0	0	0	0	378
Consolidated Total	**410**	**3,530**	**144**	**167**	**195**	**485**	**4,931**

Total Pre-/Post-Mitigation Consolidated Credit Risk Exposures - FCA Credit Quality Step Analysis As at 30 November 2013				
FCA Standardised Approach credit quality step	S&P equivalent ratings	Moody's equivalent ratings	Total exposure pre mitigation TOTAL *GBPm*	Total exposure post mitigation TOTAL *GBPm*
1	AAA to AA-	Aaa to Aa3	805	130
2	A+ to A-	A1 to A3	1,154	388
3	BBB+ to BBB-	Baa1 to Baa3	1,566	960
4	BB+ to BB-	Ba1 to Ba3	1,406	504
5	B+ to B-	B1 to B3	0	0
6	CCC+ and below	Caa1 and below	0	0
No external rating	n/a	n/a		
Total			**4,931**	**1,981**

Total Consolidated Credit Risk (Pre-Mitigation) Exposure – Mitigation Analysis			
As at 30 November 2013	Covered by eligible financial collateral	Covered by other eligible collateral	Covered by credit derivatives
	GBPm	*GBPm*	*GBPm*
Exposure class			
Sovereign	0	0	0
Institutional	2,940	0	1
Corporate	759	0	0
Other	0	0	0
Consolidated Total	**3,699**	**0**	**1**

3.4 SECURITISATIONS

As part of JIL's Fixed Income business, we engage in buying and selling of third-party securitisations to support our client franchise. As such we are not defined as an originator or a sponsor for regulatory purposes, and it also doesn't provide any securitisation trade servicing.

We hold long inventory only in the trading book which is mark-to-market daily. 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 10K disclosures. The risks associated with this activity are managed under our Credit and Market Risk Management frameworks.

Approach to calculating risk weighted assets ('RWAs')

The JIHL Group calculates its capital requirements for securitisation activities using the FCA's more conservative approaches under the standard rules (BIPRU 7.2.48). The table below shows JIHL's securitisation exposures in the trading book and associated capital requirements broken down by type of exposures and risk weight bands (credit quality steps – 'CQS').

JIHL Securitisation exposures and corresponding capital requirements As at 30 November 2013 (GBP in millions)		
	Exposures value / securitisation positions per risk weight band	Capital requirements
Underlying credit quality step ("CQS")		
CQS1	19.1	0.3
CQS2	28.7	1.1
CQS3	32.1	2.6
CQS4	41.9	11.7
Other	65.8	65.8
Total	**187.5**	**81.5**

3.5 OPERATIONAL RISK MANAGEMENT, METHODOLOGIES AND QUANTITATIVE DISCLOSURES

Operational risk is the risk of loss to the JIHL Group resulting from inadequate or failed internal processes, people and systems, or from external events, and includes legal risk.

The JIHL Group has an established Operational Risk Framework which has been approved by the JIL and JBL Boards. 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. This framework is supplemented by an Incident Reporting Policy.

Each revenue producing and support department is responsible for implementing the Operational Risk Framework; carrying out regular Risk Self-Assessments; and timely reporting and managing their incidents and Key Risk Indicators (explained below). A central Operational Risk Management team is responsible for the maintenance and oversight of the framework, 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 Framework.

The JIHL Group follows the FCA's Basic Indicator Approach for the calculation of the consolidated minimum Operational Risk capital requirement under Pillar 1. Operational Risk Management ('ORM') are responsible for the methodology for assessing the capital requirement under Pillar 2 which is based on a scenario analysis approach.

An updated Operational Risk Management Framework ('ORMF') is being rolled out in 2014. This builds on the framework currently in place and introduces a programme of controls assurance, enhanced reporting requirements and consistent operational risk taxonomy for data classification, aggregation and trend analysis. The Jefferies

Operational Risk System ('JORS') will also be upgraded to accommodate all processes and data on the same platform for analysis and reporting.

3.5.1 OPERATIONAL RISK PROCESSES

The ORMF consists of processes for risk identification, exposure assessment (including measurement and valuation), risk mitigation and control improvements, and reporting. These processes are supported via utilization of the operational risk tools and techniques, as outlined below.

Key Risk Indicators ('KRIs')

These are metrics, relevant to specific and measurable activities indicating operational risk exposures. The KRIs are subject to measurable thresholds that reflect the risk tolerance of the business and are used to drive timely decision making and actions.

Operational Risk Incident Management

This is the identification, reporting and management of operational risk incidents by line management across Jefferies' business and support areas. Regardless of the loss amount, if a significant control failure has occurred, the incident, including near misses, must be reported timely according to our policy.

Risk Self-Assessments

Risk Self-Assessment ('RSA') is a bottom-up process used by Department Heads to identify the risks that might have an impact on the execution of our Business Plan and departmental objectives. These risks are aggregated to form the JIHL Risk Register and assessed and ranked for risk management purposes.

Controls Assurance

This process is designed to assess the adequacy and effectiveness of JIHL Group's control environment against its operational risks, identify and address control weaknesses, and ultimately mitigate operational risk.

Ad-hoc Risk Assessments

The ORM team occasionally undertakes risk assessments on a specific business line, support area, product, process or system and can be triggered by a Board or Senior Management request, a large internal loss or an external event that could potentially also happen within the JIHL Group. The risk assessment aims to determine operational risks outside of appetite, highlight deficiencies in policy or internal control and to provide recommendations where appropriate.

Scenario Analysis

Scenarios are used to highlight potentially significant risks to Senior Management, beyond those that have been identified in other operational risk processes. They are forward looking and focus on the risks which, if they occur, would have a severe, but plausible, impact on the JIHL Group. Scenarios are used to support capital calculation approaches, where applicable in the ICAAP.

4 REMUNERATION

The following remuneration disclosures are made in accordance with FCA's BIPRU, specifically section 11.5.18R, for the financial year ended 30 November 2013 and the requirements of policy statement PS10/21 "Implementing CRD3 requirements on the disclosure of remuneration, December 2010" in respect of the JIHL Group.

4.1 REMUNERATION POLICY FOR JIHL GROUP AND THE DECISION-MAKING PROCESS

JIHL does not employ any Jefferies employees. The relevant operating companies within the JIHL Group which employ Jefferies staff are JIL, JBL and Jefferies (Switzerland) Limited ('JSL', a JIL subsidiary company). The business strategy for JIHL subsidiaries is to provide quality services to Jefferies' clients, to increase revenues, and to provide a return to shareholders and other stakeholders. Our compensation policies and practices are designed to be flexible to support these objectives in a highly competitive market, rewarding excellent performance and contribution while managing risk effectively in recognition of our employees being critical to executing our business strategy successfully.

4.2 GOVERNANCE

The International Chief Financial Officer has general oversight of the financial performance of all business units, and the Boards review business performance and compensation costs for each business unit. The Boards have established a working group (the 'Remuneration Working Group'), constituted of representatives from Finance, Legal, Compliance, Risk, and HR, to advise them on issues and practices impacted by the FCA Remuneration Code ('the Code'). The Working Group meets on average once a quarter and is empowered to seek advice from external consultants. For the financial year ended 30 November 2013, the Working Group sought advice from Pricewaterhouse Coopers LLP on the remuneration policy.

4.3 LINK BETWEEN PAY AND PERFORMANCE

Jefferies operates a discretionary year-end bonus scheme, the purpose of which is to reward and incentivize Jefferies employees, including Code Staff (as defined in the FCA Handbook, in SYSC[4] 19A.3.4R). All employees of the JIHL Group are eligible to participate in this scheme. Year-end performance awards are made from annual bonus pools for the financial year, calculated on a business unit basis.

The discretionary nature of the scheme allows Jefferies to award appropriate variable remuneration aligned with performance taking into account Jefferies' financial performance and risk and compliance polices.

Performance awards for the 2013 financial year were paid either in restricted or unrestricted cash. Restricted awards have a one year or greater vesting requirement to encourage employees to take a multi-year perspective.

4.4 AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION, BROKEN DOWN BY BUSINESS AREA

The table below represents the aggregate quantitative remuneration by business area for staff in the JIHL Group for the financial year ended 30 November 2013.

Aggregate remuneration 2013	
Business Area	***GBP***
Capital Markets	158,993,896
Asset Management	1,978,584
Corporate	30,866,826
Total	**191,839,306**

[4] Senior Management arrangements, systems and controls sourcebook

4.5 AGGREGATE QUANTITATIVE INFORMATION ON REMUNERATION FOR CODE STAFF

Thirty members of staff were classed as Code Staff for JIL and JBL for 2013. These are broken down into:

i. 'Senior Management' which 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 JIHL's risk profile; and

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

The table below sets out the aggregate remuneration for Code Staff for the financial year ended 30 November 2013, including the split between fixed and variable remuneration.

Remuneration 2013 GBP	Senior Management	Other members of staff
Fixed remuneration	6,767,326	1,158,450
Variable remuneration	12,020,105	1,840,919
Total	**18,787,431**	**2,999,369**
Number of Code Staff	27	3

APPENDIX A: COUNTRY BY COUNTRY REPORTING

As of 1 January 2014, entities in the JIHL Group have to comply with country by country reporting ('CBCR') requirements under article 89 of the CRD4. The regulations require each institution to publicly disclose annually on a consolidated basis, by country where they have an establishment, certain information on their activities according to geographical location. The table below provides this information for JIL and JBL as at 30 November 2013.

Geographic location	Name of legal entity	Nature of activities	Turnover (in £m)	Average number of employees on a full time equivalent basis
UK	Jefferies International Ltd Jefferies Bache Ltd	Full service, integrated securities and investment banking group offering a wide range of services in two core business segments: i. capital markets including sales and trading covering equity, fixed income, foreign exchange, and commodity products (cash and derivatives); clearing futures products; research; investment banking activities including advisory and origination; and ii. asset management providing investment management services including wealth management services.	381.5	886
Switzerland	Jefferies International AG	Sales office for cash equities products.	4.9	14
Germany	Jefferies International Ltd – Frankfurt branch Jefferies Bache Ltd – Hamburg branch	i. Investment banking as well as sales office for equity and mortgage trading activities for JIL. ii. Sales for base metals options and futures.	10.2	25
France	Jefferies International Ltd – Paris branch	Sales office for equity trading, mortgages and International credit activities for JIL.	4.8	6
Italy	Jefferies International Ltd – Milan branch	Sales office for mortgages and International credit activities of the head office as well as trading in Italian sovereign debt.	8.4	4
Russia	Jefferies International Ltd – Moscow branch	Investment banking services.	_	1
Dubai	Jefferies International Ltd – Dubai branch	Wealth management services for high net worth individuals, their families and businesses, private equity and venture funds, and small institutions.	3.8	8