

Edgar Filing: Jefferies Group LLC - Form 10-Q

Jefferies Group LLC
Form 10-Q
October 10, 2017

false--11-30Q320172017-08-3110-Q00010845800Non-accelerated FilerJEFFERIES GROUP
LLC00110000000.040.020.230.090.120.040.210.020.100.08850000000.950.050.250.000.580.000.300.05P5DP6MP20DP6YP
0001084580 2016-12-01 2017-08-31 0001084580 2017-08-31 0001084580 2016-11-30 0001084580
jef:VariableInterestEntitiesMember 2016-11-30 0001084580 jef:VariableInterestEntitiesMember 2017-08-31
0001084580 2017-06-01 2017-08-31 0001084580 2016-06-01 2016-08-31 0001084580 2015-12-01 2016-08-31
0001084580 us-gaap:AdditionalPaidInCapitalMember 2016-12-01 2017-08-31 0001084580
us-gaap:NoncontrollingInterestMember 2016-12-01 2017-08-31 0001084580
us-gaap:AdditionalPaidInCapitalMember 2015-12-01 2016-11-30 0001084580
us-gaap:AdditionalPaidInCapitalMember 2017-08-31 0001084580
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-12-01 2017-08-31 0001084580
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2016-11-30 0001084580
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-12-01 2016-11-30 0001084580
us-gaap:NoncontrollingInterestMember 2015-12-01 2016-11-30 0001084580 us-gaap:NoncontrollingInterestMember
2016-11-30 0001084580 us-gaap:AdditionalPaidInCapitalMember 2016-11-30 0001084580
us-gaap:NoncontrollingInterestMember 2015-11-30 0001084580 us-gaap:ParentMember 2017-08-31 0001084580
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2015-11-30 0001084580
us-gaap:AccumulatedOtherComprehensiveIncomeMember 2017-08-31 0001084580 us-gaap:ParentMember
2016-11-30 0001084580 us-gaap:NoncontrollingInterestMember 2017-08-31 0001084580
us-gaap:AdditionalPaidInCapitalMember 2015-11-30 0001084580 2015-11-30 0001084580 2016-08-31 0001084580
jef:ThreePointEightSevenFivePercentageConvertibleSeniorDebenturesDueTwoThousandTwentyNineMember
2017-08-31 0001084580 us-gaap:MaximumMember 2016-12-01 2017-08-31 0001084580 us-gaap:MinimumMember
2016-12-01 2017-08-31 0001084580 us-gaap:MunicipalBondsMember 2016-06-01 2016-08-31 0001084580
jef:OtherAssetBackedSecuritiesMember 2016-06-01 2016-08-31 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember 2015-12-01 2016-08-31 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2016-12-01 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2016-06-01 2016-08-31 0001084580
jef:OtherAssetBackedSecuritiesMember 2015-12-01 2016-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2015-12-01 2016-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-12-01 2017-08-31 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember 2016-06-01 2016-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2016-12-01 2017-08-31 0001084580
jef:MultiassetFundsMember 2016-11-30 0001084580 us-gaap:FairValueInputsLevel1Member 2016-11-30
0001084580 us-gaap:LoansAndFinanceReceivablesMember 2016-06-01 2016-08-31 0001084580
us-gaap:HedgeFundsEquityLongShortMember 2016-11-30 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2015-12-01 2016-08-31 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2015-12-01 2016-08-31 0001084580
us-gaap:EquitySecuritiesMember 2016-06-01 2016-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember
2017-06-01 2017-08-31 0001084580 us-gaap:FairValueInputsLevel1Member 2017-08-31 0001084580
us-gaap:EquitySecuritiesMember 2015-12-01 2016-08-31 0001084580 us-gaap:InvestmentsMember 2015-12-01
2016-08-31 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-06-01 2017-08-31 0001084580
us-gaap:HedgeFundsEquityLongShortMember 2017-08-31 0001084580 jef:MultiassetFundsMember 2017-08-31
0001084580 us-gaap:MunicipalBondsMember 2015-12-01 2016-08-31 0001084580 us-gaap:InvestmentsMember
2016-06-01 2016-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2015-12-01 2016-11-30 0001084580
jef:VariableFundingNoteSwapsMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
jef:FinancialInstrumentsSoldNotYetPurchasedMember jef:DiscountedCashFlowApproachMember 2015-12-01
2016-11-30 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2015-12-01 2016-11-30 0001084580
us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember jef:ConvertibleBondModelMember 2016-11-30 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2015-12-01 2016-11-30 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-11-30 0001084580 jef:OtherAssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-11-30 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember jef:FinancialInstrumentsOwnedMember 2016-11-30
0001084580 us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember jef:ScenarioAnalysisMember 2016-11-30
0001084580 us-gaap:EquitySecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:NonExchangeTradedSecuritiesMember jef:FinancialInstrumentsOwnedMember
jef:ComparablePricingValuationTechniqueMember 2016-11-30 0001084580
us-gaap:CorporateDebtSecuritiesMember jef:FinancialInstrumentsOwnedMember 2016-11-30 0001084580
us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2015-12-01
2016-11-30 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-11-30 0001084580 us-gaap:LoansAndFinanceReceivablesMember
us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-11-30 0001084580 us-gaap:EquitySwapMember
us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember jef:FinancialInstrumentsOwnedMember
jef:ComparablePricingValuationTechniqueMember 2015-12-01 2016-11-30 0001084580
us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
jef:FinancialInstrumentsSoldNotYetPurchasedMember jef:ValuationTechniqueOptionModelMember 2015-12-01
2016-11-30 0001084580 jef:UnfundedCommitmentsMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember jef:FinancialInstrumentsSoldNotYetPurchasedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-11-30 0001084580 us-gaap:DerivativeMember
jef:FinancialInstrumentsSoldNotYetPurchasedMember 2016-11-30 0001084580
us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2015-12-01
2016-11-30 0001084580 us-gaap:LoansAndFinanceReceivablesMember jef:FinancialInstrumentsOwnedMember
2016-11-30 0001084580 us-gaap:EquitySwapMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember jef:FinancialInstrumentsSoldNotYetPurchasedMember
jef:ComparablePricingValuationTechniqueMember 2015-12-01 2016-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember jef:FinancialInstrumentsOwnedMember 2016-11-30
0001084580 jef:OtherAssetBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2015-12-01
2016-11-30 0001084580 jef:VariableFundingNoteSwapsMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember jef:FinancialInstrumentsSoldNotYetPurchasedMember
jef:DiscountedCashFlowApproachMember 2016-11-30 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember jef:FinancialInstrumentsOwnedMember
2016-11-30 0001084580 us-gaap:DerivativeMember jef:FinancialInstrumentsOwnedMember 2016-11-30
0001084580 us-gaap:InvestmentsMember us-gaap:FairValueInputsLevel3Member
jef:PrivateEquitySecuritiesMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2015-12-01 2016-11-30 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:EquitySecuritiesMember us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
jef:FinancialInstrumentsOwnedMember jef:PresentValueMember 2016-11-30 0001084580
us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
jef:FinancialInstrumentsSoldNotYetPurchasedMember jef:DefaultRateValuationTechniqueMember 2015-12-01
2016-11-30 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:ScenarioAnalysisMember 2016-11-30 0001084580 us-gaap:LoansAndFinanceReceivablesMember
us-gaap:FairValueInputsLevel3Member jef:FinancialInstrumentsOwnedMember jef:PresentValueMember
2016-11-30 0001084580 us-gaap:EquitySecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:NonExchangeTradedSecuritiesMember jef:FinancialInstrumentsOwnedMember
jef:ComparablePricingValuationTechniqueMember 2015-12-01 2016-11-30 0001084580
us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember jef:ConvertibleBondModelMember 2015-12-01 2016-11-30 0001084580
jef:OtherAssetBackedSecuritiesMember jef:FinancialInstrumentsOwnedMember 2016-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-11-30 0001084580 us-gaap:InvestmentsMember
jef:PrivateEquitySecuritiesMember jef:FinancialInstrumentsOwnedMember 2016-11-30 0001084580
us-gaap:EquitySecuritiesMember us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-11-30 0001084580 us-gaap:EquitySecuritiesMember
jef:FinancialInstrumentsOwnedMember 2016-11-30 0001084580 us-gaap:EquitySecuritiesMember
us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-12-01 2017-08-31 0001084580
jef:VariableFundingNoteSwapsMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
jef:FinancialInstrumentsSoldNotYetPurchasedMember jef:DiscountedCashFlowApproachMember 2016-12-01
2017-08-31 0001084580 us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-12-01
2017-08-31 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
jef:FinancialInstrumentsOwnedMember 2017-08-31 0001084580 us-gaap:EquitySecuritiesMember
us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember
jef:FinancialInstrumentsOwnedMember jef:ComparablePricingValuationTechniqueMember 2016-12-01 2017-08-31
0001084580 us-gaap:InvestmentsMember jef:PrivateEquitySecuritiesMember
jef:FinancialInstrumentsOwnedMember 2017-08-31 0001084580 us-gaap:DerivativeMember
jef:FinancialInstrumentsOwnedMember 2017-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember jef:FinancialInstrumentsOwnedMember 2017-08-31
0001084580 us-gaap:EquitySecuritiesMember jef:FinancialInstrumentsOwnedMember 2017-08-31 0001084580
us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-12-01 2017-08-31 0001084580
us-gaap:InvestmentsMember us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-12-01
2017-08-31 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-12-01 2017-08-31 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member jef:FinancialInstrumentsOwnedMember jef:ScenarioAnalysisMember
2017-08-31 0001084580 us-gaap:InvestmentsMember us-gaap:FairValueInputsLevel3Member
jef:PrivateEquitySecuritiesMember us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-12-01 2017-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2017-08-31
0001084580 us-gaap:DerivativeMember jef:FinancialInstrumentsSoldNotYetPurchasedMember 2017-08-31
0001084580 us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-12-01
2017-08-31 0001084580 us-gaap:LoansAndFinanceReceivablesMember jef:FinancialInstrumentsOwnedMember
2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-12-01
2017-08-31 0001084580 us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember jef:ScenarioAnalysisMember 2017-08-31
0001084580 jef:OtherAssetBackedSecuritiesMember jef:FinancialInstrumentsOwnedMember 2017-08-31
0001084580 jef:VariableFundingNoteSwapsMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember jef:FinancialInstrumentsSoldNotYetPurchasedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember jef:ScenarioAnalysisMember 2017-08-31
0001084580 us-gaap:CorporateDebtSecuritiesMember jef:FinancialInstrumentsOwnedMember 2017-08-31
0001084580 us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember jef:ConvertibleBondModelMember 2016-12-01 2017-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember jef:ConvertibleBondModelMember 2017-08-31 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember jef:FinancialInstrumentsOwnedMember 2017-08-31
0001084580 us-gaap:EquitySecuritiesMember us-gaap:FairValueInputsLevel3Member
jef:NonExchangeTradedSecuritiesMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember 2016-12-01 2017-08-31
0001084580 us-gaap:StockOptionMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
jef:FinancialInstrumentsSoldNotYetPurchasedMember jef:OptionModelDefaultRateValuationTechniqueMember
2016-12-01 2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580 us-gaap:FairValueInputsLevel3Member
2017-08-31 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember 2017-08-31 0001084580
us-gaap:FairValueInputsLevel2Member 2017-08-31 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-08-31 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-08-31
0001084580 us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember 2017-08-31
0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:CommercialMortgageBackedSecuritiesMember
2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember 2017-08-31 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember 2017-08-31
0001084580 us-gaap:FairValueInputsLevel1Member jef:OtherAssetBackedSecuritiesMember 2017-08-31
0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-08-31 0001084580
us-gaap:FairValueInputsLevel2Member us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-08-31

Edgar Filing: Jefferies Group LLC - Form 10-Q

0001084580 us-gaap:FairValueInputsLevel1Member us-gaap:CommercialMortgageBackedSecuritiesMember
2017-08-31 0001084580 us-gaap:FairValueInputsLevel2Member jef:OtherAssetBackedSecuritiesMember
2017-08-31 0001084580 us-gaap:LongTermDebtMember 2016-12-01 2017-08-31 0001084580
us-gaap:LongTermDebtMember 2017-06-01 2017-08-31 0001084580 us-gaap:ShortTermDebtMember 2016-12-01
2017-08-31 0001084580 us-gaap:LongTermDebtMember 2016-06-01 2016-08-31 0001084580
us-gaap:LongTermDebtMember 2015-12-01 2016-08-31 0001084580 jef:LoanCommitmentsMember 2017-06-01
2017-08-31 0001084580 us-gaap:LoansMember 2015-12-01 2016-08-31 0001084580
us-gaap:ShortTermDebtMember 2016-06-01 2016-08-31 0001084580 us-gaap:LoansMember 2017-06-01 2017-08-31
0001084580 jef:LoanCommitmentsMember 2016-06-01 2016-08-31 0001084580 us-gaap:ShortTermDebtMember
2017-06-01 2017-08-31 0001084580 jef:LoanCommitmentsMember 2016-12-01 2017-08-31 0001084580
us-gaap:LoansMember 2016-12-01 2017-08-31 0001084580 us-gaap:ShortTermDebtMember 2015-12-01 2016-08-31
0001084580 jef:LoanCommitmentsMember 2015-12-01 2016-08-31 0001084580 us-gaap:LoansMember 2016-06-01
2016-08-31 0001084580 jef:HighYieldHedgeFundsMember 2016-11-30 0001084580
us-gaap:PrivateEquityFundsMember 2016-11-30 0001084580 jef:FundOfFundsMember 2016-11-30 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2016-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember
2016-08-31 0001084580 us-gaap:SovereignDebtSecuritiesMember 2015-11-30 0001084580
us-gaap:InvestmentsMember 2016-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2015-11-30 0001084580
us-gaap:SovereignDebtSecuritiesMember 2015-12-01 2016-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2015-11-30 0001084580 us-gaap:EquitySecuritiesMember 2015-12-01
2016-08-31 0001084580 us-gaap:CorporateDebtSecuritiesMember 2015-11-30 0001084580
us-gaap:CorporateDebtSecuritiesMember 2015-12-01 2016-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2015-12-01 2016-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2015-11-30 0001084580
jef:OtherSecuredFinancingsAtFairValueMember 2015-12-01 2016-08-31 0001084580
us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2015-12-01 2016-08-31 0001084580
us-gaap:SovereignDebtSecuritiesMember 2016-08-31 0001084580 us-gaap:LoansMember 2016-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2016-08-31 0001084580
us-gaap:LoansMember 2015-11-30 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2015-11-30
0001084580 us-gaap:LoansMember 2015-12-01 2016-08-31 0001084580
us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2016-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-08-31 0001084580
us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2015-11-30 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2015-11-30 0001084580 us-gaap:InvestmentsMember 2015-11-30
0001084580 us-gaap:EquitySecuritiesMember 2016-08-31 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember 2016-08-31 0001084580 us-gaap:MunicipalBondsMember
2016-08-31 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember 2016-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-08-31 0001084580 us-gaap:EquitySecuritiesMember 2016-08-31
0001084580 us-gaap:MunicipalBondsMember 2015-11-30 0001084580 us-gaap:EquitySecuritiesMember 2015-11-30
0001084580 jef:OtherAssetBackedSecuritiesMember 2015-11-30 0001084580
jef:OtherSecuredFinancingsAtFairValueMember 2016-08-31 0001084580 us-gaap:EquitySecuritiesMember
2015-11-30 0001084580 jef:OtherSecuredFinancingsAtFairValueMember 2015-11-30 0001084580
us-gaap:PrivateEquityFundsMember 2017-08-31 0001084580 jef:HighYieldHedgeFundsMember 2017-08-31
0001084580 jef:FundOfFundsMember 2017-08-31 0001084580 jef:OtherSecuredFinancingsAtFairValueMember
2016-12-01 2017-08-31 0001084580 us-gaap:MunicipalBondsMember 2016-12-01 2017-08-31 0001084580
us-gaap:LoansMember 2017-08-31 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember 2016-12-01
2017-08-31 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2016-12-01 2017-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2016-11-30 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-12-01 2017-08-31 0001084580 us-gaap:LoansMember 2016-12-01
2017-08-31 0001084580 us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2017-08-31 0001084580
us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2016-12-01 2017-08-31 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:ResidentialMortgageBackedSecuritiesMember 2016-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2016-12-01 2017-08-31 0001084580
us-gaap:EquitySecuritiesMember 2016-12-01 2017-08-31 0001084580
jef:OtherSecuredFinancingsAtFairValueMember 2017-08-31 0001084580 us-gaap:InvestmentsMember 2016-12-01
2017-08-31 0001084580 us-gaap:CorporateDebtSecuritiesMember 2016-11-30 0001084580
us-gaap:EquitySecuritiesMember 2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember 2016-12-01
2017-08-31 0001084580 us-gaap:EquitySecuritiesMember 2016-12-01 2017-08-31 0001084580
us-gaap:EquitySecuritiesMember 2016-11-30 0001084580 us-gaap:InvestmentsMember 2017-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2016-11-30 0001084580
jef:OtherSecuredFinancingsAtFairValueMember 2016-11-30 0001084580 jef:OtherAssetBackedSecuritiesMember
2017-08-31 0001084580 us-gaap:MunicipalBondsMember 2017-08-31 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2016-11-30 0001084580 us-gaap:CorporateDebtSecuritiesMember
2017-08-31 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2017-08-31
0001084580 us-gaap:CorporateDebtSecuritiesMember 2017-08-31 0001084580 us-gaap:EquitySecuritiesMember
2017-08-31 0001084580 us-gaap:EquitySecuritiesMember 2016-11-30 0001084580
jef:OtherAssetBackedSecuritiesMember 2016-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-08-31 0001084580 us-gaap:InvestmentsMember
2016-11-30 0001084580 us-gaap:LoansAndFinanceReceivablesMember 2017-08-31 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2016-11-30 0001084580
us-gaap:LoansMember 2016-11-30 0001084580 us-gaap:CorporateDebtSecuritiesMember 2016-11-30 0001084580
us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2016-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-08-31 0001084580 us-gaap:MunicipalBondsMember
2016-11-30 0001084580 us-gaap:LoansMember 2016-06-01 2016-08-31 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember 2016-05-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2016-05-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2016-06-01 2016-08-31 0001084580
us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2016-06-01 2016-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-06-01 2016-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-06-01 2016-08-31 0001084580
us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2016-05-31 0001084580 us-gaap:EquitySecuritiesMember
2016-05-31 0001084580 us-gaap:EquitySecuritiesMember 2016-06-01 2016-08-31 0001084580
jef:OtherSecuredFinancingsAtFairValueMember 2016-05-31 0001084580
jef:OtherSecuredFinancingsAtFairValueMember 2016-06-01 2016-08-31 0001084580
us-gaap:SovereignDebtSecuritiesMember 2016-05-31 0001084580 us-gaap:LoansMember 2016-05-31 0001084580
us-gaap:SovereignDebtSecuritiesMember 2016-06-01 2016-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-05-31 0001084580 us-gaap:InvestmentsMember 2016-05-31
0001084580 us-gaap:EquitySecuritiesMember 2016-05-31 0001084580 us-gaap:MunicipalBondsMember 2016-05-31
0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2016-05-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-05-31 0001084580 us-gaap:LoansAndFinanceReceivablesMember
2016-05-31 0001084580 jef:OtherAssetBackedSecuritiesMember 2016-05-31 0001084580
us-gaap:FairValueInputsLevel3Member 2016-11-30 0001084580 us-gaap:FairValueInputsLevel2Member 2016-11-30
0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember 2016-11-30 0001084580
us-gaap:FairValueInputsLevel3Member us-gaap:CommercialMortgageBackedSecuritiesMember 2016-11-30
0001084580 us-gaap:FairValueInputsLevel2Member jef:OtherAssetBackedSecuritiesMember 2016-11-30
0001084580 us-gaap:FairValueInputsLevel3Member jef:OtherAssetBackedSecuritiesMember 2016-11-30
0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:ResidentialMortgageBackedSecuritiesMember
2016-11-30 0001084580 us-gaap:FairValueInputsLevel3Member
us-gaap:ResidentialMortgageBackedSecuritiesMember 2016-11-30 0001084580
us-gaap:FairValueInputsLevel1Member jef:OtherAssetBackedSecuritiesMember 2016-11-30 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:CommercialMortgageBackedSecuritiesMember 2016-11-30

Edgar Filing: Jefferies Group LLC - Form 10-Q

0001084580 jef:OtherAssetBackedSecuritiesMember 2016-11-30 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember 2016-11-30 0001084580
us-gaap:FairValueInputsLevel1Member us-gaap:ResidentialMortgageBackedSecuritiesMember 2016-11-30
0001084580 us-gaap:FairValueInputsLevel2Member us-gaap:CommercialMortgageBackedSecuritiesMember
2016-11-30 0001084580 us-gaap:CorporateDebtSecuritiesMember 2017-06-01 2017-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-06-01 2017-08-31 0001084580
us-gaap:InvestmentsMember 2017-06-01 2017-08-31 0001084580 us-gaap:CorporateDebtSecuritiesMember
2017-06-01 2017-08-31 0001084580 us-gaap:EquitySecuritiesMember 2017-05-31 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2017-06-01 2017-08-31 0001084580 us-gaap:LoansMember
2017-06-01 2017-08-31 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
2017-06-01 2017-08-31 0001084580 us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2017-06-01
2017-08-31 0001084580 us-gaap:EquitySecuritiesMember 2017-06-01 2017-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-06-01 2017-08-31 0001084580
us-gaap:CorporateDebtSecuritiesMember 2017-05-31 0001084580 us-gaap:EquitySecuritiesMember 2017-06-01
2017-08-31 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember 2017-05-31
0001084580 us-gaap:LoansAndFinanceReceivablesMember 2017-05-31 0001084580 us-gaap:LoansMember
2017-05-31 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember 2017-05-31 0001084580
us-gaap:DerivativeFinancialInstrumentsLiabilitiesMember 2017-05-31 0001084580 us-gaap:EquitySecuritiesMember
2017-05-31 0001084580 us-gaap:CorporateDebtSecuritiesMember 2017-05-31 0001084580
us-gaap:InvestmentsMember 2017-05-31 0001084580 jef:OtherAssetBackedSecuritiesMember 2017-05-31
0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember 2017-05-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember 2017-05-31 0001084580 jef:MultiassetFundsMember
us-gaap:MinimumMember 2016-12-01 2017-08-31 0001084580 jef:MultiassetFundsMember
us-gaap:MaximumMember 2016-12-01 2017-08-31 0001084580 us-gaap:PrivateEquityFundsMember 2016-12-01
2017-08-31 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2015-12-01 2016-11-30 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2015-12-01 2016-11-30 0001084580 jef:OtherAssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-11-30 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-11-30 0001084580 jef:OtherAssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2015-12-01 2016-11-30 0001084580
jef:OtherAssetBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember
jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember 2015-12-01 2016-11-30
0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-11-30 0001084580 us-gaap:CreditDefaultSwapMember us-gaap:FairValueInputsLevel3Member
us-gaap:DerivativeMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2015-12-01 2016-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-11-30 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2015-12-01 2016-11-30 0001084580 us-gaap:EquitySecuritiesMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember us-gaap:MaximumMember
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-11-30
0001084580 jef:OtherAssetBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-11-30 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:ScenarioAnalysisMember 2016-11-30 0001084580 us-gaap:LoansAndFinanceReceivablesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:ScenarioAnalysisMember 2016-11-30 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2015-12-01 2016-11-30 0001084580
us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-11-30
0001084580 us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:ScenarioAnalysisMember 2016-11-30
0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-11-30 0001084580 us-gaap:EquitySecuritiesMember
us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember us-gaap:MinimumMember
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-11-30
0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:ScenarioAnalysisMember 2016-11-30 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-11-30 0001084580 us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-11-30 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-12-01 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:ScenarioAnalysisMember 2017-08-31
0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2017-08-31 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-12-01 2017-08-31 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580 us-gaap:LoansAndFinanceReceivablesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:ScenarioAnalysisMember 2017-08-31 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-12-01 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2017-08-31 0001084580 us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:ScenarioAnalysisMember 2017-08-31

Edgar Filing: Jefferies Group LLC - Form 10-Q

0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580
us-gaap:ResidentialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-12-01 2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580 us-gaap:InvestmentsMember
us-gaap:FairValueInputsLevel3Member jef:PrivateEquitySecuritiesMember us-gaap:MinimumMember
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-12-01
2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-12-01 2017-08-31 0001084580 us-gaap:LoansAndFinanceReceivablesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-12-01 2017-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2017-08-31 0001084580 us-gaap:ResidentialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-12-01 2017-08-31 0001084580 us-gaap:EquitySecuritiesMember
us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember us-gaap:MaximumMember
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-12-01
2017-08-31 0001084580 us-gaap:LoansAndFinanceReceivablesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-12-01 2017-08-31 0001084580
us-gaap:InterestRateSwapMember us-gaap:FairValueInputsLevel3Member us-gaap:DerivativeMember
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-12-01
2017-08-31 0001084580 jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:ScenarioAnalysisMember 2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2017-08-31 0001084580
us-gaap:CommercialMortgageBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:MinimumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-12-01 2017-08-31 0001084580 us-gaap:InvestmentsMember us-gaap:FairValueInputsLevel3Member
jef:PrivateEquitySecuritiesMember us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
us-gaap:MarketApproachValuationTechniqueMember 2016-12-01 2017-08-31 0001084580
jef:CollateralizedDebtObligationsandCollateralizedLoanObligationsMember us-gaap:FairValueInputsLevel3Member
us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember
2016-12-01 2017-08-31 0001084580 us-gaap:CommercialMortgageBackedSecuritiesMember
us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-12-01 2017-08-31 0001084580 us-gaap:EquitySecuritiesMember
us-gaap:FairValueInputsLevel3Member jef:NonExchangeTradedSecuritiesMember us-gaap:MinimumMember
jef:FinancialInstrumentsOwnedMember us-gaap:MarketApproachValuationTechniqueMember 2016-12-01
2017-08-31 0001084580 jef:OtherAssetBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member
us-gaap:WeightedAverageMember jef:FinancialInstrumentsOwnedMember
jef:DiscountedCashFlowApproachMember 2016-12-01 2017-08-31 0001084580
jef:OtherAssetBackedSecuritiesMember us-gaap:FairValueInputsLevel3Member us-gaap:MaximumMember
jef:FinancialInstrumentsOwnedMember jef:DiscountedCashFlowApproachMember 2016-12-01 2017-08-31
0001084580 jef:ForeignCurrencyForwardsSwapsAndOptionsMember 2017-08-31 0001084580
us-gaap:TotalReturnSwapMember 2017-08-31 0001084580 jef:EquitySwapsAndOptionsMember 2017-08-31

Edgar Filing: Jefferies Group LLC - Form 10-Q

0001084580 us-gaap:CreditDefaultSwapMember 2017-08-31 0001084580 jef:FixedIncomeForwardContractsMember 2017-08-31 0001084580 jef:InterestRateSwapsOptionsandForwardsMember 2017-08-31 0001084580 jef:RuleChangebyChicagoMercantileExchangeMember us-gaap:InterestRateContractMember 2016-11-30 0001084580 us-gaap:ExchangeTradedOptionsMember 2017-08-31 0001084580 us-gaap:InterestRateContractMember us-gaap:DesignatedAsHedgingInstrumentMember jef:OtcClearedMember 2017-08-31 0001084580 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember 2017-08-31 0001084580 jef:OtcClearedMember 2017-08-31 0001084580 us-gaap:CreditRiskContractMember us-gaap:NondesignatedMember jef:OtcClearedMember 2017-08-31 0001084580 jef:BilateralOtcMember 2017-08-31 0001084580 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember 2017-08-31 0001084580 us-gaap:ForeignExchangeContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember 2017-08-31 0001084580 us-gaap:CommodityContractMember us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember 2017-08-31 0001084580 us-gaap:EquityContractMember us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember 2017-08-31 0001084580 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember jef:OtcClearedMember 2017-08-31 0001084580 us-gaap:EquityContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember 2017-08-31 0001084580 us-gaap:NondesignatedMember 2017-08-31 0001084580 us-gaap:DesignatedAsHedgingInstrumentMember 2017-08-31 0001084580 us-gaap:InterestRateContractMember us-gaap:NondesignatedMember us-gaap:ExchangeTradedOptionsMember 2017-08-31 0001084580 us-gaap:CreditRiskContractMember us-gaap:NondesignatedMember jef:BilateralOtcMember 2017-08-31 0001084580 us-gaap:CreditIndexProductMember us-gaap:ExternalCreditRatingInvestmentGradeMember 2017-08-31 0001084580 us-gaap:CreditDefaultSwaptionMember us-gaap:ExternalCreditRatingNonInvestmentGradeMember 2017-08-31 0001084580 us-gaap:CreditIndexProductMember us-gaap:ExternalCreditRatingNonInvestmentGradeMember 2017-08-31 0001084580 us-gaap:CreditDefaultSwaptionMember us-gaap:ExternalCreditRatingInvestmentGradeMember 2017-08-31 0001084580 us-gaap:CreditDefaultSwaptionMember 2017-08-31 0001084580 us-gaap:CreditIndexProductMember 2017-08-31 0001084580 us-gaap:CreditDefaultSwaptionMember us-gaap:ExternalCreditRatingInvestmentGradeMember 2016-11-30 0001084580 us-gaap:CreditDefaultSwaptionMember 2016-11-30 0001084580 us-gaap:CreditIndexProductMember 2016-11-30 0001084580 us-gaap:CreditIndexProductMember us-gaap:ExternalCreditRatingNonInvestmentGradeMember 2016-11-30 0001084580 us-gaap:CreditIndexProductMember us-gaap:ExternalCreditRatingInvestmentGradeMember 2016-11-30 0001084580 us-gaap:CreditDefaultSwaptionMember us-gaap:ExternalCreditRatingNonInvestmentGradeMember 2016-11-30 0001084580 us-gaap:CommodityContractMember 2016-12-01 2017-08-31 0001084580 us-gaap:CreditRiskContractMember 2016-06-01 2016-08-31 0001084580 us-gaap:EquityContractMember 2017-06-01 2017-08-31 0001084580 us-gaap:ForeignExchangeContractMember 2017-06-01 2017-08-31 0001084580 us-gaap:CommodityContractMember 2015-12-01 2016-08-31 0001084580 us-gaap:EquityContractMember 2016-06-01 2016-08-31 0001084580 us-gaap:EquityContractMember 2016-12-01 2017-08-31 0001084580 us-gaap:InterestRateContractMember 2016-06-01 2016-08-31 0001084580 us-gaap:InterestRateContractMember 2017-06-01 2017-08-31 0001084580 us-gaap:CreditRiskContractMember 2015-12-01 2016-08-31 0001084580 us-gaap:CreditRiskContractMember 2017-06-01 2017-08-31 0001084580 us-gaap:CommodityContractMember 2017-06-01 2017-08-31 0001084580 us-gaap:InterestRateContractMember 2015-12-01 2016-08-31 0001084580 us-gaap:ForeignExchangeContractMember 2015-12-01 2016-08-31 0001084580 us-gaap:CommodityContractMember 2016-06-01 2016-08-31 0001084580 us-gaap:ForeignExchangeContractMember 2016-06-01 2016-08-31 0001084580 us-gaap:EquityContractMember 2015-12-01 2016-08-31 0001084580 us-gaap:ForeignExchangeContractMember 2016-12-01 2017-08-31 0001084580 us-gaap:InterestRateContractMember 2016-12-01 2017-08-31 0001084580 us-gaap:CreditRiskContractMember 2016-12-01 2017-08-31 0001084580 us-gaap:DerivativeFinancialInstrumentsAssetsMember 2016-06-01 2016-08-31 0001084580 us-gaap:LongTermDebtMember 2017-06-01 2017-08-31 0001084580 us-gaap:DerivativeFinancialInstrumentsAssetsMember 2015-12-01 2016-08-31 0001084580 us-gaap:DerivativeFinancialInstrumentsAssetsMember 2016-12-01 2017-08-31 0001084580 us-gaap:LongTermDebtMember 2016-12-01 2017-08-31 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

us-gaap:DerivativeFinancialInstrumentsAssetsMember 2017-06-01 2017-08-31 0001084580
us-gaap:LongTermDebtMember 2016-06-01 2016-08-31 0001084580 us-gaap:LongTermDebtMember 2015-12-01
2016-08-31 0001084580 us-gaap:EquityContractMember us-gaap:NondesignedMember
us-gaap:ExchangeTradedOptionsMember 2016-11-30 0001084580 us-gaap:ForeignExchangeContractMember
us-gaap:NondesignedMember jef:BilateralOtcMember 2016-11-30 0001084580 jef:BilateralOtcMember
2016-11-30 0001084580 jef:OtcClearedMember 2016-11-30 0001084580 us-gaap:CommodityContractMember
us-gaap:NondesignedMember us-gaap:ExchangeTradedOptionsMember 2016-11-30 0001084580
us-gaap:CreditRiskContractMember us-gaap:NondesignedMember jef:BilateralOtcMember 2016-11-30
0001084580 us-gaap:EquityContractMember us-gaap:NondesignedMember jef:BilateralOtcMember 2016-11-30
0001084580 us-gaap:InterestRateContractMember us-gaap:NondesignedMember
us-gaap:ExchangeTradedOptionsMember 2016-11-30 0001084580 us-gaap:InterestRateContractMember
us-gaap:NondesignedMember jef:BilateralOtcMember 2016-11-30 0001084580
us-gaap:ExchangeTradedOptionsMember 2016-11-30 0001084580 us-gaap:ForeignExchangeContractMember
us-gaap:NondesignedMember us-gaap:ExchangeTradedOptionsMember 2016-11-30 0001084580
us-gaap:CreditRiskContractMember us-gaap:NondesignedMember jef:OtcClearedMember 2016-11-30 0001084580
jef:JefferiesLoanCoreLlcMember 2016-12-01 2017-08-31 0001084580 jef:EpicGasMember 2016-12-01 2017-08-31
0001084580 jef:KCGHoldingsIncMember 2016-12-01 2017-08-31 0001084580 jef:JefferiesFinanceLlcMember
2016-12-01 2017-08-31 0001084580 jef:JCPFundsMember 2016-12-01 2017-08-31 0001084580
us-gaap:InterestRateContractMember us-gaap:NondesignedMember jef:OtcClearedMember 2016-11-30
0001084580 us-gaap:MunicipalBondsMember 2017-08-31 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2017-08-31 0001084580 us-gaap:CorporateDebtSecuritiesMember
2017-08-31 0001084580 us-gaap:SovereignDebtMember 2017-08-31 0001084580
us-gaap:USGovernmentCorporationsAndAgenciesSecuritiesMember 2017-08-31 0001084580
us-gaap:EquitySecuritiesMember 2017-08-31 0001084580 jef:MortgageandAssetBackedSecuritiesMember
2017-08-31 0001084580 us-gaap:Maturity30To90DaysMember 2016-11-30 0001084580
us-gaap:MaturityOver90DaysMember 2016-11-30 0001084580 us-gaap:MaturityUpTo30DaysMember 2016-11-30
0001084580 us-gaap:MaturityOvernightMember 2016-11-30 0001084580 us-gaap:EquitySecuritiesMember
2016-11-30 0001084580 us-gaap:MunicipalBondsMember 2016-11-30 0001084580
us-gaap:CorporateDebtSecuritiesMember 2016-11-30 0001084580
us-gaap:USGovernmentCorporationsAndAgenciesSecuritiesMember 2016-11-30 0001084580
us-gaap:LoansAndFinanceReceivablesMember 2016-11-30 0001084580
jef:MortgageandAssetBackedSecuritiesMember 2016-11-30 0001084580 us-gaap:SovereignDebtMember 2016-11-30
0001084580 us-gaap:Maturity30To90DaysMember 2017-08-31 0001084580 us-gaap:MaturityUpTo30DaysMember
2017-08-31 0001084580 us-gaap:MaturityOver90DaysMember 2017-08-31 0001084580
us-gaap:MaturityOvernightMember 2017-08-31 0001084580 us-gaap:CollateralizedLoanObligationsMember
2017-08-31 0001084580 us-gaap:OtherDebtSecuritiesMember 2016-11-30 0001084580
us-gaap:OtherDebtSecuritiesMember 2017-08-31 0001084580 us-gaap:CollateralizedLoanObligationsMember
2016-11-30 0001084580 jef:UsGovernmentAgencyIssuedRmbsMember 2017-08-31 0001084580
jef:UsGovernmentAgencyIssuedRmbsMember 2016-11-30 0001084580
jef:UsGovernmentAgencyIssuedCmbsMember 2016-11-30 0001084580
jef:UsGovernmentAgencyIssuedCmbsMember 2017-08-31 0001084580
jef:ConsumerLoanFinancingVehiclesMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember
2017-08-31 0001084580 jef:PrivateEquityVehiclesMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-08-31 0001084580
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-08-31 0001084580
us-gaap:CollateralizedLoanObligationsMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember
2017-08-31 0001084580 jef:OtherPrivateInvestmentVehiclesMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2017-08-31 0001084580
jef:ConsumerLoanFinancingVehiclesMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember
2016-11-30 0001084580 us-gaap:CollateralizedLoanObligationsMember
us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2016-11-30 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:PrivateEquityVehiclesMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2016-11-30 0001084580 us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2016-11-30 0001084580
jef:OtherPrivateInvestmentVehiclesMember us-gaap:VariableInterestEntityNotPrimaryBeneficiaryMember 2016-11-30 0001084580 jef:OtherPrivateInvestmentVehiclesMember 2016-11-30 0001084580
jef:MortgageAndAssetBackedSecuritizationActivityNonAgencyMember 2016-11-30 0001084580
jef:MortgageAndAssetBackedSecuritizationActivityNonAgencyMember 2017-08-31 0001084580
jef:PrivateEquityVehiclesMember jef:JCPEntitiesMember 2017-08-31 0001084580 jef:PrivateEquityVehiclesMember
jef:JefferiesEnergyPartnersILPMember 2016-11-30 0001084580 jef:OtherPrivateInvestmentVehiclesMember
2017-08-31 0001084580 jef:MortgageAndAssetBackedSecuritizationActivityAgencyMember 2016-11-30
0001084580 jef:PrivateEquityVehiclesMember jef:JCPEntitiesMember 2016-11-30 0001084580
jef:MortgageAndAssetBackedSecuritizationActivityAgencyMember 2017-08-31 0001084580
jef:SecuritizationActivityMember 2017-08-31 0001084580 jef:SecuritizationActivityMember 2016-11-30
0001084580 jef:SecuritiesPurchasedUnderAgreementMember jef:OtherActivityMember 2016-11-30 0001084580
jef:OtherActivityMember 2017-08-31 0001084580 us-gaap:OtherLiabilitiesMember jef:OtherActivityMember
2017-08-31 0001084580 jef:SecuritiesPurchasedUnderAgreementMember jef:OtherActivityMember 2017-08-31
0001084580 us-gaap:CashMember jef:OtherActivityMember 2016-11-30 0001084580 jef:OtherActivityMember
2016-11-30 0001084580 us-gaap:OtherLiabilitiesMember jef:SecuritizationActivityMember 2016-11-30 0001084580
jef:FeesInterestandOtherReceivablesMember jef:OtherActivityMember 2017-08-31 0001084580
jef:FinancialInstrumentsOwnedMember jef:SecuritizationActivityMember 2017-08-31 0001084580
jef:SecuritiesPurchasedUnderAgreementMember jef:SecuritizationActivityMember 2016-11-30 0001084580
us-gaap:CashMember jef:SecuritizationActivityMember 2017-08-31 0001084580
jef:OtherSecuredFinancingsMember jef:SecuritizationActivityMember 2016-11-30 0001084580
jef:FeesInterestandOtherReceivablesMember jef:SecuritizationActivityMember 2016-11-30 0001084580
jef:FeesInterestandOtherReceivablesMember jef:SecuritizationActivityMember 2017-08-31 0001084580
us-gaap:OtherLiabilitiesMember jef:SecuritizationActivityMember 2017-08-31 0001084580 us-gaap:CashMember
jef:OtherActivityMember 2017-08-31 0001084580 jef:FeesInterestandOtherReceivablesMember
jef:OtherActivityMember 2016-11-30 0001084580 jef:OtherSecuredFinancingsMember
jef:SecuritizationActivityMember 2017-08-31 0001084580 jef:OtherSecuredFinancingsMember
jef:OtherActivityMember 2016-11-30 0001084580 jef:FinancialInstrumentsOwnedMember jef:OtherActivityMember
2017-08-31 0001084580 jef:FinancialInstrumentsOwnedMember jef:OtherActivityMember 2016-11-30 0001084580
us-gaap:CashMember jef:SecuritizationActivityMember 2016-11-30 0001084580
jef:SecuritiesPurchasedUnderAgreementMember jef:SecuritizationActivityMember 2017-08-31 0001084580
jef:FinancialInstrumentsOwnedMember jef:SecuritizationActivityMember 2016-11-30 0001084580
jef:OtherSecuredFinancingsMember jef:OtherActivityMember 2017-08-31 0001084580
us-gaap:OtherLiabilitiesMember jef:OtherActivityMember 2016-11-30 0001084580 jef:EpicGasMember 2016-01-01
2016-03-31 0001084580 jef:EpicGasMember 2016-04-01 2016-06-30 0001084580 jef:EpicGasMember 2015-10-01
2015-12-31 0001084580 jef:EpicGasMember 2016-10-01 2016-12-31 0001084580 jef:EpicGasMember 2017-04-01
2017-06-30 0001084580 jef:EpicGasMember 2017-01-01 2017-03-31 0001084580 jef:JCPFundsMember 2017-04-01
2017-06-30 0001084580 jef:JCPFundsMember 2016-04-01 2016-06-30 0001084580 jef:JCPFundsMember
2016-01-01 2016-03-31 0001084580 jef:JCPFundsMember 2015-10-01 2015-12-31 0001084580
jef:JCPFundsMember 2016-10-01 2016-12-31 0001084580 jef:JCPFundsMember 2017-01-01 2017-03-31
0001084580 jef:EpicGasMember 2016-11-30 0001084580 jef:EpicGasMember 2017-08-31 0001084580
jef:JefferiesLoanCoreLlcMember 2015-12-01 2016-08-31 0001084580 jef:JefferiesLoanCoreLlcMember 2017-06-01
2017-08-31 0001084580 jef:JefferiesLoanCoreLlcMember 2016-06-01 2016-08-31 0001084580
jef:JefferiesFinanceLlcMember 2016-11-30 0001084580 jef:JefferiesFinanceLlcMember 2017-08-31 0001084580
jef:KCGHoldingsIncMember 2017-06-01 2017-08-31 0001084580 jef:KCGHoldingsIncMember 2015-12-01
2016-08-31 0001084580 jef:KCGHoldingsIncMember 2016-06-01 2016-08-31 0001084580
jef:JefferiesFinanceLlcMember 2017-06-01 2017-08-31 0001084580 jef:JefferiesFinanceLlcMember 2015-12-01
2016-08-31 0001084580 jef:JefferiesFinanceLlcMember 2016-06-01 2016-08-31 0001084580
jef:JefferiesLoanCoreLlcMember 2016-11-30 0001084580 jef:JefferiesLoanCoreLlcMember 2017-08-31 0001084580
jef:KCGHoldingsIncMember 2016-11-30 0001084580 jef:JCPFundsMember 2017-06-01 2017-08-31 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:JCPFundsMember 2015-12-01 2016-08-31 0001084580 jef:JCPFundsMember 2016-06-01 2016-08-31 0001084580 jef:KCGHoldingsIncMember 2016-01-01 2016-03-31 0001084580 jef:KCGHoldingsIncMember 2017-01-01 2017-03-31 0001084580 jef:KCGHoldingsIncMember 2016-04-01 2016-06-30 0001084580 jef:KCGHoldingsIncMember 2016-10-01 2016-12-31 0001084580 jef:KCGHoldingsIncMember 2015-10-01 2015-12-31 0001084580 us-gaap:AccountsPayableAndAccruedLiabilitiesMember jef:JefferiesFinanceLlcMember 2016-11-30 0001084580 jef:JefferiesFinanceLlcMember 2017-07-01 2017-07-31 0001084580 jef:JefferiesLoanCoreLlcMember 2015-12-01 2016-11-30 0001084580 us-gaap:MaximumMember jef:JCPFundsMember 2017-08-31 0001084580 us-gaap:CorporateDebtSecuritiesMember jef:JefferiesFinanceLlcMember 2017-08-31 0001084580 jef:KCGHoldingsIncMember 2017-07-20 0001084580 jef:JefferiesFinanceLlcMember 2017-07-31 0001084580 jef:JCPFundsMember 2016-11-30 0001084580 jef:JCPFundsMember 2017-08-31 0001084580 jef:JefferiesCapitalPartnersVL.PMember 2017-08-31 0001084580 jef:SBIUSAFundL.P.Member 2017-08-31 0001084580 us-gaap:OtherAssetsMember jef:JefferiesFinanceLlcMember 2017-08-31 0001084580 us-gaap:MaximumMember jef:JCPFundsMember 2016-11-30 0001084580 us-gaap:AssetManagementIncomeMember 2016-11-30 0001084580 us-gaap:AssetManagementIncomeMember 2017-08-31 0001084580 jef:CapitalMarketsMember 2017-08-31 0001084580 jef:CapitalMarketsMember 2016-11-30 0001084580 us-gaap:CustomerRelationshipsMember 2017-08-31 0001084580 jef:ExchangeAndClearingOrganizationMembershipInterestsAndRegistrationsMember 2016-12-01 2017-08-31 0001084580 us-gaap:TradeNamesMember 2017-08-31 0001084580 jef:ExchangeAndClearingOrganizationMembershipInterestsAndRegistrationsMember 2017-08-31 0001084580 jef:ExchangeAndClearingOrganizationMembershipInterestsAndRegistrationsMember 2016-11-30 0001084580 us-gaap:CustomerRelationshipsMember 2016-11-30 0001084580 us-gaap:TradeNamesMember 2016-11-30 0001084580 jef:InvestmentBankingEquitiesandFixedIncomeMember 2017-08-31 0001084580 jef:ExchangeAndClearingOrganizationMembershipInterestsAndRegistrationsMember 2017-08-01 2017-08-01 0001084580 jef:ExchangeAndClearingOrganizationMembershipInterestsAndRegistrationsMember 2016-12-01 2017-02-28 0001084580 us-gaap:TradeNamesMember 2016-12-01 2017-08-31 0001084580 us-gaap:CustomerRelationshipsMember 2016-12-01 2017-08-31 0001084580 us-gaap:TradeNamesMember 2015-12-01 2016-11-30 0001084580 us-gaap:CustomerRelationshipsMember 2015-12-01 2016-11-30 0001084580 jef:EquityLinkedNotesMaturedOnJuly182017Member 2017-08-31 0001084580 jef:IntradayCreditFacilityMember us-gaap:LineOfCreditMember us-gaap:FederalFundsEffectiveSwapRateMember 2016-12-01 2017-08-31 0001084580 jef:IntradayCreditFacilityMember us-gaap:LineOfCreditMember 2017-08-31 0001084580 jef:DemandLoanFacilityMember us-gaap:LineOfCreditMember us-gaap:LondonInterbankOfferedRateLIBORMember 2016-02-19 2016-02-19 0001084580 jef:FirstSecuredRevolvingLoanFacilityMember us-gaap:LineOfCreditMember 2015-10-29 0001084580 jef:SecondSecuredRevolvingLoanFacilityMember us-gaap:LineOfCreditMember 2015-12-14 0001084580 jef:EquityLinkedNotesMaturedOnSeptember202017Member 2017-08-31 0001084580 jef:DemandLoanFacilityMember us-gaap:LineOfCreditMember 2016-02-19 0001084580 jef:PuttableNotesMember us-gaap:NotesPayableToBanksMember 2016-08-31 0001084580 jef:PuttableNotesMember 2016-11-30 0001084580 jef:EquitylinkedNotesMember 2016-11-30 0001084580 jef:LoanFacilityMember us-gaap:SecuredDebtMember 2017-08-31 0001084580 us-gaap:NotesPayableToBanksMember 2017-08-31 0001084580 us-gaap:NotesPayableToBanksMember 2016-11-30 0001084580 jef:LoanFacilityMember us-gaap:SecuredDebtMember 2016-11-30 0001084580 jef:EquitylinkedNotesMember 2017-08-31 0001084580 jef:PuttableNotesMember 2017-08-31 0001084580 jef:SecondSecuredRevolvingLoanFacilityMember us-gaap:LineOfCreditMember us-gaap:LondonInterbankOfferedRateLIBORMember 2015-12-14 2015-12-14 0001084580 jef:FirstSecuredRevolvingLoanFacilityMember us-gaap:LineOfCreditMember us-gaap:LondonInterbankOfferedRateLIBORMember 2015-10-29 2015-10-29 0001084580 jef:FivePointOneTwoFivePercentageSeniorNotesDueTwoThousandTwentyThreeMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580 jef:FivePointOneTwoFivePercentageSeniorNotesDueTwoThousandTwentyThreeMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580 jef:SixPointTwoFivePercentageSeniorDebenturesDueTwoThousandThirtySixMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580 jef:StructuredNotesMember 2017-08-31 0001084580 jef:EightPointFivePercentageSeniorNotesDueTwoThousandNineteenMember us-gaap:UnsecuredDebtMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

2017-08-31 0001084580 jef:FivePointOneTwoFivePercentageSeniorNotesDueTwoThousandEighteenMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580
jef:TwoPointThreeSevenFivePercentageEuroMediumTermNotesDueTwoThousandTwentyMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580
jef:SixPointTwoFivePercentageSeniorDebenturesDueTwoThousandThirtySixMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580
jef:ThreePointEightSevenFivePercentageConvertibleSeniorDebenturesDueTwoThousandTwentyNineMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580
jef:SixPointFiveZeroPercentageSeniorNotesDueTwoThousandFortyThreeMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580 jef:SixPointEightSevenFivePercentageSeniorNotesDueTwoThousandTwentyOneMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580
jef:SixPointFiveZeroPercentageSeniorNotesDueTwoThousandFortyThreeMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580 jef:SixPointFourFivePercentageSeniorDebenturesDueTwoThousandTwentySevenMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580
jef:TwoPointThreeSevenFivePercentageEuroMediumTermNotesDueTwoThousandTwentyMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580
jef:FourPointEightFivePercentageSeniorNotesDue2027Member us-gaap:UnsecuredDebtMember 2017-08-31 0001084580 jef:SixPointFourFivePercentageSeniorDebenturesDueTwoThousandTwentySevenMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580
jef:SixPointEightSevenFivePercentageSeniorNotesDueTwoThousandTwentyOneMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580
jef:EightPointFivePercentageSeniorNotesDueTwoThousandNineteenMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580
jef:TwoPointTwoFivePercentageEuroMediumTermNotesDueTwoThousandTwentyTwoMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580
jef:FivePointOneTwoFivePercentageSeniorNotesDueTwoThousandEighteenMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580 jef:FourPointEightFivePercentageSeniorNotesDue2027Member us-gaap:UnsecuredDebtMember 2016-11-30 0001084580
jef:ThreePointEightSevenFivePercentageConvertibleSeniorDebenturesDueTwoThousandTwentyNineMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580 jef:StructuredNotesMember 2016-11-30 0001084580
jef:TwoPointTwoFivePercentageEuroMediumTermNotesDueTwoThousandTwentyTwoMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580 jef:StructuredNotesMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580 jef:LeucadiaMember
jef:ThreePointEightSevenFivePercentageConvertibleSeniorDebenturesDueTwoThousandTwentyNineMember 2017-08-31 0001084580 jef:LeucadiaMember
jef:ThreePointEightSevenFivePercentageConvertibleSeniorDebenturesDueTwoThousandTwentyNineMember 2016-12-01 2017-08-31 0001084580 jef:StructuredNotesMember us-gaap:UnsecuredDebtMember 2016-08-31 0001084580
jef:ThreePointEightSevenFivePercentageConvertibleSeniorDebenturesDueTwoThousandTwentyNineMember 2017-08-31 0001084580 jef:ClassBNotesDue2022Member 2016-01-21 0001084580 jef:StructuredNotesMember us-gaap:UnsecuredDebtMember 2016-11-30 0001084580
jef:FourPointEightFivePercentageSeniorNotesDue2027Member us-gaap:InterestRateSwapMember us-gaap:UnsecuredDebtMember 2017-08-31 0001084580 jef:LeucadiaMember us-gaap:SubsequentEventMember 2017-09-14 2017-09-14 0001084580 us-gaap:SeniorNotesMember 2017-08-31 0001084580
jef:FourPointEightFivePercentageSeniorNotesDue2027Member us-gaap:UnsecuredDebtMember 2017-01-17 0001084580 jef:ClassANotesDue2022Member 2016-01-21 0001084580 jef:LeucadiaMember us-gaap:SubsequentEventMember 2017-09-14 0001084580 jef:RestrictedCashAwardsMember 2017-08-31 0001084580 jef:NonvestedShareAwardsMember 2017-08-31 0001084580
jef:RestrictedStockandRestrictedStockUnitsMember 2017-06-01 2017-08-31 0001084580
jef:RestrictedStockandRestrictedStockUnitsMember 2015-12-01 2016-08-31 0001084580
jef:RestrictedStockandRestrictedStockUnitsMember 2016-12-01 2017-08-31 0001084580

Edgar Filing: Jefferies Group LLC - Form 10-Q

jef:RestrictedCashAwardsMember 2016-12-01 2017-08-31 0001084580 jef:RestrictedCashAwardsMember 2016-06-01 2016-08-31 0001084580 jef:RestrictedCashAwardsMember 2015-12-01 2016-08-31 0001084580 jef:RestrictedStockandRestrictedStockUnitsMember 2016-06-01 2016-08-31 0001084580 jef:RestrictedCashAwardsMember 2017-06-01 2017-08-31 0001084580 jef:NonvestedShareAwardsMember 2016-12-01 2017-08-31 0001084580 jef:JefferiesCapitalPartnersLlcMember 2017-08-31 0001084580 us-gaap:StandbyLettersOfCreditMember us-gaap:MaximumMember 2016-12-01 2017-08-31 0001084580 us-gaap:StandbyLettersOfCreditMember 2017-08-31 0001084580 jef:InvestmentsOtherMember 2017-08-31 0001084580 jef:DerivativeContractsNonCreditRelatedMember 2017-08-31 0001084580 us-gaap:DerivativeMember 2017-08-31 0001084580 jef:DerivativeContractsCreditRelatedMember 2017-08-31 0001084580 jef:OtherCommitmentsMember 2017-08-31 0001084580 jef:UnderwritingCommitmentsMember 2017-08-31 0001084580 jef:ForwardStartingReposMember 2017-08-31 0001084580 jef:LoanCommitmentsMember 2017-08-31 0001084580 jef:ForwardStartingReverseReposMember 2017-08-31 0001084580 jef:MortgageRelatedCommitmentsMember 2017-08-31 0001084580 jef:EquityCommitmentsMember 2017-08-31 0001084580 jef:JefferiesMember 2017-08-31 0001084580 jef:JefferiesExecutionMember 2017-08-31 0001084580 us-gaap:AmericasMember 2017-06-01 2017-08-31 0001084580 us-gaap:AmericasMember 2016-06-01 2016-08-31 0001084580 us-gaap:EuropeMember 2017-06-01 2017-08-31 0001084580 us-gaap:EuropeMember 2015-12-01 2016-08-31 0001084580 us-gaap:AmericasMember 2015-12-01 2016-08-31 0001084580 us-gaap:AsiaMember 2016-06-01 2016-08-31 0001084580 us-gaap:AmericasMember 2016-12-01 2017-08-31 0001084580 us-gaap:EuropeMember 2016-12-01 2017-08-31 0001084580 us-gaap:EuropeMember 2016-06-01 2016-08-31 0001084580 us-gaap:AsiaMember 2017-06-01 2017-08-31 0001084580 us-gaap:AsiaMember 2015-12-01 2016-08-31 0001084580 us-gaap:AsiaMember 2016-12-01 2017-08-31 0001084580 us-gaap:AssetManagementIncomeMember 2017-06-01 2017-08-31 0001084580 us-gaap:AssetManagementIncomeMember 2015-12-01 2016-08-31 0001084580 jef:CapitalMarketsMember 2016-06-01 2016-08-31 0001084580 jef:CapitalMarketsMember 2016-12-01 2017-08-31 0001084580 us-gaap:AssetManagementIncomeMember 2016-06-01 2016-08-31 0001084580 jef:CapitalMarketsMember 2017-06-01 2017-08-31 0001084580 us-gaap:AssetManagementIncomeMember 2016-12-01 2017-08-31 0001084580 jef:CapitalMarketsMember 2015-12-01 2016-08-31 0001084580 us-gaap:AffiliatedEntityMember us-gaap:DirectorMember 2017-08-31 0001084580 jef:HedgeFundManagedByLeucadiaMember us-gaap:AffiliatedEntityMember 2016-12-01 2017-08-31 0001084580 jef:HedgeFundManagedByLeucadiaMember us-gaap:AffiliatedEntityMember 2017-06-01 2017-06-30 0001084580 us-gaap:OtherAssetsMember jef:LeucadiaMember 2016-11-30 0001084580 jef:LandcadiaHoldingsInc.Member us-gaap:AffiliatedEntityMember 2017-08-31 0001084580 jef:LandcadiaHoldingsInc.Member us-gaap:AffiliatedEntityMember 2016-11-30 0001084580 jef:HedgeFundManagedByLeucadiaMember us-gaap:AffiliatedEntityMember 2016-06-01 2016-08-31 0001084580 jef:LeucadiaMember us-gaap:CorporateDebtSecuritiesMember us-gaap:AffiliatedEntityMember 2017-08-31 0001084580 jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember us-gaap:EquityMethodInvesteeMember 2016-11-30 0001084580 jef:HedgeFundManagedByLeucadiaMember us-gaap:AffiliatedEntityMember 2016-03-01 2016-03-31 0001084580 jef:HedgeFundManagedByLeucadiaMember us-gaap:AffiliatedEntityMember 2017-06-01 2017-08-31 0001084580 jef:LeucadiaMember us-gaap:CorporateDebtSecuritiesMember us-gaap:AffiliatedEntityMember 2016-11-30 0001084580 jef:SubsidyOfLeucadiaMember us-gaap:AffiliatedEntityMember 2016-07-01 2016-07-31 0001084580 jef:LeucadiaMember us-gaap:AffiliatedEntityMember 2017-02-01 2017-08-31 0001084580 us-gaap:AccountsPayableAndAccruedLiabilitiesMember jef:LeucadiaMember 2017-08-31 0001084580 jef:HedgeFundManagedByLeucadiaMember us-gaap:AffiliatedEntityMember 2015-12-01 2016-08-31 0001084580 jef:InvestmentBankingandAdvisoryMember us-gaap:AffiliatedEntityMember 2015-12-01 2016-08-31 0001084580 jef:HedgeFundManagedByLeucadiaMember us-gaap:AffiliatedEntityMember 2016-12-01 2016-12-31 0001084580 jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember us-gaap:EquityMethodInvesteeMember 2017-08-31 0001084580 jef:HedgeFundManagedByLeucadiaMember us-gaap:AffiliatedEntityMember us-gaap:DirectorMember 2017-06-01 2017-06-30 0001084580 jef:LeucadiaMember us-gaap:AffiliatedEntityMember 2017-08-01 2017-08-31 0001084580 jef:LeucadiaMember us-gaap:AffiliatedEntityMember 2017-02-01 2017-02-28 0001084580 jef:LeucadiaMember us-gaap:AffiliatedEntityMember 2017-04-01 2017-04-30 0001084580 jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember us-gaap:EquityMethodInvesteeMember

Edgar Filing: Jefferies Group LLC - Form 10-Q

2016-06-01 2016-08-31 0001084580 jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember
us-gaap:EquityMethodInvesteeMember 2015-12-01 2016-08-31 0001084580
jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember us-gaap:EquityMethodInvesteeMember
2017-06-01 2017-08-31 0001084580 jef:EquityInvestmentsinJefferiesCapitalPartnersRelatedFundsMember
us-gaap:EquityMethodInvesteeMember 2016-12-01 2017-08-31 0001084580 jef:LeucadiaMember
us-gaap:AffiliatedEntityMember 2017-08-31 0001084580 jef:LeucadiaMember us-gaap:AffiliatedEntityMember
2016-11-30 0001084580 jef:LeucadiaMember us-gaap:AffiliatedEntityMember 2016-06-01 2016-08-31 0001084580
jef:LeucadiaMember us-gaap:AffiliatedEntityMember 2015-12-01 2016-08-31 0001084580 jef:LeucadiaMember
us-gaap:AffiliatedEntityMember 2016-12-01 2017-08-31 0001084580 jef:LeucadiaMember
us-gaap:AffiliatedEntityMember 2017-06-01 2017-08-31 0001084580 us-gaap:AffiliatedEntityMember
us-gaap:DirectorMember 2016-11-30 0001084580
jef:AcceleratedAmortizationofRestrictedStockandRestrictedCashAwardsMember 2016-06-01 2016-08-31
0001084580 us-gaap:EmployeeSeveranceMember 2015-12-01 2016-08-31 0001084580
us-gaap:ContractTerminationMember 2016-06-01 2016-08-31 0001084580
jef:AcceleratedAmortizationofRestrictedStockandRestrictedCashAwardsMember 2015-12-01 2016-08-31
0001084580 us-gaap:OtherRestructuringMember 2016-06-01 2016-08-31 0001084580
us-gaap:EmployeeSeveranceMember 2016-06-01 2016-08-31 0001084580 us-gaap:ContractTerminationMember
2015-12-01 2016-08-31 0001084580 us-gaap:OtherRestructuringMember 2015-12-01 2016-08-31 0001084580
jef:FuturesBusinessMember 2015-12-01 2016-08-31 0001084580 jef:TechnologyandCommunicationsMember
2015-12-01 2016-08-31 0001084580 us-gaap:OtherExpenseMember 2016-06-01 2016-08-31 0001084580
jef:CompensationandBenefitsMember 2015-12-01 2016-08-31 0001084580
jef:TechnologyandCommunicationsMember 2016-06-01 2016-08-31 0001084580
jef:CompensationandBenefitsMember 2016-06-01 2016-08-31 0001084580 us-gaap:OtherExpenseMember
2015-12-01 2016-08-31 iso4217:USD xbrli:shares utreg:T utreg:D jef:segment xbrli:pure iso4217:USD xbrli:shares
jef:Contract iso4217:EUR jef:Hour jef:Public_Offering_Unit jef:Warrant

[Table of Contents](#)

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

FORM 10-Q

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

For the quarterly period ended August 31, 2017

OR

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

For the transition period from _____ to _____

Commission file number 1-14947

JEFFERIES GROUP LLC

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

95-4719745
(I.R.S. Employer
Identification No.)

Edgar Filing: Jefferies Group LLC - Form 10-Q

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

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

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

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

Table of Contents

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

August 31, 2017

PART I. FINANCIAL INFORMATION

	<i>Page</i>
<u>Item 1. Financial Statements</u>	<u>2</u>
<u>Consolidated Statements of Financial Condition (Unaudited)</u>	<u>2</u>
<u>Consolidated Statements of Earnings (Unaudited)</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income (Unaudited)</u>	<u>4</u>
<u>Consolidated Statements of Changes in Equity (Unaudited)</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows (Unaudited)</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	<u>8</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>57</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>87</u>
<u>Item 4. Controls and Procedures</u>	<u>87</u>

PART II. OTHER INFORMATION

<u>Item 1. Legal Proceedings</u>	<u>88</u>
<u>Item 1A. Risk Factors</u>	<u>88</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>88</u>
<u>Item 6. Exhibits</u>	<u>88</u>

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

	August 31, 2017	November 30, 2016
ASSETS		
Cash and cash equivalents (\$6,242 and \$16,805 at August 31, 2017 and November 30, 2016, respectively, related to consolidated VIEs)	\$ 4,806,724	\$ 3,529,069
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	903,744	857,337
Financial instruments owned, at fair value, (including securities pledged of \$10,257,188 and \$9,706,881 at August 31, 2017 and November 30, 2016, respectively; and \$44,862 and \$87,153 at August 31, 2017 and November 30, 2016, respectively, related to consolidated VIEs)	14,036,679	13,809,512
Investments in managed funds	169,926	186,508
Loans to and investments in related parties	897,604	653,872
Securities borrowed	7,758,532	7,743,562
Securities purchased under agreements to resell	3,371,435	3,862,488
Receivables:		
Brokers, dealers and clearing organizations	2,565,581	2,009,163
Customers	1,291,537	843,114
Fees, interest and other (\$245 and \$1,547 at August 31, 2017 and November 30, 2016, respectively, related to consolidated VIEs)	344,190	310,894
Premises and equipment	290,871	265,553
Goodwill	1,643,398	1,640,653
Other assets (\$3 and \$0 at August 31, 2017 and November 30, 2016, respectively, related to consolidated VIEs)	1,278,200	1,229,551
Total assets	\$ 39,358,421	\$ 36,941,276
LIABILITIES AND EQUITY		
Short-term borrowings (includes \$4,281 and \$0 at fair value at August 31, 2017 and November 30, 2016, respectively)	\$ 417,122	\$ 525,842
Financial instruments sold, not yet purchased, at fair value	8,460,500	8,359,202
Collateralized financings:		
Securities loaned	2,763,253	2,819,132
Securities sold under agreements to repurchase	8,473,419	6,791,676
Other secured financings (includes \$0 and \$41,768 at fair value at August 31, 2017 and November 30, 2016, respectively; and \$541,500 and \$755,544 at August 31, 2017 and November 30, 2016, respectively, related to consolidated VIEs)	552,540	755,576
Payables:		
Brokers, dealers and clearing organizations	2,647,970	3,290,404
Customers	2,459,686	2,297,292
Accrued expenses and other liabilities (\$800 and \$735 at August 31, 2017 and November 30, 2016, respectively, related to consolidated VIEs)	1,479,287	1,248,200
Long-term debt (includes \$553,870 and \$248,856 at fair value at August 31, 2017 and November 30, 2016, respectively)	6,449,685	5,483,355
Total liabilities	33,703,462	31,570,679
EQUITY		
Member's paid-in capital	5,805,688	5,538,103
Accumulated other comprehensive loss:		
Currency translation adjustments	(125,383)	(152,305)
Changes in instrument specific credit risk	(15,364)	(6,494)
Cash flow hedges	(1,585)	—
Additional minimum pension liability	(9,098)	(9,358)
Total accumulated other comprehensive loss	(151,430)	(168,157)
Total Jefferies Group LLC member's equity	5,654,258	5,369,946
Noncontrolling interests	701	651

Edgar Filing: Jefferies Group LLC - Form 10-Q

Total equity	5,654,959	5,370,597
Total liabilities and equity	\$39,358,421	\$36,941,276

See accompanying notes to consolidated financial statements.

2

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2017	2016	2017	2016
Revenues:				
Commissions and other fees	\$ 139,082	\$ 152,044	\$ 437,547	\$ 454,025
Principal transactions	185,215	167,483	693,242	382,290
Investment banking	475,702	294,930	1,235,586	778,906
Asset management fees and investment income from managed funds	5,465	15,877	11,694	29,743
Interest	230,496	213,716	660,323	655,836
Other	12,371	19,791	58,691	(6,937)
Total revenues	1,048,331	863,841	3,097,083	2,293,863
Interest expense	247,639	209,391	721,584	621,018
Net revenues	800,692	654,450	2,375,499	1,672,845
Non-interest expenses:				
Compensation and benefits	462,933	376,438	1,373,627	1,141,497
Non-compensation expenses:				
Floor brokerage and clearing fees	44,869	40,189	138,221	124,259
Technology and communications	72,440	64,512	205,425	196,000
Occupancy and equipment rental	27,736	24,987	77,145	74,498
Business development	23,125	20,259	72,223	67,700
Professional services	25,007	29,761	83,544	82,799
Other	22,318	17,582	62,670	52,649
Total non-compensation expenses	215,495	197,290	639,228	597,905
Total non-interest expenses	678,428	573,728	2,012,855	1,739,402
Earnings (loss) before income taxes	122,264	80,722	362,644	(66,557)
Income tax expense	38,439	39,564	95,009	5,112
Net earnings (loss)	83,825	41,158	267,635	(71,669)
Net earnings (loss) attributable to noncontrolling interests	10	(11)	50	77
Net earnings (loss) attributable to Jefferies Group LLC	\$ 83,815	\$ 41,169	\$ 267,585	\$ (71,746)
See accompanying notes to consolidated financial statements.				

Table of Contents

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

(In thousands)

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2017	2016	2017	2016
Net earnings (loss)	\$83,825	\$41,158	\$267,635	\$(71,669)
Other comprehensive income (loss), net of tax:				
Currency translation and other adjustments	3,830	(55,945)	27,182	(79,804)
Changes in instrument specific credit risk (1)	3,508	(2,466)	(8,870)	(4,771)
Cash flow hedges	(1,585)	—	(1,585)	—
Total other comprehensive income (loss), net of tax (2)	5,753	(58,411)	16,727	(84,575)
Comprehensive income (loss)	89,578	(17,253)	284,362	(156,244)
Net earnings (loss) attributable to noncontrolling interests	10	(11)	50	77
Comprehensive income (loss) attributable to Jefferies Group LLC	\$89,568	\$(17,242)	\$284,312	\$(156,321)

Includes income tax expense of approximately \$2.1 million and income tax benefit of approximately \$5.3 million (1) for the three and nine months ended August 31, 2017, respectively, and income tax benefit of approximately \$1.6 million and \$3.1 million for the three and nine months ended August 31, 2016, respectively.

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

See accompanying notes to consolidated financial statements.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

(In thousands)

	Nine Months Ended August 31, 2017	Year Ended November 30, 2016
Member's paid-in capital:		
Balance, beginning of period	\$5,538,103	\$5,526,855
Net earnings attributable to Jefferies Group LLC	267,585	15,434
Tax detriment for issuance of share-based awards	—	(4,186)
Balance, end of period	\$5,805,688	\$5,538,103
Accumulated other comprehensive income (loss) (1) (2):		
Balance, beginning of period	\$(168,157)	\$(44,946)
Currency adjustments	26,922	(115,494)
Changes in instrument specific credit risk, net of tax	(8,870)	(6,494)
Cash flow hedges	(1,585)	—
Pension adjustments, net of tax	260	(1,223)
Balance, end of period	(151,430)	(168,157)
Total Jefferies Group LLC member's equity	\$5,654,258	\$5,369,946
Noncontrolling interests:		
Balance, beginning of period	\$651	\$27,468
Net earnings (loss) attributable to noncontrolling interests	50	(28)
Contributions	—	9,390
Distributions	—	(563)
Deconsolidation of asset management company	—	(35,616)
Balance, end of period	\$701	\$651
Total equity	\$5,654,959	\$5,370,597

(1) The components of other comprehensive income (loss) are attributable to Jefferies Group LLC. None of the components of other comprehensive income (loss) are attributable to noncontrolling interests.

(2) There were no material reclassifications out of Accumulated other comprehensive income (loss) during the nine months ended August 31, 2017 and the year ended November 30, 2016.

See accompanying notes to consolidated financial statements.

Table of Contents

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

	Nine Months Ended	
	August 31,	
	2017	2016
Cash flows from operating activities:		
Net earnings (loss)	\$267,635	\$(71,669)
Adjustments to reconcile net earnings (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,820	(2,888)
(Income) loss on loans to and investments in related parties	(65,323)	15,862
Distributions received on investments in related parties	8,021	11,187
Other adjustments	91,313	13,359
Net change in assets and liabilities:		
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	(45,746)	(277,019)
Receivables:		
Brokers, dealers and clearing organizations	(546,424)	(392,632)
Customers	(448,494)	341,930
Fees, interest and other	(31,877)	(35,514)
Securities borrowed	—	(1,510,588)
Financial instruments owned	(176,662)	2,079,134
Investments in managed funds	16,582	(132,941)
Securities purchased under agreements to resell	524,937	(248,931)
Other assets	(50,147)	(236,907)
Payables:		
Brokers, dealers and clearing organizations	(652,668)	781,782
Customers	162,387	(31,159)
Securities loaned	(68,310)	(22,326)
Financial instruments sold, not yet purchased	50,267	1,269,261
Securities sold under agreements to repurchase	1,668,725	(1,824,027)
Accrued expenses and other liabilities	209,756	68,024
Net cash provided by (used in) operating activities	915,792	(206,062)
Cash flows from investing activities:		
Contributions to loans to and investments in related parties	(2,916,204)	(343,835)
Distributions from loans to and investments in related parties	2,729,276	485,620
Net payments on premises and equipment	(53,595)	(51,001)
Payment on purchase of aircraft	—	(27,500)
Proceeds from sale of aircraft	—	29,450
Deconsolidation of asset management entity	—	(39)
Cash received from contingent consideration	1,342	1,211
Net cash provided by (used in) investing activities	(239,181)	93,906
Continued on next page.		

Table of Contents

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

	Nine Months Ended	
	August 31,	
	2017	2016
Cash flows from financing activities:		
Proceeds from short-term borrowings	25,784,561	8,350,534
Payments on short-term borrowings	(25,887,517)	(8,229,669)
Net payments on other secured financings	(203,036)	(156,602)
Proceeds from issuance of long-term debt, net of issuance costs	1,030,027	239,779
Repayment of long-term debt	(121,957)	(373,246)
Net change in bank overdrafts	(5,764)	(56,126)
Net proceeds from noncontrolling interests	—	3,937
Net cash provided by (used in) financing activities	596,314	(221,393)
Effect of exchange rate changes on cash and cash equivalents	4,730	(17,471)
Net increase (decrease) in cash and cash equivalents	1,277,655	(351,020)
Cash and cash equivalents at beginning of period	3,529,069	3,510,163
Cash and cash equivalents at end of period	\$4,806,724	\$3,159,143
Supplemental disclosures of cash flow information:		
Cash paid (received) during the period for		
Interest	\$777,969	\$675,896
Income taxes, net	3,329	(8,011)
See accompanying notes to consolidated financial statements.		

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

<u>Note</u>	<u>Page</u>
<u>Note 1. Organization and Basis of Presentation</u>	<u>9</u>
<u>Note 2. Summary of Significant Accounting Policies</u>	<u>10</u>
<u>Note 3. Accounting Developments</u>	<u>10</u>
<u>Note 4. Fair Value Disclosures</u>	<u>12</u>
<u>Note 5. Derivative Financial Instruments</u>	<u>28</u>
<u>Note 6. Collateralized Transactions</u>	<u>33</u>
<u>Note 7. Securitization Activities</u>	<u>36</u>
<u>Note 8. Variable Interest Entities</u>	<u>37</u>
<u>Note 9. Investments</u>	<u>40</u>
<u>Note 10. Goodwill and Other Intangible Assets</u>	<u>44</u>
<u>Note 11. Short-Term Borrowings</u>	<u>46</u>
<u>Note 12. Long-Term Debt</u>	<u>47</u>
<u>Note 13. Compensation Plans</u>	<u>48</u>
<u>Note 14. Income Taxes</u>	<u>49</u>
<u>Note 15. Commitments, Contingencies and Guarantees</u>	<u>50</u>
<u>Note 16. Net Capital Requirements</u>	<u>52</u>
<u>Note 17. Segment Reporting</u>	<u>52</u>
<u>Note 18. Related Party Transactions</u>	<u>54</u>
<u>Note 19. Exit Costs</u>	<u>55</u>

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Note 1. Organization and Basis of Presentation

Organization

Jefferies Group LLC and its subsidiaries operate as a global full service, integrated securities and investment banking firm. The accompanying Consolidated Financial Statements represent the accounts of Jefferies Group LLC and all our subsidiaries (together “we” or “us”). The subsidiaries of Jefferies Group LLC include Jefferies LLC (“Jefferies”), Jefferies Execution Services, Inc. (“Jefferies Execution”), Jefferies International Limited, Jefferies Hong Kong Limited, Jefferies Financial Services, Inc., Jefferies Funding LLC, Jefferies Leveraged Credit Products, LLC and all other entities in which we have a controlling financial interest or are the primary beneficiary. On April 9, 2015, we entered into an agreement to transfer certain of the client activities of our Futures business to Société Générale S.A. and initiated a plan to substantially exit the remaining aspects of our Futures business. During the second quarter of 2016, we completed the exit of the Futures business. For further information on the exit of the Futures business, refer to Note 19, Exit Costs.

Jefferies Group LLC is an indirect wholly owned subsidiary of Leucadia National Corporation (“Leucadia”). Leucadia does not guarantee any of our outstanding debt securities. Our 3.875% Convertible Senior Debentures due 2029 are convertible into Leucadia common shares (see Note 12, Long-Term Debt, for further details). Jefferies Group LLC is a Securities and Exchange Commission (“SEC”) reporting company, filing annual, quarterly and periodic financial reports. Richard Handler, our Chief Executive Officer and Chairman, is the Chief Executive Officer of Leucadia, as well as a Director of Leucadia. Brian P. Friedman, our Chairman of the Executive Committee, is Leucadia’s President and a Director of Leucadia.

We operate in two reportable business segments, Capital Markets and Asset Management. For further information on our reportable business segments, refer to Note 17, Segment Reporting.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended November 30, 2016. Certain footnote disclosures included in our Annual Report on Form 10-K for the year ended November 30, 2016 have been condensed or omitted from the consolidated financial statements as they are not required for interim reporting under U.S. GAAP. The Consolidated Financial Statements reflect all adjustments of a normal, recurring nature that are, in the opinion of management, necessary for the fair presentation of the results for the interim period. The results presented in the Consolidated Financial Statements for interim periods are not necessarily indicative of the results for the entire year. We have made a number of estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting period to prepare these consolidated financial statements in conformity with U.S. GAAP. The most important of these estimates and assumptions relate to fair value measurements, compensation and benefits, goodwill and intangible assets, the ability to realize certain deferred tax assets and the recognition and measurement of uncertain tax positions. Although these and other estimates and assumptions are based on the best available information, actual results could be materially different from these estimates.

Consolidation

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

net earnings attributable to the noncontrolling interests is presented as Net earnings to noncontrolling interests in our Consolidated Statements of Earnings.

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

Intercompany accounts and transactions are eliminated in consolidation.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Note 2. Summary of Significant Accounting Policies

For a detailed discussion about the Company's significant accounting policies, see Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016. During the nine months ended August 31, 2017, other than the following, there were no significant updates made to the Company's significant accounting policies. The accounting policy updates are attributable to the implementation of hedge accounting in connection with an interest rate swap entered into during the nine months ended August 31, 2017 and the adoption of the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-09, Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09") on December 1, 2016.

Principal Transactions Revenues

Financial instruments owned and Financial instruments sold, but not yet purchased (all of which are recorded on a trade-date basis) are carried at fair value with gains and losses reflected in Principal transaction revenues in our Consolidated Statements of Earnings, except for derivatives accounted for as hedges (see "Hedge Accounting" section herein and Note 5, Derivative Financial Instruments). Fees received on loans carried at fair value are also recorded within Principal transaction revenues.

Hedge Accounting

Hedge accounting is applied using interest rate swaps designated as fair value hedges of changes in the benchmark interest rate of fixed rate senior long-term debt. The interest rate swaps are included as derivative contracts in Financial instruments owned and Financial instruments sold, not yet purchased in our Consolidated Statements of Financial Position. We use regression analysis to perform ongoing prospective and retrospective assessments of the effectiveness of these hedging relationships. A hedging relationship is deemed effective if the change in fair value of the interest rate swap and the change in the fair value of the long-term debt due to changes in the benchmark interest rate offset within a range of 80% - 125%. The impact of valuation adjustments related to our own credit spreads and counterparty credit spreads are included in the assessment of effectiveness.

For qualifying fair value hedges of benchmark interest rates, the change in the fair value of the derivative and the change in fair value of the long-term debt provide offset of one another, and together with any resulting ineffectiveness, are recorded in Interest expense.

Refer to Note 5, Derivative Financial Instruments, for further information.

Share-based Compensation

Share-based awards are measured based on the grant-date fair value of the award and recognized over the period from the service inception date through the date the employee is no longer required to provide service to earn the award. Effective upon our adoption of ASU 2016-09, we account for forfeitures as they occur. Prior to the adoption of ASU 2016-09, expected forfeitures were included in determining share-based compensation expense. See Note 3, Accounting Developments, for further information on the adoption of ASU 2016-09.

Note 3. Accounting Developments

Accounting Standards to be Adopted in Future Periods

Derivatives and Hedging. In July 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities. The objective of the guidance is to improve the financial reporting of hedging relationships to better portray the economic results of an entity's risk management activities in its financial statements. The guidance is effective in the first quarter of fiscal 2019. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Stock Compensation. In May 2017, the FASB issued ASU No. 2017-09, Compensation—Stock Compensation: Scope of Modification Accounting. The guidance provides clarity and reduces diversity in practice and cost and complexity when accounting for a change to the terms or conditions of a share-based payment award. The guidance is effective in

the first quarter of fiscal 2019 and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Retirement Benefits. In March 2017, the FASB issued ASU No. 2017-07, Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. The guidance impacts the presentation of net periodic pension costs in the statement of income. The update also allows the service cost to be eligible for capitalization, when applicable. The guidance is effective in the first quarter of fiscal 2019 and early adoption is permitted. We plan to adopt this guidance in the first quarter of fiscal 2018. We are currently evaluating the impact of the new guidance on our Consolidated Statements of Earnings.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Goodwill. In January 2017, the FASB issued ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies goodwill impairment testing. The guidance is effective in the first quarter of fiscal 2021 and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Statement of Cash Flows. In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments. The guidance adds or clarifies guidance on the classification of certain cash receipts and payments in the statement of cash flows. We plan to adopt this guidance in the first quarter of fiscal 2018. In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash. The guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents and amounts generally described as restricted cash or restricted cash equivalents. We plan to adopt this guidance in the first quarter of fiscal 2018. We are currently evaluating the impact of these new ASUs on our Consolidated Statements of Cash Flows.

Financial Instruments-Credit Losses. In June 2016, the FASB issued ASU No. 2016-13, Measurement of Credit Losses on Financial Instruments. The guidance provides for estimating credit losses on certain types of financial instruments by introducing an approach based on expected losses. The guidance is effective in the first quarter of fiscal 2021 and early adoption is permitted in the first quarter of fiscal 2020. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Leases. In February 2016, the FASB issued ASU No. 2016-02, Leases. The guidance affects the accounting for leases and provides for a lessee model that brings substantially all leases onto the balance sheet. The guidance is effective in the first quarter of fiscal 2019 and early adoption is permitted. We are currently evaluating the impact of the new guidance on our consolidated financial statements.

Financial Instruments. In January 2016, the FASB issued ASU No. 2016-01, Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective in the first quarter of fiscal 2019. We are currently evaluating the impact of the new guidance related to equity investments and the presentation and disclosure requirements of financial instruments on our consolidated financial statements. Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option and we adopted this guidance in the first quarter of fiscal 2016. The adoption of this accounting guidance did not have a material effect on our consolidated financial statements.

Revenue Recognition. In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The accounting guidance defines how companies report revenues from contracts with customers, and also requires enhanced disclosures. We intend to adopt the new guidance on December 1, 2017 with a cumulative-effect adjustment to opening member's equity. Because the guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other U.S. GAAP, we do not expect the guidance to have a material impact on the elements of our Consolidated Statements of Earnings most closely associated with financial instruments, including Principal transaction revenues, Interest income and Interest expense. Our implementation efforts include the identification of revenue streams within the scope of the guidance, the evaluation of certain revenue contracts, education and discussions with our control functions, and periodic discussions with our Audit Committee. Our evaluation of the impact of the new guidance on our consolidated financial statements is ongoing. We continue to evaluate the timing of recognition for each revenue stream within scope, which includes investment banking and asset management fees which may be accelerated or deferred depending on the features of the client arrangements, and the timing and presentation of certain related investment banking expenses (whether presented gross or offset against revenues).

Adopted Accounting Standards

Employee Share-Based Payments. In March 2016, the FASB issued ASU No. 2016-09, which simplifies various aspects related to how share-based payments are accounted for and presented in the consolidated financial statements. The amendments include the recognition of all excess tax benefits and tax deficiencies as income tax expense or benefit in our Consolidated Statement of Earnings and changes to the timing of recognition of excess tax benefits, the

accounting for forfeitures, classification of awards as either equity or liabilities and classification on the Consolidated Statement of Cash Flows. We early adopted this standard on December 1, 2016 and the adoption did not have a material effect on our consolidated financial statements. We elected to account for forfeitures as they occur, which results in dividends and dividend equivalents originally charged against retained earnings for forfeited shares to be reclassified to compensation cost in the period in which the forfeiture occurs. In addition, the current period's excess tax benefit related to stock-based compensation is presented as an operating activity rather than a financing activity in our Consolidated Statements of Cash Flows on a retrospective basis.

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

(Unaudited)

Note 4. Fair Value Disclosures

The following is a summary of our financial assets and liabilities that are accounted for at fair value on a recurring basis, excluding Investments at fair value based on net asset value (“NAV”) of \$24.2 million and \$24.3 million at August 31, 2017 and November 30, 2016, respectively, by level within the fair value hierarchy (in thousands):

	August 31, 2017			Counterparty and Cash Collateral Netting (1)	Total
	Level 1	Level 2	Level 3		
Assets:					
Financial instruments owned:					
Corporate equity securities	\$ 1,616,600	\$ 75,517	\$ 22,174	\$ —	\$ 1,714,291
Corporate debt securities	—	2,732,943	25,015	—	2,757,958
Collateralized debt obligations and collateralized loan obligations	—	54,433	38,203	—	92,636
U.S. government and federal agency securities	1,834,270	95,175	—	—	1,929,445
Municipal securities	—	680,634	—	—	680,634
Sovereign obligations	1,384,264	668,053	—	—	2,052,317
Residential mortgage-backed securities	—	1,671,170	20,649	—	1,691,819
Commercial mortgage-backed securities	—	508,665	17,636	—	526,301
Other asset-backed securities	—	157,354	68,946	—	226,300
Loans and other receivables	—	2,014,650	62,656	—	2,077,306
Derivatives	67,400	2,647,286	2,671	(2,544,283)	173,074
Investments at fair value	—	—	90,417	—	90,417
Total financial instruments owned, excluding Investments at fair value based on NAV	\$ 4,902,534	\$ 11,305,880	\$ 348,367	\$ (2,544,283)	\$ 14,012,498
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	\$ 1,310,423	\$ 23,821	\$ 119	\$ —	\$ 1,334,363
Corporate debt securities	—	1,574,931	522	—	1,575,453
U.S. government and federal agency securities	1,314,800	—	—	—	1,314,800
Municipal securities	—	44	—	—	44
Sovereign obligations	1,600,423	653,106	—	—	2,253,529
Commercial mortgage-backed securities	—	979	35	—	1,014
Loans	—	1,434,380	3,285	—	1,437,665
Derivatives	147,101	3,051,821	7,753	(2,663,043)	543,632
Total financial instruments sold, not yet purchased	\$ 4,372,747	\$ 6,739,082	\$ 11,714	\$ (2,663,043)	\$ 8,460,500
Short-term borrowings	\$ —	\$ 4,281	\$ —	\$ —	\$ 4,281
Long-term debt	\$ —	\$ 553,870	\$ —	\$ —	\$ 553,870

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

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

	November 30, 2016			Counterparty and Cash Collateral	Total
	Level 1	Level 2	Level 3	Netting (1)	
Assets:					
Financial instruments owned:					
Corporate equity securities	\$ 1,742,463	\$ 90,662	\$ 21,739	\$ —	\$ 1,854,864
Corporate debt securities	—	2,675,020	25,005	—	2,700,025
Collateralized debt obligations and collateralized loan obligations	—	54,306	54,354	—	108,660
U.S. government and federal agency securities	2,389,397	56,726	—	—	2,446,123
Municipal securities	—	708,469	27,257	—	735,726
Sovereign obligations	1,432,556	990,492	—	—	2,423,048
Residential mortgage-backed securities	—	960,494	38,772	—	999,266
Commercial mortgage-backed securities	—	296,405	20,580	—	316,985
Other asset-backed securities	—	63,587	40,911	—	104,498
Loans and other receivables	—	1,557,233	81,872	—	1,639,105
Derivatives	3,825	4,606,278	6,429	(4,255,998)	360,534
Investments at fair value	—	—	96,369	—	96,369
Total financial instruments owned, excluding Investments at fair value based on NAV	\$ 5,568,241	\$ 12,059,672	\$ 413,288	\$ (4,255,998)	\$ 13,785,203
Liabilities:					
Financial instruments sold, not yet purchased:					
Corporate equity securities	\$ 1,577,405	\$ 16,806	\$ 313	\$ —	\$ 1,594,524
Corporate debt securities	—	1,718,424	523	—	1,718,947
U.S. government and federal agency securities	976,497	—	—	—	976,497
Sovereign obligations	1,375,590	1,253,754	—	—	2,629,344
Loans	—	801,977	378	—	802,355
Derivatives	568	4,856,310	9,870	(4,229,213)	637,535
Total financial instruments sold, not yet purchased	\$ 3,930,060	\$ 8,647,271	\$ 11,084	\$ (4,229,213)	\$ 8,359,202
Other secured financings	\$ —	\$ 41,350	\$ 418	\$ —	\$ 41,768
Long-term debt	\$ —	\$ 248,856	\$ —	\$ —	\$ 248,856

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

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

Corporate Equity Securities

Exchange-Traded Equity Securities: Exchange-traded equity securities are measured based on quoted closing exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy, otherwise they are categorized within Level 2 of the fair value hierarchy.

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

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

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

Corporate Debt Securities

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

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

Collateralized Debt Obligations and Collateralized Loan Obligations

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

U.S. Government and Federal Agency Securities

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

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

Municipal Securities

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

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

Foreign sovereign government obligations are measured based on quoted market prices obtained from external pricing services, where available, or recently executed independent transactions of comparable size. To the extent external price quotations are not available or recent transactions have not been observed, valuation techniques incorporating interest rate yield curves and country spreads for bonds of similar issuers, seniority and maturity are used to determine fair value of sovereign bonds or obligations. Foreign sovereign government obligations are classified in Level 1, Level 2 or Level 3 of the fair value hierarchy, primarily based on the country of issuance.

Residential Mortgage-Backed Securities

Agency Residential Mortgage-Backed Securities (“RMBS”): Agency RMBS include mortgage pass-through securities (fixed and adjustable rate), collateralized mortgage obligations and interest-only and principal-only securities and are generally measured using market price quotations from external pricing services and categorized within Level 2 of the fair value hierarchy.

Agency Residential Interest-Only and Inverse Interest-Only Securities (“Agency Inverse IOs”): The fair value of Agency Inverse IOs is estimated using expected future cash flow techniques that incorporate prepayment models and other prepayment assumptions to amortize the underlying mortgage loan collateral. We use prices observed from recently executed transactions to develop market-clearing spread and yield curve assumptions. Valuation inputs with regard to the underlying collateral incorporate weighted average coupon, loan-to-value, credit scores, geographic location, maximum and average loan size, originator, servicer and weighted average loan age. Agency Inverse IOs are categorized within Level 2 of the fair value hierarchy. We also use vendor data in developing our assumptions, as appropriate.

Non-Agency RMBS: Fair values are determined primarily using discounted cash flow methodologies and securities are categorized within Level 2 or Level 3 of the fair value hierarchy based on the observability and significance of the pricing inputs used. Performance attributes of the underlying mortgage loans are evaluated to estimate pricing inputs, such as prepayment rates, default rates and the severity of credit losses. Attributes of the underlying mortgage loans that affect the pricing inputs include, but are not limited to, weighted average coupon; average and maximum loan size; loan-to-value; credit scores; documentation type; geographic location; weighted average loan age; originator; servicer; historical prepayment, default and loss severity experience of the mortgage loan pool; and delinquency rate. Yield curves used in the discounted cash flow models are based on observed market prices for comparable securities and published interest rate data to estimate market yields.

Commercial Mortgage-Backed Securities

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

Non-Agency CMBS: Non-agency CMBS are measured using pricing data obtained from external pricing services and prices observed from recently executed market transactions and are categorized within Level 2 and Level 3 of the fair value hierarchy.

Other Asset-Backed Securities

Other asset-backed securities (“ABS”) include, but are not limited to, securities backed by auto loans, credit card receivables, student loans and other consumer loans and are categorized within Level 2 and Level 3 of the fair value hierarchy. Valuations are primarily determined using pricing data obtained from external pricing services and broker quotes and prices observed from recently executed market transactions.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Loans and Other Receivables

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

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

Project Loans and Participation Certificates in GNMA Project and Construction Loans: Valuations of participation certificates in GNMA project and construction loans are based on inputs corroborated from and benchmarked to observed prices of recent securitizations of assets with similar underlying loan collateral to derive an implied spread. Securitization prices are adjusted to estimate the fair value of the loans incorporating an evaluation for various factors, including prepayment speeds, default rates and cash flow structures, as well as the likelihood of pricing levels in the current market environment. The measurements are categorized within Level 2 of the fair value hierarchy given the observability and volume of recently executed transactions.

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

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

Derivatives

Listed Derivative Contracts: Listed derivative contracts that are actively traded are measured based on quoted exchange prices, which are generally obtained from external pricing services, and are categorized within Level 1 of the fair value hierarchy. Listed derivatives for which there is limited trading activity are measured based on incorporating the closing auction price of the underlying equity security, use similar valuation approaches as those applied to over-the-counter derivative contracts and are categorized within Level 2 of the fair value hierarchy.

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

OTC options include OTC equity, foreign exchange, interest rate and commodity options measured using various valuation models, such as the Black-Scholes, with key inputs impacting the valuation including the underlying security, foreign exchange spot rate or commodity price, implied volatility, dividend yield, interest rate curve, strike price and maturity date. Discounted cash flow models are utilized to measure certain OTC derivative contracts

including the valuations of our interest rate swaps, which incorporate observable inputs related to interest rate curves, valuations of our foreign exchange forwards and swaps, which incorporate observable inputs related to foreign currency spot rates and forward curves and valuations of our commodity swaps and forwards, which incorporate observable inputs related to commodity spot prices and forward curves. Credit default swaps include both index and single-name credit default swaps. External prices are available as inputs in measuring index credit default swaps and single-name credit default swaps. For commodity and equity total return swaps, market prices are observable for the underlying asset and used as the basis for measuring the fair value of the derivative contracts. Total return swaps executed on other underlyings are measured based on valuations received from external pricing services.

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

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

Additionally, investments at fair value include investments in insurance contracts relating to our defined benefit plan in Germany. Fair value for the insurance contracts is determined using a third party and is categorized within Level 3 of the fair value hierarchy.

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

	August 31, 2017		
	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
Equity Long/Short Hedge Funds (2)	\$34,931	\$ —	Monthly, Quarterly
Fixed Income and High Yield Hedge Funds (3)	421	—	—
Fund of Funds (4)	183	—	—
Equity Funds (5)	33,568	19,084	—
Multi-asset Funds (6)	125,004	—	—
Total	\$194,107	\$ 19,084	
	November 30, 2016		
	Fair Value (1)	Unfunded Commitments	Redemption Frequency (if currently eligible)
Equity Long/Short Hedge Funds (2)	\$34,446	\$ —	Monthly, Quarterly
Fixed Income and High Yield Hedge Funds (3)	772	—	—
Fund of Funds (4)	230	—	—
Equity Funds (5)	42,179	20,295	—
Multi-asset Funds (6)	133,190	—	—
Total	\$210,817	\$ 20,295	

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

(2) This category includes investments in hedge funds that invest, long and short, primarily in equity securities in domestic and international markets in both the public and private sectors. At August 31, 2017 and November 30, 2016, approximately 1% and 2%, respectively, of the fair value of investments in this category are classified as being in liquidation.

(3) This category includes investments in funds that invest in loans secured by a first trust deed on property, domestic and international public high yield debt, private high yield investments, senior bank loans, public leveraged equities, distressed debt and private equity investments. There are no redemption provisions.

(4) This category includes investments in fund of funds that invest in various private equity funds. The investments in this category are managed by us and have no redemption provisions. These investments are gradually being liquidated or we have requested redemption, however, we are unable to estimate when these funds will be received.

(5) At August 31, 2017 and November 30, 2016, the investments in this category include investments in equity funds that invest in the equity of various U.S. and foreign private companies in the energy, technology, internet service and telecommunication service industries. These investments cannot be redeemed; instead, distributions are

received through the liquidation of the underlying assets of the funds which are expected to liquidate in one to six years.

(6) This category includes investments in hedge funds that invest, long and short, primarily in multi-asset securities in domestic and international markets in both the public and private sectors. At August 31, 2017 and November 30, 2016, investments representing approximately 15% and 12%, respectively, of the fair value of investments in this category are redeemable with 30-90 days prior written notice.

17

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

Other secured financings that are accounted for at fair value include notes issued by consolidated VIEs, which are classified as Level 2 or Level 3 within the fair value hierarchy. Fair value is based on recent transaction prices for similar assets.

Short-term Borrowings / Long-term Debt

Short-term borrowings that are accounted for at fair value include equity-linked notes, which are generally categorized as Level 2 within the fair value hierarchy, as the fair value is based on the price of the underlying equity security. Long-term debt includes variable rate, fixed-to-floating rate, CMS (constant maturity swap) and Bermudan structured notes. These are valued using various valuation models that include Company's own credit spreads. These models incorporate market price quotations from external pricing sources referencing the appropriate interest rate curves, volatilities and other inputs and are generally categorized within level 2 of the fair value hierarchy. In addition, pricing transparency has been evidenced based on the transaction data on recently issued notes.

Transfers Between Levels 1 and 2 for Instruments Carried at Fair Value

There were no material transfers between Level 1 and Level 2 for the three and nine months ended August 31, 2017 and August 31, 2016.

Level 3 Rollforwards

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the three months ended August 31, 2017 (in thousands):

	Three Months Ended August 31, 2017							Balance at August 31, 2017	Change in unrealized gains/(losses) relating to instruments still held at August 31, 2017 (1)
	Balance at May 31, 2017	Total gains/losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3		
Assets:									
Financial instruments owned:									
Corporate equity securities	\$20,548	\$ 4,344	\$ 4	\$(645)	\$(55)	\$ —	—\$(2,022)	\$22,174	\$ 4,319
Corporate debt securities	24,727	(2,350)	5,901	(5,551)	(31)	—	2,319	25,015	(2,224)
CDOs and CLOs	27,255	(6,119)	52,918	(36,564)	245	—	468	38,203	(3,552)
RMBS	33,032	(263)	494	(732)	(291)	—	(11,591)	20,649	188
CMBS	16,263	(125)	—	(676)	(637)	—	2,811	17,636	(161)
Other ABS	43,349	(6,454)	5,798	(3,789)	(2,924)	—	32,966	68,946	(3,570)
Loans and other receivables	49,365	15,261	9,265	(5,854)	(8,249)	—	2,868	62,656	14,005
Investments at fair value	89,006	1,703	—	—	(292)	—	—	90,417	1,703
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	\$354	\$ 107	\$(369)	\$27	\$ —	\$ —	—\$—	\$119	\$(92)
Corporate debt securities	522	—	—	—	—	—	—	522	—
CMBS	70	(35)	—	—	—	—	—	35	(35)
Net derivatives (2)	3,022	(2,980)	—	—	5,040	—	—	5,082	(2,474)
Loans	4,967	(3,071)	—	333	—	—	1,056	3,285	3,018

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

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

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)***Analysis of Level 3 Assets and Liabilities for the Three Months Ended August 31, 2017*

During the three months ended August 31, 2017, transfers of assets of \$63.5 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

• Other ABS of \$46.4 million due to a lack of observable market transactions.

During the three months ended August 31, 2017, transfers of assets of \$35.7 million from Level 3 to Level 2 are primarily attributed to:

• RMBS of \$14.6 million and other ABS of \$13.5 million due to greater pricing transparency supporting classification into Level 2.

Net gains on Level 3 assets were \$6.0 million and net gains on Level 3 liabilities were \$6.0 million for the three months ended August 31, 2017. Net gains on Level 3 assets were primarily due to increased valuations of loans and other receivables, corporate equity securities and certain investments at fair value, partially offset by decreased valuations of other ABS, CDOs and CLOs and corporate debt securities. Net gains on Level 3 liabilities were primarily due to increased valuations of certain net derivatives and decreased valuations of certain loans.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the nine months ended August 31, 2017 (in thousands):

	Nine Months Ended August 31, 2017									
	Balance at November 30, 2016	Total gains/losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at August 31, 2017	Change in unrealized gains/(losses) relating to instruments still held at August 31, 2017 (1)	
Assets:										
Financial instruments owned:										
Corporate equity securities	\$ 21,739	\$ 3,416	\$ 945	\$(1,502)	\$(356)	\$ —	—\$(2,068)	\$ 22,174	\$ 2,689	
Corporate debt securities	25,005	(3,280)	19,610	(18,364)	(1,724)	—	3,768	25,015	(3,424))
CDOs and CLOs	54,354	(13,902)	65,523	(72,122)	239	—	4,111	38,203	(3,685))
Municipal securities	27,257	(1,547)	—	(25,710)	—	—	—	—	—)
RMBS	38,772	(1,446)	113,391	(125,731)	(572)	—	(3,765)	20,649	(2,005))
CMBS	20,580	(1,180)	2,033	(5,199)	(985)	—	2,387	17,636	(952))
Other ABS	40,911	(15,338)	67,611	(4,121)	(16,891)	—	(3,226)	68,946	(8,872))
Loans and other receivables	81,872	27,709	84,342	(83,791)	(23,241)	—	(24,235)	62,656	16,294)
Investments at fair value	96,369	4,698	300	(10,119)	(831)	—	—	90,417	6,721)
Liabilities:										
Financial instruments sold, not yet purchased:										
Corporate equity securities	\$ 313	\$ 134	\$(355)	\$ 27	\$ —	\$ —	—\$—	\$ 119	\$ (92))
Corporate debt securities	523	(1)	—	—	—	—	—	522	1)
CMBS	—	35	—	—	—	—	—	35	(35))
Net derivatives (2)	3,441	(2,854)	—	—	5,162	404	(1,071)	5,082	(2,333))
Loans	378	1,604	(364)	333	—	—	1,334	3,285	(1,583))
Other secured financings	418	(418)	—	—	—	—	—	—	—)

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

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

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)***Analysis of Level 3 Assets and Liabilities for the Nine Months Ended August 31, 2017*

During the nine months ended August 31, 2017, transfers of assets of \$26.5 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

CDOs and CLOs of \$9.6 million and corporate debt securities of \$8.1 million due to a lack of observable market transactions.

During the nine months ended August 31, 2017, transfers of assets of \$49.5 million from Level 3 to Level 2 are primarily attributed to:

Loans and other receivables of \$28.3 million due to greater pricing transparency supporting classification into Level 2.

Net losses on Level 3 assets were \$0.9 million and net gains on Level 3 liabilities were \$1.5 million for the nine months ended August 31, 2017. Net losses on Level 3 assets were primarily due to decreased valuations of other ABS and CDOs and CLOs, partially offset by increased valuations of certain loans and other receivables. Net gains on Level 3 liabilities were primarily due to increased valuations of certain net derivatives, partially offset by increased valuations of certain loans.

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the three months ended August 31, 2016 (in thousands):

	Three Months Ended August 31, 2016								
	Balance at May 31, 2016	Total gains/losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into/ (out of) Level 3	Balance at August 31, 2016	Change in unrealized gains/(losses) relating to instruments still held at August 31, 2016 (1)
Assets:									
Financial instruments owned:									
Corporate equity securities	\$48,816	\$ (6,492)	\$ 291	\$ (49)	\$ —	\$ —	—\$(20,371)	\$22,195	\$ (892)
Corporate debt securities	24,113	(145)	10,696	(5,046)	—	—	5,389	35,007	405
CDOs and CLOs	52,710	(4,067)	4,205	(5,203)	—	—	(3,575)	44,070	(4,606)
Municipal securities	—	(7,074)	—	—	—	—	34,331	27,257	(7,074)
Sovereign obligations	120	5	—	(125)	—	—	—	—	—
RMBS	63,308	(2,343)	1,884	(10,874)	(463)	—	(4,631)	46,881	(183)
CMBS	24,983	(1,531)	—	—	—	—	1,141	24,593	(236)
Other ABS	43,033	(2,247)	3,416	(2,727)	(1,429)	—	21,066	61,112	(2,202)
Loans and other receivables	104,399	(23,445)	31,512	(10,140)	(16,804)	—	(7,065)	78,457	(16,044)
Investments at fair value	57,765	(966)	—	(485)	(278)	—	29,000	85,036	(1,113)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	\$—	\$ —	\$ —	\$ —	\$ —	\$ —	—\$38	\$38	\$ —
Corporate debt securities	—	(27)	—	550	—	—	—	523	(27)
Net derivatives (2)	4,424	(4,736)	—	11,101	32	601	(375)	11,047	(1,589)
Loans	1,896	(402)	—	170	—	—	(816)	848	(400)
Other secured financings	468	(200)	—	—	—	—	—	268	200

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

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

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Analysis of Level 3 Assets and Liabilities for the Three Months Ended August 31, 2016

During the three months ended August 31, 2016, transfers of assets of \$147.0 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

• Other ABS of \$27.3 million, CDOs and CLOs of \$23.7 million and RMBS of \$13.7 million, for which no recent trade activity was observed for purposes of determining observable inputs; and

• Municipal securities of \$34.3 million and investments at fair value of \$29.0 million due to a lack of observable market transactions.

During the three months ended August 31, 2016, transfers of assets of \$91.8 million from Level 3 to Level 2 are primarily attributed to:

• CDOs and CLOs of \$27.3 million and RMBS of \$18.3 million, for which market trades were observed in the period for either identical or similar securities;

• Corporate equity securities of \$20.5 million due to an increase in observable market transactions; and

• Loans and other receivables of \$15.8 million due to a greater number of contributors for certain vendor quotes to support classification within Level 2.

Net losses on Level 3 assets were \$48.3 million and net gains on Level 3 liabilities were \$5.4 million for the three months ended August 31, 2016. Net losses on Level 3 assets were primarily due to decreased valuations in loans and other receivables, municipal securities, corporate equity securities, CDOs and CLOs, RMBS, other ABS and CMBS. Net gains on Level 3 liabilities were primarily due to increased valuations of certain net derivatives.

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

The following is a summary of changes in fair value of our financial assets and liabilities that have been categorized within Level 3 of the fair value hierarchy for the nine months ended August 31, 2016 (in thousands):

	Nine Months Ended August 31, 2016						Net transfers into/ (out of) Level 3	Balance at August 31, 2016	Change in unrealized gains/(losses) relating to instruments still held at August 31, 2016 (1)
	Balance at November 30, 2015	Total gains/losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances			
Assets:									
Financial instruments owned:									
Corporate equity securities	\$40,906	\$ (8,388)	\$ 5,225	\$ (49)	\$ —	\$ —	—\$(15,499)	\$22,195	\$ (727)
Corporate debt securities	25,876	5,239	29,629	(20,331)	—	—	(5,406)	35,007	1,456
CDOs and CLOs	85,092	(24,356)	61,707	(69,397)	(605)	—	(8,371)	44,070	(13,196)
Municipal securities	—	(1,462)	—	—	—	—	28,719	27,257	(1,462)
Sovereign obligations	120	5	—	(125)	—	—	—	—	—
RMBS	70,263	(7,243)	1,948	(13,203)	(1,078)	—	(3,806)	46,881	228
CMBS	14,326	(4,606)	1,256	(2,023)	—	—	15,640	24,593	(3,337)
Other ABS	42,925	(2,420)	66,503	(60,525)	(6,678)	—	21,307	61,112	(9,993)
Loans and other receivables	189,289	(30,843)	305,920	(206,587)	(163,913)	—	(15,409)	78,457	(27,714)
Investments at fair value	53,120	(19,055)	26,227	(485)	(834)	—	26,063	85,036	(11,988)
Liabilities:									
Financial instruments sold, not yet purchased:									
Corporate equity securities	\$38	\$ —	\$ —	\$ —	\$ —	\$ —	—\$—	\$38	\$ —
Corporate debt securities	—	(27)	—	550	—	—	—	523	—
Net derivatives (2)	(242)	3,104	—	11,101	(14)	1,606	(4,508)	11,047	(5,745)
Loans	10,469	7	—	681	(213)	—	(10,096)	848	45
Other secured financings	544	(276)	—	—	—	—	—	268	276

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

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

Analysis of Level 3 Assets and Liabilities for the Nine Months Ended August 31, 2016

During the nine months ended August 31, 2016, transfers of assets of \$157.8 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

• Other ABS of \$38.5 million, RMBS of \$21.7 million, CMBS of \$17.2 million and CDOs and CLOs of \$16.9 million, for which no recent trade activity was observed for purposes of determining observable inputs; and

• Municipal securities of \$28.7 million and investments at fair value of \$26.1 million due to a lack of observable market transactions.

During the nine months ended August 31, 2016, transfers of assets of \$114.5 million from Level 3 to Level 2 are primarily attributed to:

• RMBS of \$25.5 million, CDOs and CLOs of \$25.3 million and other ABS of \$17.0 million, for which market trades were observed in the period for either identical or similar securities;

• Loans and other receivables of \$19.8 million due to a greater number of contributors for certain vendor quotes supporting classification into Level 2; and

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Corporate equity securities of \$19.2 million due to an increase in observable market transactions.

There were \$10.2 million transfers of loan liabilities from Level 3 to Level 2 due to an increase in observable inputs in the valuation.

Net losses on Level 3 assets were \$93.1 million and net losses on Level 3 liabilities were \$2.8 million for the nine months ended August 31, 2016. Net losses on Level 3 assets were primarily due to decreased valuations of loans and other receivables, CDOs and CLOs, investments at fair value, corporate equity securities, RMBS and municipal securities. Net losses on Level 3 liabilities were primarily due to increased valuations of certain net derivatives.

Quantitative Information about Significant Unobservable Inputs used in Level 3 Fair Value Measurements at August 31, 2017 and November 30, 2016

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

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

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

August 31, 2017

Financial Instruments Owned:	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input / Range	Weighted Average
Corporate equity securities	\$ 17,964				
Non-exchange-traded securities		Market approach	Price	\$3-\$75	\$ 59
			Underlying stock price	\$6	—
		Comparable pricing	Comparable asset price	\$9	—
Corporate debt securities	\$ 25,015	Convertible bond model	Discount rate/yield	8%	—
			Volatility	40%	—
		Market approach	Estimated recovery percentage	17%	—
			Price	\$15	—
CDOs and CLOs	\$ 38,203	Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25%-30%	27 %
			Discount rate/yield	9%-23%	12 %
		Scenario analysis	Estimated recovery percentage	6%-40%	24 %
RMBS	\$ 20,649	Discounted cash flows	Cumulative loss rate	5%-30%	13 %
			Duration (years)	3-10	5
			Discount rate/yield	8%-10%	9 %
CMBS	\$ 17,636	Discounted cash flows	Cumulative loss rate	0%-58%	29 %
			Duration (years)	1-3	2
			Discount rate/yield	2%-21%	11 %
Other ABS	\$ 68,946	Discounted cash flows	Cumulative loss rate	0%-25%	20 %
			Duration (years)	1-10	2
			Discount rate/yield	4%-12%	8 %
		Market approach	Price	\$100	—
		Scenario analysis	Estimated recovery percentage	23%	—
Loans and other receivables	\$ 59,398	Market approach	EBITDA multiple	1.6	—
			Price	\$60-\$100	\$ 95
		Scenario analysis	Estimated recovery percentage	10%-107%	67 %
Derivatives	\$ 2,671				
Interest rate swaps		Market approach	Credit spread	800 bps	—
Investments at fair value	\$ 74,190				
Private equity securities		Market approach	Price	\$7-\$250	\$ 123
			Transaction level	\$3	—
Financial Instruments Sold, Not Yet Purchased:					
Derivatives	\$ 7,753				
Equity options		Option model/default rate	Default probability	0%	—
Variable funding note swaps		Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25%	—
			Discount rate/yield	23%	—

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

November 30, 2016

Financial Instruments Owned:	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input / Range	Weighted Average
Corporate equity securities	\$ 19,799				
Non-exchange-traded securities		Market approach	Underlying stock price	\$3-\$75	\$ 15
		Comparable pricing	Underlying stock price	\$218	—
			Comparable asset price	\$11	—
		Present value	Average silver production (tons per day)	666	—
Corporate debt securities	\$ 25,005	Convertible bond model	Discount rate/yield	9%	—
			Volatility	40%	—
		Market approach	Transaction level	\$30	—
CDOs and CLOs	\$ 33,016	Discounted cash flows	Constant prepayment rate	10%-20%	19 %
			Constant default rate	2%-4%	2 %
			Loss severity	25%-70%	40 %
			Yield	7%-17%	12 %
		Scenario analysis	Estimated recovery percentage	28%-38%	31 %
RMBS	\$ 38,772	Discounted cash flows	Constant prepayment rate	0%-11%	5 %
			Constant default rate	1%-7%	3 %
			Loss severity	35%-100%	62 %
			Yield	2%-10%	6 %
CMBS	\$ 20,580	Discounted cash flows	Yield	6%-11%	8 %
			Cumulative loss rate	5%-95%	39 %
Other ABS	\$ 40,911	Discounted cash flows	Constant prepayment rate	4%-20%	14 %
			Constant default rate	0%-31%	13 %
			Loss severity	0%-100%	90 %
			Yield	4%-17%	15 %
		Market approach	Price	\$72	—
Loans and other receivables	\$ 54,347	Market approach	EBITDA multiple	3.3	—
			Discount rate/yield	2%-4%	3 %
			Transaction level	\$0.42	—
		Present value	Average silver production (tons per day)	666	—
		Scenario analysis	Estimated recovery percentage	6%-50%	37 %
Derivatives	\$ 6,429				
Equity swaps		Comparable pricing	Comparable asset price	\$102	—
Credit default swaps		Market approach	Credit spread	265 bps	—
Investments at fair value	\$ 42,907				
Private equity securities		Market approach	Transaction level	\$250	—
			Price	\$25,815,720	—
Liabilities					
Financial Instruments Sold, Not Yet Purchased:					
Derivatives	\$ 9,870				
Equity options		Option model	Volatility	45%	—
			Default rate	0%	—
Equity swaps		Comparable pricing	Comparable asset price	\$102	—
Unfunded commitments		Market approach	Discount rate/yield	4%	—
Variable funding note swaps		Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—

Edgar Filing: Jefferies Group LLC - Form 10-Q

Loss severity	25%	—
Yield	16%	—

The fair values of certain Level 3 assets and liabilities that were determined based on third-party pricing information, unadjusted past transaction prices, reported NAV or a percentage of the reported enterprise fair value are excluded from the above tables. At August 31, 2017 and November 30, 2016, asset exclusions consisted of \$23.7 million and \$131.5 million, respectively, primarily comprised of private equity securities, municipal securities, non-exchange traded securities and loans and other receivables. At August 31, 2017 and November 30, 2016, liability exclusions consisted of \$4.0 million and \$1.6 million, respectively, of other secured financings, CMBS, loans and corporate debt and equity securities.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

Sensitivity of Fair Values to Changes in Significant Unobservable Inputs

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

Non-exchange traded securities and equity swaps using comparable pricing valuation techniques. A significant increase (decrease) in the comparable asset and underlying stock price in isolation would result in a significantly higher (lower) fair value measurement.

Corporate debt securities using a convertible bond model. A significant increase (decrease) in the bond discount rate/yield would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.

Non-exchange traded securities, corporate debt securities, loans and other receivables, unfunded commitments, credit default swaps, interest rate swaps, other ABS and private equity securities using a market approach valuation technique. A significant increase (decrease) in the EBITDA or other multiples in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the discount rate/yield of a loan and other receivable or certain derivatives would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the transaction level of a private equity security, corporate debt security or loan and other receivable would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the underlying stock price of the non-exchange traded securities would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the credit spread of certain derivatives would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the price of the private equity securities, non-exchange traded securities, corporate debt securities, other ABS or loans and other receivables would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the estimated recovery rates of the cash flow outcomes underlying the corporate debt securities would result in a significantly higher (lower) fair value measurement.

Loans and other receivables, CDOs and CLOs and other ABS using scenario analysis. A significant increase (decrease) in the possible recovery rates of the cash flow outcomes underlying the investment would result in a significantly higher (lower) fair value measurement for the financial instrument.

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

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

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

Non-exchange traded securities and loans and other receivables using a present value model. A significant increase (decrease) in average silver production would result in a significantly higher (lower) fair value measurement.

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

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

The following is a summary of gains (losses) due to changes in instrument specific credit risk on loans, other receivables and debt instruments and gains (losses) due to other changes in fair value on long-term debt and short-term borrowings measured at fair value under the fair value option (in thousands):

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2017	2016	2017	2016
Financial Instruments Owned:				
Loans and other receivables	\$24,846	\$(24,874)	\$27,715	\$(48,658)
Financial Instruments Sold:				
Loans	\$3,436	\$212	\$(7,286)	\$229
Loan commitments	82	4,769	229	2,196
Long-term Debt:				
Changes in instrument specific credit risk (1)	\$5,638	\$(4,093)	\$(14,141)	\$(7,848)
Other changes in fair value (2)	(1,854)	4,474	2,786	15,225
Short-term Borrowings:				
Changes in instrument specific credit risk (1)	\$19	\$—	\$1	\$—
Other changes in fair value (2)	(2,570)	—	(37)	—

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

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

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

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

	August 31, 2017	November 30, 2016
Financial Instruments Owned:		
Loans and other receivables (1)	\$663,618	\$1,325,938
Loans and other receivables on nonaccrual status and/or greater than 90 days past due (1) (2)	159,000	205,746
Long-term debt and short-term borrowings	9,725	20,202

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

(2) Amounts include loans and other receivables greater than 90 days past due of \$48.3 million and \$64.6 million at August 31, 2017 and November 30, 2016, respectively.

The aggregate fair value of loans and other receivables on nonaccrual status and/or greater than 90 days past due was \$62.6 million and \$29.8 million at August 31, 2017 and November 30, 2016, respectively, which includes loans and other receivables greater than 90 days past due of \$41.9 million and \$18.9 million at August 31, 2017 and November 30, 2016, respectively.

Financial Instruments Not Measured at Fair Value

Certain of our financial instruments are not carried at fair value but are recorded at amounts that approximate fair value due to their liquid or short-term nature and generally negligible credit risk. These financial assets include Cash and cash equivalents and Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations and would generally be presented in Level 1 of the fair value hierarchy. Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations includes U.S. treasury securities of \$99.8 million and \$99.9 million at August 31, 2017 and November 30, 2016, respectively.

Note 5. Derivative Financial Instruments**Derivative Financial Instruments**

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

See Note 4, Fair Value Disclosures, and Note 15, Commitments, Contingencies and Guarantees, for additional disclosures about derivative financial instruments.

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

In connection with our derivative activities, we may enter into International Swaps and Derivatives Association, Inc. ("ISDA") master netting agreements or similar agreements with counterparties. See Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016 for additional information regarding the offsetting of derivative contracts.

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

The following tables present the fair value and related number of derivative contracts at August 31, 2017 and November 30, 2016 categorized by type of derivative contract and the platform on which these derivatives are transacted. The fair value of assets/liabilities represents our receivable/payable for derivative financial instruments, gross of counterparty netting and cash collateral received and pledged. The following tables also provide information regarding 1) the extent to which, under enforceable master netting arrangements, such balances are presented net in our Consolidated Statements of Financial Condition as appropriate under U.S. GAAP and 2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our financial position (in thousands, except contract amounts).

	August 31, 2017 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts (2)	Fair Value	Number of Contracts (2)
Derivatives designated as accounting hedges:				
Interest rate contracts:				
Cleared OTC	\$ 11,654	1	\$—	—
Total derivatives designated as accounting hedges	11,654		—	
Derivatives not designated as accounting hedges:				
Interest rate contracts:				
Exchange-traded	893	12,681	—	39,026
Cleared OTC	1,334,453	3,007	1,300,651	3,276
Bilateral OTC	441,908	1,967	397,646	623
Foreign exchange contracts:				
Exchange-traded	25	567	—	1,591
Bilateral OTC	319,278	4,998	319,084	4,947
Equity contracts:				
Exchange-traded	484,465	2,124,684	901,021	1,812,241
Bilateral OTC	56,235	1,457	197,595	1,498
Commodity contracts:				
Exchange-traded	—	3,279	—	3,844
Credit contracts:				
Cleared OTC	49,996	119	65,576	143
Bilateral OTC	18,450	182	25,102	246
Total derivatives not designated as hedges	2,705,703		3,206,675	
Total gross derivative assets/ liabilities:				
Exchange-traded	485,383		901,021	
Cleared OTC	1,396,103		1,366,227	
Bilateral OTC	835,871		939,427	
Amounts offset in our Consolidated Statements of Financial Condition (3):				
Exchange-traded	(472,667)		(472,667)	
Cleared OTC	(1,380,185)		(1,341,199)	
Bilateral OTC	(691,431)		(849,177)	

Edgar Filing: Jefferies Group LLC - Form 10-Q

Net amounts per Consolidated Statements of Financial Condition (4) \$173,074 \$543,632

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

29

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

Number of exchange traded contracts may include open futures contracts. The unsettled fair value of these futures (2) contracts is included in Receivables from brokers, dealers and clearing organizations on our Consolidated Statements of Financial Condition.

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

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

	November 30, 2016 (1)			
	Assets		Liabilities	
	Fair Value	Number of Contracts (2)	Fair Value	Number of Contracts (2)
Derivatives not designated as accounting hedges:				
Interest rate contracts:				
Exchange-traded	\$2,275	24,300	\$24	29,773
Cleared OTC (3)	2,835,812	3,596	2,636,469	3,445
Bilateral OTC	444,159	1,136	522,965	1,627
Foreign exchange contracts:				
Exchange-traded	—	376	—	686
Bilateral OTC	529,609	7,448	516,869	7,633
Equity contracts:				
Exchange-traded	712,767	2,820,702	1,095,582	2,410,956
Bilateral OTC	72,041	1,077	67,033	1,191
Commodity contracts:				
Exchange-traded	—	1,356	—	920
Credit contracts:				
Cleared OTC	645	6	2,304	8
Bilateral OTC	19,225	213	25,503	184
Total gross derivative assets/liabilities:				
Exchange-traded	715,042		1,095,606	
Cleared OTC	2,836,457		2,638,773	
Bilateral OTC	1,065,034		1,132,370	
Amounts offset in our Consolidated Statements of Financial Condition (4):				
Exchange-traded	(691,009)		(691,009)	
Cleared OTC (3)	(2,751,650)		(2,638,774)	
Bilateral OTC	(813,340)		(899,431)	
Net amounts per Consolidated Statements of Financial Condition (5)	\$360,534		\$637,535	

Exchange-traded derivatives include derivatives executed on an organized exchange. Cleared OTC derivatives (1) include derivatives executed bilaterally and subsequently novated to and cleared through central clearing counterparties. Bilateral OTC derivatives include derivatives executed and settled bilaterally without the use of an organized exchange or central clearing counterparty.

Number of exchange traded contracts may include open futures contracts. The unsettled fair value of these futures (2) contracts is included in Receivables from brokers, dealers and clearing organizations on our Consolidated Statements of Financial Condition.

(3) Pursuant to a rule change by the Chicago Mercantile Exchange in the first quarter of 2017, variation margin exchanged each day with this clearing organization on certain interest rate and credit derivatives is characterized as settlement payments as opposed to cash posted as collateral. The impact of this rule change would have been a reduction in gross interest rate derivative assets and liabilities as of November 30, 2016 of approximately \$1.0 billion, and a corresponding decrease in counterparty and cash collateral netting, with no impact to the Consolidated Statement of Financial Condition.

30

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

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

We have not received or pledged additional collateral under master netting agreements and/or other credit support (5) agreements that is eligible to be offset beyond what has been offset in our Consolidated Statements of Financial Condition.

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

	Three Months Ended		Nine Months Ended	
	August 31,		August 31,	
<i>Gains (Losses)</i>	2017	2016	2017	2016
Interest rate swaps	\$6,217	\$ —	-\$13,960	\$ —
Long-term debt	(4,680)	—	(9,570)	—
Total	\$1,537	\$ —	-\$4,390	\$ —

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

	Three Months Ended		Nine Months Ended	
	August 31,		August 31,	
<i>Gains (Losses)</i>	2017	2016	2017	2016
Interest rate contracts	\$(6,432)	\$(16,631)	\$2,605	\$(96,715)
Foreign exchange contracts	1,028	7,886	4,135	14,000
Equity contracts	(106,425)	(185,264)	(275,124)	(509,476)
Commodity contracts	1,508	4,089	(5,398)	1,899
Credit contracts	311	4,024	11,218	1,441
Total	\$(110,010)	\$(185,896)	\$(262,564)	\$(588,851)

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

OTC Derivatives. The following tables set forth by remaining contract maturity the fair value of OTC derivative assets and liabilities at August 31, 2017 (in thousands):

	OTC Derivative Assets (1) (2) (3)				Total
	0 – 12 Months	– 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	
Equity swaps and options	\$5,117	\$2,703	\$ —	\$ —	\$7,820
Credit default swaps	289	3,399	—	(26)	3,662
Total return swaps	11,411	5,823	—	(2,458)	14,776
Foreign currency forwards, swaps and options	73,912	131	—	(14)	74,029
Fixed income forwards	134	—	—	—	134
Interest rate swaps, options and forwards	49,714	171,691	98,719	(83,961)	236,163
Total	\$140,577	\$183,747	\$ 98,719	\$(86,459)	336,584
Cross product counterparty netting					(19,647)
Total OTC derivative assets included in Financial instruments owned					\$316,937

(1) At August 31, 2017, we held exchange-traded derivative assets and other credit agreements with a fair value of \$13.4 million, which are not included in this table.

31

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

OTC derivative assets in the table above are gross of collateral received. OTC derivative assets are recorded net of (2) collateral received in our Consolidated Statements of Financial Condition. At August 31, 2017, cash collateral received was \$157.3 million.

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

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

	OTC Derivative Liabilities (1) (2) (3)				Total
	0 – 12 Months	5 – 5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	
Equity swaps and options	\$2,980	\$146,317	\$2,534	\$—	\$151,831
Credit default swaps	1,077	23,931	—	(26)	24,982
Total return swaps	11,666	1,802	—	(2,458)	11,010
Foreign currency forwards, swaps and options	72,288	1,575	—	(14)	73,849
Fixed income forwards	1,145	—	—	—	1,145
Interest rate swaps, options and forwards	30,735	97,284	102,566	(83,961)	146,624
Total	\$119,891	\$270,909	\$105,100	\$(86,459)	409,441
Cross product counterparty netting					(19,647)
Total OTC derivative liabilities included in Financial instruments sold, not yet purchased					\$389,794

(1) At August 31, 2017, we held exchange-traded derivative liabilities and other credit agreements with a fair value of \$429.9 million, which are not included in this table.

OTC derivative liabilities in the table above are gross of collateral pledged. OTC derivative liabilities are recorded (2) net of collateral pledged in our Consolidated Statements of Financial Condition. At August 31, 2017, cash collateral pledged was \$276.0 million.

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

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

At August 31, 2017, the counterparty credit quality with respect to the fair value of our OTC derivatives assets was as follows (in thousands):

Counterparty credit quality (1):	
A- or higher	\$136,201
BBB- to BBB+	50,742
BB+ or lower	72,249
Unrated	57,745
Total	\$316,937

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

Credit Related Derivative Contracts

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

	August 31, 2017		
	External Credit Rating		
	Investment	Non-investment	Total
Credit protection sold:	Grade	Grade	Notional

Edgar Filing: Jefferies Group LLC - Form 10-Q

Index credit default swaps	\$1,103	\$ 258	\$ 1,361
Single name credit default swaps	139	192	331

32

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

	November 30, 2016		
	External Credit		
	Rating		
	Investment	Noninvestment	Total
	Grade	Grade	Notional
Credit protection sold:			
Index credit default swaps	\$ 54	\$	— \$ 54
Single name credit default swaps	122	261	383

Contingent Features

Certain of our derivative instruments contain provisions that require our debt to maintain an investment grade credit rating from each of the major credit rating agencies. If our debt were to fall below investment grade, it would be in violation of these provisions and the counterparties to the derivative instruments could request immediate payment or demand immediate and ongoing full overnight collateralization on our derivative instruments in liability positions. The aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position at August 31, 2017 and November 30, 2016 is \$65.2 million and \$70.6 million, respectively, for which we have posted collateral of \$51.4 million and \$44.4 million, respectively, in the normal course of business. If the credit-risk-related contingent features underlying these agreements were triggered on August 31, 2017 and November 30, 2016, we would have been required to post an additional \$12.6 million and \$26.1 million, respectively, of collateral to our counterparties.

Note 6. Collateralized Transactions

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

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

	August 31, 2017		
	Securities	Repurchase	Total
	Lending	Agreements	
	Arrangements		
Collateral Pledged:			
Corporate equity securities	\$2,183,030	\$100,178	\$2,283,208
Corporate debt securities	579,925	2,154,639	2,734,564
Mortgage- and asset-backed securities	—	3,046,491	3,046,491
U.S. government and federal agency securities	298	12,046,271	12,046,569
Municipal securities	—	389,752	389,752
Sovereign obligations	—	1,577,231	1,577,231
Loans and other receivables	—	524,645	524,645

Edgar Filing: Jefferies Group LLC - Form 10-Q

Total	\$2,763,253	\$19,839,207	\$22,602,460
-------	-------------	--------------	--------------

33

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

	November 30, 2016		
	Securities Lending Arrangements	Repurchase Agreements	Total
Collateral Pledged:			
Corporate equity securities	\$2,046,243	\$66,291	\$2,112,534
Corporate debt securities	731,276	1,907,888	2,639,164
Mortgage- and asset-backed securities	—	2,171,480	2,171,480
U.S. government and federal agency securities	41,613	9,232,624	9,274,237
Municipal securities	—	553,010	553,010
Sovereign obligations	—	2,625,079	2,625,079
Loans and other receivables	—	455,960	455,960
Total	\$2,819,132	\$17,012,332	\$19,831,464

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

	August 31, 2017				
	Overnight and Continuous	Up to 30 Days	31-90 Days	Greater than 90 Days	Total
Securities lending arrangements	\$1,490,137	\$—	\$783,633	\$489,483	\$2,763,253
Repurchase agreements	12,556,923	3,187,276	3,051,449	1,043,559	19,839,207
Total	\$14,047,060	\$3,187,276	\$3,835,082	\$1,533,042	\$22,602,460
	November 30, 2016				
	Overnight and Continuous	Up to 30 Days	31-90 Days	Greater than 90 Days	Total
Securities lending arrangements	\$2,131,891	\$39,673	\$104,516	\$543,052	\$2,819,132
Repurchase agreements	9,147,176	2,008,119	3,809,533	2,047,504	17,012,332
Total	\$11,279,067	\$2,047,792	\$3,914,049	\$2,590,556	\$19,831,464

We receive securities as collateral under resale agreements, securities borrowing transactions and customer margin loans. We also receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities. In many instances, we are permitted by contract to rehypothecate the securities received as collateral. These securities may be used to secure repurchase agreements, enter into securities lending transactions, satisfy margin requirements on derivative transactions or cover short positions. At August 31, 2017 and November 30, 2016, the approximate fair value of securities received as collateral by us that may be sold or repledged was \$27.2 billion and \$25.5 billion, respectively. At August 31, 2017 and November 30, 2016, a substantial portion of the securities received by us had been sold or repledged.

Offsetting of Securities Financing Agreements

To manage our exposure to credit risk associated with securities financing transactions, we may enter into master netting agreements and collateral arrangements with counterparties. Generally, transactions are executed under standard industry agreements, including, but not limited to, master securities lending agreements (securities lending transactions) and master repurchase agreements (repurchase transactions). See Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016 for additional information regarding the offsetting of securities financing agreements.

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

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

August 31, 2017

	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (3)
Assets:						
Securities borrowing arrangements	\$ 7,758,532	\$ —	\$ 7,758,532	\$ (662,882)	\$ (952,004)	\$ 6,143,646
Reverse repurchase agreements	14,737,223	(11,365,788)	3,371,435	(307,453)	(3,037,903)	26,079
Liabilities:						
Securities lending arrangements	\$ 2,763,253	\$ —	\$ 2,763,253	\$ (662,882)	\$ (2,058,137)	\$ 42,234
Repurchase agreements	19,839,207	(11,365,788)	8,473,419	(307,453)	(7,216,449)	949,517

November 30, 2016

	Gross Amounts	Netting in Consolidated Statement of Financial Condition	Net Amounts in Consolidated Statement of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (4)
Assets:						
Securities borrowing arrangements	\$ 7,743,562	\$ —	\$ 7,743,562	\$ (710,611)	\$ (647,290)	\$ 6,385,661
Reverse repurchase agreements	14,083,144	(10,220,656)	3,862,488	(176,275)	(3,591,654)	94,559
Liabilities:						
Securities lending arrangements	\$ 2,819,132	\$ —	\$ 2,819,132	\$ (710,611)	\$ (2,064,299)	\$ 44,222
Repurchase agreements	17,012,332	(10,220,656)	6,791,676	(176,275)	(5,780,909)	834,492

Under master netting agreements with our counterparties, we have the legal right of offset with a counterparty, which incorporates all of the counterparty's outstanding rights and obligations under the arrangement. These (1) balances reflect additional credit risk mitigation that is available by counterparty in the event of a counterparty's default, but which are not netted in the balance sheet because other netting provisions of U.S. GAAP are not met.

Includes securities received or paid under collateral arrangements with counterparties that could be liquidated in (2) the event of a counterparty default and thus offset against a counterparty's rights and obligations under the respective repurchase agreements or securities borrowing or lending arrangements.

Amounts include \$6,088.9 million of securities borrowing arrangements, for which we have received securities collateral of \$5,942.3 million, and \$887.2 million of repurchase agreements, for which we have pledged securities (3) collateral of \$908.8 million, which are subject to master netting agreements but we have not determined the agreements to be legally enforceable.

Amounts include \$6,337.5 million of securities borrowing arrangements, for which we have received securities collateral of \$6,146.0 million, and \$810.4 million of repurchase agreements, for which we have pledged securities (4) collateral of \$834.2 million, which are subject to master netting agreements but we have not determined the agreements to be legally enforceable.

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

Cash and securities deposited with clearing and depository organizations and segregated in accordance with regulatory regulations totaled \$903.7 million and \$857.3 million at August 31, 2017 and November 30, 2016, respectively.

Segregated cash and securities consist of deposits in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, which subjects Jefferies as a broker-dealer carrying customer accounts to requirements related to maintaining cash or qualified securities in segregated special reserve bank accounts for the exclusive benefit of its customers.

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

(Unaudited)

Note 7. Securitization Activities

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

We account for our securitization transactions as sales, provided we have relinquished control over the transferred assets. Transferred assets are carried at fair value with unrealized gains and losses reflected in Principal transactions revenues in our Consolidated Statement of Earnings prior to the identification and isolation for securitization.

Subsequently, revenues recognized upon securitization are reflected as net underwriting revenues. We generally receive cash proceeds in connection with the transfer of assets to an SPE. We may, however, have continuing involvement with the transferred assets, which is limited to retaining one or more tranches of the securitization (primarily senior and subordinated debt securities in the form of mortgage- and other-asset backed securities or CLOs), which are included in Financial instruments owned and are generally initially categorized as Level 2 within the fair value hierarchy. We apply fair value accounting to the securities. For further information on fair value measurements and the fair value hierarchy, refer to Note 4, Fair Value Disclosures, herein and Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016.

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2017	2016	2017	2016
Transferred assets	\$1,009.1	\$1,390.7	\$2,677.7	\$4,523.5
Proceeds on new securitizations	1,017.2	1,394.0	2,703.3	4,541.3
Cash flows received on retained interests	8.7	6.3	22.7	24.9

We have no explicit or implicit arrangements to provide additional financial support to these SPEs, have no liabilities related to these SPEs and do not have any outstanding derivative contracts executed in connection with these securitization activities at August 31, 2017 and November 30, 2016.

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

<u>Securitization Type</u>	August 31, 2017		November 30, 2016	
	Total Assets	Retained Interests	Total Assets	Retained Interests
U.S. government agency RMBS	\$5,584.5	\$ 13.9	\$7,584.9	\$ 31.0
U.S. government agency CMBS	2,103.7	46.9	1,806.3	29.6
CLOs	2,936.1	19.6	4,102.2	37.0
Consumer and other loans	301.4	57.0	395.7	25.3

Total assets represent the unpaid principal amount of assets in the SPEs in which we have continuing involvement and are presented solely to provide information regarding the size of the transactions and the size of the underlying assets supporting our retained interests, and are not considered representative of the risk of potential loss. Assets retained in

connection with a securitization transaction represent the fair value of the securities of one or more tranches issued by an SPE, including senior and subordinated tranches. Our risk of loss is limited to this fair value amount which is included in total Financial instruments owned in our Consolidated Statements of Financial Condition.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

(Unaudited)

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

If we have not relinquished control over the transferred assets, the assets continue to be recognized in Financial instruments owned and a corresponding liability is recognized in Other secured financings. The carrying values of both the assets and the liabilities resulting from transfers of financial assets treated as secured financings were \$11.0 million at August 31, 2017. We did not have any such assets and liabilities at November 30, 2016. The related liabilities do not have recourse to our general credit.

Note 8. Variable Interest Entities

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

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

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

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

related to the variable interests.

37

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

The following table presents information about our consolidated VIEs at August 31, 2017 and November 30, 2016 (in millions). The assets and liabilities in the tables below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

	August 31, 2017		November 30, 2016	
	Securitization Vehicles	Other	Securitization Vehicles	Other
Cash	\$5.2	\$ 1.0	\$16.1	\$ 0.7
Financial instruments owned	44.5	0.4	86.6	0.6
Securities purchased under agreement to resell (1)	546.7	—	733.5	—
Fees, interest and other receivables	0.3	—	1.5	—
Total assets	\$596.7	\$ 1.4	\$837.7	\$ 1.3
Other secured financings (2)	\$590.7	\$ —	\$813.1	\$ —
Other liabilities	4.8	0.2	24.1	0.2
Total liabilities	\$595.5	\$ 0.2	\$837.2	\$ 0.2

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

(2) Approximately \$49.2 million and \$57.6 million of the secured financing represents an amount held by us in inventory and is eliminated in consolidation at August 31, 2017 and November 30, 2016, respectively.

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

We are also the primary beneficiary of securitization vehicles associated with our financing of consumer and small business loans. In the creation of the securitization vehicles, we were involved in the decisions made during the establishment and design of the entities and hold variable interests consisting of the securities retained that could potentially be significant. The assets of the VIEs consist of the small business loans and term loans backed by consumer installment receivables, which are available for the benefit of the vehicles' beneficial interest holders. The creditors of the VIEs do not have recourse to our general credit and the assets of the VIEs are not available to satisfy any other debt.

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

Nonconsolidated VIEs

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

	August 31, 2017			
	Carrying Amount		Maximum	VIE
	Assets	Liabilities	Exposure to Loss	Assets
CLOs	\$58.1	\$ 1.9	\$ 790.1	\$3,440.3

Edgar Filing: Jefferies Group LLC - Form 10-Q

Consumer loan vehicles	195.8	—	761.9	2,287.2
Related party private equity vehicles	28.1	—	49.8	106.3
Other private investment vehicles	52.0	—	53.5	3,227.8
Total	\$334.0	\$ 1.9	\$ 1,655.3	\$9,061.6

38

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

	November 30, 2016			
	Carrying Amount	Maximum Exposure to Loss	VIE Assets	
	Assets	Liabilities		
CLOs	\$263.3	\$ 4.8	\$ 920.0	\$4,451.7
Consumer loan vehicles	90.3	—	219.6	985.5
Related party private equity vehicles	37.6	—	63.6	155.6
Other private investment vehicles	52.3	—	53.8	3,874.7
Total	\$443.5	\$ 4.8	\$ 1,257.0	\$9,467.5

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

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

- Forward sale agreements whereby we commit to sell, at a fixed price, corporate loans and ownership interests in an entity holding such corporate loans to CLOs;
- Warehouse funding arrangements in the form of participation interests in corporate loans held by CLOs and commitments to fund such participation interests;
- Trading positions in securities issued in a CLO transaction;
- Investments in variable funding notes issued by CLOs; and
- A guarantee to a CLO managed by Jefferies Finance, LLC (“Jefferies Finance”), whereby we guarantee certain of the obligations of Jefferies Finance to the CLO.

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

Related Party Private Equity Vehicles. We committed to invest equity in private equity funds (the “JCP Funds”) managed by Jefferies Capital Partners, LLC (the “JCP Manager”). Additionally, we committed to invest equity in the general partners of the JCP Funds (the “JCP General Partners”) and the JCP Manager. Our variable interests in the JCP Funds, JCP General Partners and JCP Manager (collectively, the “JCP Entities”) consist of equity interests that, in total, provide us with limited and general partner investment returns of the JCP Funds, a portion of the carried interest earned by the JCP General Partners and a portion of the management fees earned by the JCP Manager. Our total equity commitment in the JCP Entities was \$148.1 million, of which \$126.3 million and \$125.1 million had been funded at August 31, 2017 and November 30, 2016, respectively. The carrying value of our equity investments in the JCP Entities was \$28.1 million and \$37.6 million at August 31, 2017 and November 30, 2016, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. The assets of the JCP Entities primarily consist of private equity and equity related investments.

We also had provided a guarantee of a portion of Energy Partners I, LP’s obligations under a credit agreement (“Energy Partners Credit Agreement”). Energy Partners I, LP, is a private equity fund owned and managed by certain of our

employees. The maximum exposure to loss of the guarantee was \$3.0 million at November 30, 2016. Energy Partners I, LP, has assets consisting primarily of debt and equity investments. The Energy Partners Credit Agreement was terminated in April 2017.

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

Other Private Investment Vehicles. As of August 31, 2017 and November 30, 2016, we had equity commitments to invest \$62.5 million and \$75.8 million, respectively, in various other private investment vehicles, of which \$61.0 million and \$74.3 million was funded, respectively. The carrying value of our equity investments was \$52.0 million and \$52.3 million at August 31, 2017 and November 30, 2016, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. These private investment vehicles have assets primarily consisting of private and public equity investments, debt instruments and various oil and gas assets.

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

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

We transfer existing securities, typically mortgage-backed securities, into resecuritization vehicles. These transactions in which debt securities are transferred to a VIE in exchange for new beneficial interests occur in connection with both agency and non-agency-sponsored VIEs. Our consolidation analysis is largely dependent on our role and interest in the resecuritization trusts. Most resecuritizations in which we are involved are in connection with investors seeking securities with specific risk and return characteristics. As such, we have concluded that the decision-making power is shared between us and the investor(s), considering the joint efforts involved in structuring the trust and selecting the underlying assets as well as the level of security interests the investor(s) hold in the SPE; therefore, we do not consolidate the resecuritization VIEs.

At August 31, 2017 and November 30, 2016, we held \$2,026.7 million and \$1,002.2 million of agency mortgage-backed securities, respectively, and \$272.4 million and \$439.4 million of non-agency mortgage and other asset-backed securities, respectively, as a result of our secondary trading and market making activities, underwriting, placement and structuring activities and resecuritization activities. Our maximum exposure to loss on these securities is limited to the carrying value of our investments in these securities. Mortgage- and other asset-backed securitization vehicles discussed within this section are not included in the above table containing information about our variable interests in nonconsolidated VIEs.

Note 9. Investments

We have investments in Jefferies Finance, Jefferies LoanCore LLC (“Jefferies LoanCore”) and Epic Gas Ltd. (“Epic Gas”). Our investments in Jefferies Finance, Jefferies LoanCore and Epic Gas are accounted for under the equity method and are included in Loans to and investments in related parties in our Consolidated Statements of Financial Condition with our share of the investees’ earnings recognized in Other revenues in our Consolidated Statements of Earnings. We have limited partnership interests of 11% and 50% in Jefferies Capital Partners V L.P. and the SBI USA

Fund L.P. (together, "JCP Fund V"), respectively, which are private equity funds managed by a team led by Brian P. Friedman, one of our directors and our Chairman of the Executive Committee. During fiscal 2016 and the nine months ended August 31, 2017, we had an investment in KCG Holdings, Inc. ("KCG") that was accounted for at fair value by electing the fair value option available under U.S. GAAP and was included in Financial instruments owned, at fair value - Corporate equity securities in our Consolidated Statements of Financial Condition with changes in fair value recognized in Principal transaction revenues in our Consolidated Statements of Earnings.

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

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

In July 2017, our equity commitment to Jefferies Finance was increased by \$150.0 million to \$750.0 million and we contributed equity of \$74.8 million. At August 31, 2017, we and MassMutual each had equity commitments to Jefferies Finance of \$750.0 million, for a combined total commitment of \$1.5 billion. At August 31, 2017, we had funded \$612.1 million of our \$750.0 million commitment, leaving \$137.9 million unfunded. The investment commitment is scheduled to expire on March 1, 2018 with automatic one year extensions absent a 60 day termination notice by either party.

Jefferies Finance has executed a Secured Revolving Credit Facility with us and MassMutual, to be funded equally, to support loan underwritings by Jefferies Finance. The Secured Revolving Credit Facility bears interest based on the interest rates of the related Jefferies Finance underwritten loans and is secured by the underlying loans funded by the proceeds of the facility. The total Secured Revolving Credit Facility is a committed amount of \$500.0 million at August 31, 2017. Advances are shared equally between us and MassMutual. The facility is scheduled to mature on March 1, 2018 with automatic one year extensions absent a 60 day termination notice by either party. At August 31, 2017, we had funded \$35.1 million of our \$250.0 million commitment. The following summarizes the activity included in our Consolidated Statements of Earnings related to the Secured Revolving Credit Facility with Jefferies Finance (in millions):

	Three Months Ended August 31, 2017		Nine Months Ended August 31, 2016	
Interest income	\$ 0.2	\$ —	-\$ 2.5	\$ —
Unfunded commitment fees	0.3	0.3	0.8	0.9

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

	August 31, 2017	November 30, 2016
Our total equity balance	\$612.1	\$ 470.5

	Three Months Ended August 31, 2017		Nine Months Ended August 31, 2016	
Net earnings (loss)	\$40.8	\$22.8	\$133.5	\$(55.0)

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

	Three Months Ended August 31,	Nine Months Ended August 31,

Edgar Filing: Jefferies Group LLC - Form 10-Q

	2017	2016	2017	2016
Origination and syndication fee revenues (1)	\$104.2	\$19.0	\$243.5	\$42.1
Origination fee expenses (1)	—	—	2.5	1.6
CLO placement fee revenues (2)	0.8	1.3	4.7	1.3
Derivative gains (losses) (3)	(0.2)	—	(0.6)	1.3
Service fees (4)	7.9	7.2	37.4	35.8

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

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

We act as a placement agent for CLOs managed by Jefferies Finance, for which we recognized fees, which are included in Investment banking revenues in our Consolidated Statement of Earnings. At August 31, 2017 and (2) November 30, 2016, we held securities issued by CLOs managed by Jefferies Finance, which are included in Financial instruments owned, and provided a guarantee whereby we are required to make certain payments to a CLO in the event that Jefferies Finance is unable to meet its obligations to the CLO.

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

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

At August 31, 2017, we had a receivable from Jefferies Finance of \$22.5 million included in Other Assets, and at November 30, 2016, we had a payable to Jefferies Finance of \$5.8 million included in Accrued expenses and other liabilities, in our Consolidated Statements of Financial Condition.

Jefferies LoanCore

Jefferies LoanCore, a commercial real estate finance company, is a joint venture with the Government of Singapore Investment Corporation, the Canada Pension Plan Investment Board and LoanCore, LLC. Jefferies LoanCore originates and purchases commercial real estate loans throughout the U.S. and Europe. Jefferies LoanCore has aggregate equity commitments of \$400.0 million. At August 31, 2017 and November 30, 2016, we had funded \$130.6 million and \$70.1 million, respectively, of our \$194.0 million equity commitment and have a 48.5% voting interest in Jefferies LoanCore.

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

	August 31, 2017	November 30, 2016
Our total equity balance	\$208.9	\$ 156.3

	Three Months Ended August 31, 2017	Nine Months Ended August 31, 2016	Three Months Ended August 31, 2017	Nine Months Ended August 31, 2016
Net earnings	\$3.8	\$13.4	\$12.4	\$36.1

The following summarizes activity related to our transactions with Jefferies LoanCore (in thousands):

	Three Months Ended August 31, 2017	Nine Months Ended August 31, 2016	Three Months Ended August 31, 2017	Nine Months Ended August 31, 2016
Interest income and fees (1)	\$-1,803	\$589	\$6,943	
Service fees (2)	4747	142	142	

We enter into master repurchase agreements with Jefferies LoanCore and earn interest income and fees related to (1) these agreements. At November 30, 2016, we had reverse repurchase agreements of \$68.1 million in connection with these agreements.

(2) Under a service agreement, we charge Jefferies LoanCore for services provided.

Receivables from Jefferies LoanCore, included in Other assets in our Consolidated Statements of Financial Condition, were \$16,000 at both August 31, 2017 and November 30, 2016.

We also enter into OTC foreign exchange contracts with Jefferies LoanCore. In connection with these contracts, we had \$5.0 million and \$8.3 million at August 31, 2017 and November 30, 2016, respectively, recorded in Payables—brokers, dealers and clearing organizations.

JCP Fund V

The amount of our investments in JCP Fund V included in Investments in managed funds in our Consolidated Statements of Financial Condition was \$21.2 million and \$29.1 million at August 31, 2017 and November 30, 2016, respectively. We account for these investments at fair value based on the NAV of the funds provided by the fund managers (see Note 2, Summary of Significant Accounting Policies in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016). The following summarizes the results from these investments which are included in Asset management fees and investment gains (loss) from managed funds in our Consolidated Statements of Earnings (in millions):

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

	Three Months Ended August 31, 2017	Three Months Ended August 31, 2016	Nine Months Ended August 31, 2017	Nine Months Ended August 31, 2016
Net gains (losses) from our investments in JCP Fund V	\$(1.2)	\$5.8	\$(9.1)	\$(1.4)

At August 31, 2017 and November 30, 2016, we were committed to invest equity of up to \$85.0 million in JCP Fund V. At August 31, 2017 and November 30, 2016, our unfunded commitments relating to JCP Fund V was \$10.1 million and \$11.3 million, respectively.

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

	Three Months Ended					
	June 30, 2017 (1)	March 31, 2017 (1)	December 31, 2016 (1)	June 30, 2016 (1)	March 31, 2016 (1)	December 31, 2015 (1)
Net increase (decrease) in net assets resulting from operations	\$(552)	\$(19,552)	\$(2,294)	\$17,137	\$(11,806)	\$(7,886)

Financial information for JCP Fund V within our financial position at August 31, 2017 and November 30, 2016 (1) and our results of operations for the three and nine months ended August 31, 2017 and August 31, 2016 is included based on the presented periods.

Epic Gas

On July 14, 2015, Jefferies purchased common shares of Epic Gas. In addition, one of our directors serves on the Board of Directors of Epic Gas and owns common shares of Epic Gas. At August 31, 2017, we own approximately 21.1% of the outstanding common stock of Epic Gas.

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

	August 31, 2017	November 30, 2016				
Our investment in Epic Gas	\$ 21.0	\$ 21.5				
	Three Months Ended					
	June 30, 2017 (1)	March 31, 2017 (1)	December 31, 2016 (1)	June 30, 2016 (1)	March 31, 2016 (1)	December 31, 2015 (1)
Net loss	\$(5.4)	\$(3.4)	\$(15.9)	\$(0.9)	\$(1.4)	\$(11.4)

Financial information for Epic Gas within our results of operations for the three and nine months ended August 31, 2017 and August 31, 2016 is included based on the presented periods.

KCG

KCG was sold for \$20.00 per share in cash on July 20, 2017. At November 30, 2016, we owned approximately 24% of the outstanding common stock of KCG. We elected to record our investment in KCG at fair value under the fair value option, as the investment was acquired as part of our capital markets activities. The valuation of our investment was based on the closing exchange price of KCG and included in Level 1 of the fair value hierarchy.

The following summarizes the changes in the fair value of our investment in KCG, which were recognized in Principal transactions revenues in our Consolidated Statements of Earnings (in millions):

Edgar Filing: Jefferies Group LLC - Form 10-Q

	Three Months Ended August 31, 2017	2016	Nine Months Ended August 31, 2017	2016
Net gains from our investment in KCG	\$2.2	\$6.1	\$93.4	\$24.6

43

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

The following is a summary of net earnings (loss) for KCG (in millions) reflecting available public financial information for KCG:

	Three Months Ended				
	March	December	June	March	December
	31,	31,	30,	31,	31,
	2017	2016	2016	2016	2015
Net earnings (loss)	\$3.2	\$ 196.2	\$33.6	\$37.2	\$ (3.0)

We have separately entered into securities lending transactions with KCG, in the normal course of our capital markets activities. The following is a summary of the balances related to these activities (in millions):

	November
	30, 2016
Securities borrowed	\$ 9.2
Securities loaned	9.2

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

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

	August 31,	November
	2017	30, 2016
Capital Markets	\$1,640,398	\$1,637,653
Asset Management	3,000	3,000
Total goodwill	\$1,643,398	\$1,640,653

The following table is a summary of the changes to goodwill for the nine months ended August 31, 2017 (in thousands):

Balance at November 30, 2016	\$1,640,653
Translation adjustments	2,745
Balance at August 31, 2017	\$1,643,398

Goodwill Impairment Testing

A reporting unit is an operating segment or one level below an operating segment. The quantitative goodwill impairment test is performed at the level of the reporting unit and consists of two steps. In the first step, the fair value of each reporting unit is compared with its carrying value, including goodwill and allocated intangible assets. If the fair value is in excess of the carrying value, the goodwill for the reporting unit is considered not to be impaired. If the fair value is less than the carrying value, then a second step is performed in order to measure the amount of the impairment loss, if any, which is based on comparing the implied fair value of the reporting unit's goodwill to the carrying value of the reporting unit's goodwill.

Allocated tangible equity plus allocated goodwill and intangible assets are used for the carrying amount of each reporting unit. The amount of tangible equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating independently. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit's benefit from the intangible asset in order to generate results.

Estimating the fair value of a reporting unit requires management judgment. Estimated fair values for our reporting units were determined using a market valuation method that incorporate price-to-earnings and price-to-book multiples

of comparable public companies. In addition, as the fair values determined under the market approach represent a noncontrolling interest, we applied a control premium to arrive at the estimated fair value of each reporting unit on a controlling basis. We engaged an independent valuation specialist to assist us in our valuation process at August 1, 2017.

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

Our annual goodwill impairment testing at August 1, 2017 did not indicate any goodwill impairment in any of our reporting units. Substantially all of our goodwill is allocated to our Investment Banking, Equities and Fixed Income reporting units, for which the results of our assessment indicated that these reporting units had a fair value in excess of their carrying amounts based on current projections. At August 31, 2017, goodwill allocated to these reporting units is \$1,640.4 million of total goodwill of \$1,643.4 million.

Intangible Assets

Intangible assets are included in Other assets in our Consolidated Statements of Financial Condition. The following tables present the gross carrying amount, changes in carrying amount, net carrying amount and weighted average amortization period of identifiable intangible assets at August 31, 2017 and November 30, 2016 (dollars in thousands):

	August 31, 2017				Weighted average remaining lives (years)
	Gross cost	Impairment losses	Accumulated amortization	Net carrying amount	
Customer relationships	\$ 125,919	\$ —	\$ (48,679)	\$ 77,240	11.5
Trade name	128,591	—	(16,533)	112,058	30.5
Exchange and clearing organization membership interests and registrations	9,135	(401)	—	8,734	N/A
Total	\$ 263,645	\$ (401)	\$ (65,212)	\$ 198,032	
	November 30, 2016				Weighted average remaining lives (years)
	Gross cost	Accumulated amortization	Net carrying amount		
Customer relationships	\$ 125,381	\$ (42,283)	\$ 83,098		12.1
Trade name	128,052	(13,720)	114,332		31.3
Exchange and clearing organization membership interests and registrations	9,041	—	9,041		N/A
Total	\$ 262,474	\$ (56,003)	\$ 206,471		

We performed our annual impairment testing of intangible assets with an indefinite useful life, which consists of exchange and clearing organization membership interests and registrations, at August 1, 2017. We elected to perform a quantitative assessment of membership interests and registrations that have available quoted sales prices as well as certain other membership interests and registrations that have declined in utilization. A qualitative assessment was performed on the remainder of our indefinite-life intangible assets. In applying our quantitative assessment, we recognized an impairment loss of \$44,000 on certain exchange membership interests and registrations. With regard to our qualitative assessment of the remaining indefinite-life intangible assets, based on our assessment of market conditions, the utilization of the assets and the replacement costs associated with the assets, we have concluded that it is not more likely than not that the intangible assets are impaired. In addition, we recognized an impairment loss of \$357,000 during the nine months ended August 31, 2017 on certain membership interests that were not renewed.

Amortization Expense

For finite life intangible assets, aggregate amortization expense amounted to \$3.0 million and \$9.0 million for the three and nine months ended August 31, 2017, respectively, and \$3.0 million and \$9.1 million for the three and nine months ended August 31, 2016, respectively. These expenses are included in Other expenses in our Consolidated Statements of Earnings.

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

Remainder of fiscal 2017	\$ 3,049
Year ended November 30, 2018	12,198
Year ended November 30, 2019	12,198

Year ended November 30, 2020 12,198

Year ended November 30, 2021 12,198

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED****(Unaudited)****Note 11. Short-Term Borrowings**

Short-term borrowings at August 31, 2017 and November 30, 2016 include the following and mature in one year or less (in thousands):

	August 31, November 30,	
	2017	2016
Bank loans	\$ 304,537	\$ 372,301
Secured revolving loan facilities	—	57,086
Floating rate puttable notes	108,304	96,455
Equity-linked notes	4,281	—
Total short-term borrowings	\$ 417,122	\$ 525,842

At August 31, 2017, the weighted average interest rate on short-term borrowings outstanding is 2.00% per annum. Average daily short-term borrowings outstanding were \$436.7 million and \$474.2 million for the three and nine months ended August 31, 2017, respectively, \$414.4 million and \$372.3 million for the three and nine months ended August 31, 2016, respectively.

During the nine months ended August 31, 2017, we issued equity-linked notes with principal amounts of \$30.6 million, which matured on July 18, 2017, and \$4.2 million, which matured on September 20, 2017. See Note 4, Fair Value Disclosures, for further information.

During the nine months ended August 31, 2016, we issued floating rate puttable notes with an aggregate principal amount of €91.0 million.

The Bank of New York Mellon agrees to make revolving intraday credit advances (“Intraday Credit Facility”) for an aggregate committed amount of \$250.0 million. The Intraday Credit Facility contains a financial covenant, which includes a minimum regulatory net capital requirement for Jefferies. Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At August 31, 2017, we were in compliance with debt covenants under the Intraday Credit Facility.

On October 29, 2015, we entered into a secured revolving loan facility (“First Secured Revolving Loan Facility”), whereby the lender agreed to make available a revolving loan facility in a maximum principal amount of \$50.0 million to purchase eligible receivables that met certain requirements as defined in the First Secured Revolving Loan Facility agreement. Interest was based on an annual rate equal to the lesser of the LIBOR rate plus three and three-quarters percent or the maximum rate as defined in the First Secured Revolving Loan Facility agreement. On December 14, 2015, we entered into a second secured revolving loan facility (“Second Secured Revolving Loan Facility”), whereby the lender agreed to make available a revolving loan facility in a maximum principal amount of \$50.0 million to purchase eligible receivables that met certain requirements as defined in the Second Secured Revolving Loan Facility agreement. Interest was based on an annual rate equal to the lesser of the LIBOR rate plus four and one-quarter percent or the maximum rate as defined in the Second Secured Revolving Loan Facility agreement. The First Secured Revolving Loan Facility was terminated effective December 6, 2016. The Second Secured Revolving Loan Facility was terminated effective January 24, 2017.

On February 19, 2016, we entered into a demand loan margin financing facility (“Demand Loan Facility”) in a maximum principal amount of \$25.0 million to satisfy certain of our margin obligations. Interest is based on an annual rate equal to weighted average LIBOR as defined in the Demand Loan Facility agreement plus 150 basis points. The Demand Loan Facility was terminated effective November 30, 2016.

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

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

	Maturity	Effective Interest Rate	August 31, 2017	November 30, 2016
Unsecured long-term debt				
5.125% Senior Notes	April 13, 2018	3.46%	\$714,115	\$817,813
8.500% Senior Notes	July 15, 2019	4.00%	739,465	778,367
2.375% Euro Medium Term Notes	May 20, 2020	2.42%	593,547	528,250
6.875% Senior Notes	April 15, 2021	4.40%	812,131	823,797
2.250% Euro Medium Term Notes	July 13, 2022	4.08%	4,374	3,848
5.125% Senior Notes	January 20, 2023	4.55%	616,378	618,355
4.850% Senior Notes (1)	January 15, 2027	4.93%	753,932	—
6.450% Senior Debentures	June 8, 2027	5.46%	376,307	377,806
3.875% Convertible Senior Debentures (2)	November 1, 2029	3.50%	345,217	346,187
6.250% Senior Debentures	January 15, 2036	6.03%	512,131	512,396
6.500% Senior Notes	January 20, 2043	6.09%	421,078	421,333
Structured notes (3)	Various	Various	561,010	255,203
Total long-term debt			\$6,449,685	\$5,483,355

(1) These senior notes with a principal amount of \$750.0 million were issued on January 17, 2017. The carrying value includes \$9.6 million associated with an interest rate swap based on its designation as a fair value hedge. See Note 2, Summary of Significant Accounting Policies, and Note 5, Derivative Financial Instruments, for further information.

(2) The change in fair value of the conversion feature embedded in the debentures, which is included in Principal transaction revenues in our Consolidated Statements of Earnings, was not material for the three and nine months ended August 31, 2017 and August 31, 2016.

(3) The carrying value includes \$553.9 million and \$248.9 million of notes carried at fair value at August 31, 2017 and November 30, 2016, respectively. These structured notes contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument-specific credit risk presented in other comprehensive income and changes in fair value resulting from non-credit components recognized in Principal transaction revenues. A weighted average coupon rate is not meaningful, as substantially all of the structured notes are carried at fair value.

During the nine months ended August 31, 2017, we issued senior notes with a total principal amount of \$641.0 million, net of retirements, and structured notes with a total principal amount of approximately \$287.5 million, net of retirements. During the nine months ended August 31, 2016, we issued structured notes with a total principal amount of approximately \$222.7 million.

In addition, on January 21, 2016, we issued \$15.0 million of Class A Notes, due 2022, and \$7.5 million of Class B Notes, due 2022, secured by aircraft and related operating leases and which are non-recourse to us. In June 2016, the Class A Notes and the Class B Notes were repurchased and retired.

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

Our 3.875% convertible debentures due 2029 (principal amount of \$345.0 million) (the “debentures”) remain issued and outstanding and are convertible into common shares of Leucadia. At September 14, 2017, each \$1,000 debenture is currently convertible into 22.9719 shares of Leucadia’s common stock (equivalent to a conversion price of approximately \$43.53 per share of Leucadia’s common stock). The debentures are convertible at the holders’ option any time beginning on August 1, 2029 and convertible at any time if: 1) Leucadia’s common stock price is greater than or equal to 130% of the conversion price for at least 20 trading days in a period of 30 consecutive trading days; 2) if the trading price per debenture is less than 95% of the price of the common stock times the conversion ratio for any 10 consecutive trading days; 3) if the debentures are called for redemption; or 4) upon the occurrence of specific corporate actions. The debentures may be redeemed for par, plus accrued interest, on or after November 1, 2012 if the price of Leucadia’s common stock is greater than 130% of the conversion price for at least 20 days in a period of 30 consecutive trading days and we may redeem the debentures for par, plus accrued interest, at our election any time on or after November 1, 2017. Holders may require us to repurchase the debentures for par, plus accrued interest, on November 1, 2017, 2019 and 2024. In addition to ordinary interest, commencing November 1, 2017, contingent interest will accrue at 0.375% if the average trading price of a debenture for five trading days ending on and including the third trading day immediately preceding a six-month interest period equals or exceed \$1,200 per \$1,000 debenture. The conversion option to Leucadia common shares embedded within the debentures meets the definition of a derivative contract, does not qualify to be accounted for within Jefferies Group LLC member’s equity and is not clearly and closely related to the economic interest rate or credit risk characteristics of our debt. Accordingly, the conversion option is accounted for on a standalone basis at fair value with changes in fair value recognized in Principal transaction revenues and is presented within Long-term debt in our Consolidated Statements of Financial Condition. At August 31, 2017 and November 30, 2016, the fair value of the conversion option was not material.

Note 13. Compensation Plans

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

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

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2017	2016	2017	2016
Components of compensation cost:				
Restricted cash awards	\$65.2	\$56.0	\$188.5	\$190.1
Restricted stock and RSUs (1)	6.5	6.4	18.0	17.8
Profit sharing plan	1.2	1.0	5.2	5.3
Total compensation cost	\$72.9	\$63.4	\$211.7	\$213.2

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

to the discount provided to employees in electing to defer compensation under the Deferred Compensation Plan.

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

Remaining unamortized amounts related to certain compensation plans at August 31, 2017 are as follows (dollars in millions):

	Remaining Unamortized Amounts	Weighted Average Vesting Period (in Years)
Non-vested share-based awards	\$ 42.0	2
Restricted cash awards	525.6	3
Total	\$ 567.6	

The following are descriptions of the compensation plans:

Incentive Compensation Plan. The Incentive Compensation Plan (“Incentive Plan”) allows for awards in the form of incentive stock options (within the meaning of Section 422 of the Internal Revenue Code), nonqualified stock options, stock appreciation rights, restricted stock, unrestricted stock, performance awards, restricted stock units, dividend equivalents or other share-based awards. Restricted stock units (“RSUs”) give a participant the right to receive fully vested common shares at the end of a specified deferral period, allowing a participant to hold an interest tied to common stock on a tax deferred basis. Prior to settlement, RSUs carry no voting or dividend rights associated with the stock ownership, but dividend equivalents are accrued to the extent there are dividends declared on the underlying common shares as cash amounts or as deemed reinvestments in additional RSUs. Awards issued and outstanding related to the Incentive Plan relate to shares of Leucadia.

Restricted stock and RSUs may be granted to new employees as sign-on awards, to existing employees as “retention” awards and to certain executive officers as awards for multiple years. Sign-on and retention awards are generally subject to annual ratable vesting over a four-year service period and are amortized as compensation expense on a straight line basis over the related four years. Restricted stock and RSUs are granted to certain senior executives with market, performance and service conditions. Market conditions are incorporated into the grant-date fair value of senior executive awards using a Monte Carlo valuation model. Compensation expense for awards with market conditions is recognized over the service period and is not reversed if the market condition is not met. Awards with performance conditions are amortized over the service period if we determine that it is probable that the performance condition will be achieved.

Employee Stock Purchase Plan. There is also an ESPP which we consider noncompensatory effective January 1, 2007. The ESPP permits all regular full-time employees and employees who work part time over 20 hours per week to purchase, at a discount, Leucadia common shares. Annual employee contributions are limited to \$21,250, are voluntary and made through payroll deduction. The stock purchase price is equal to 95% of the closing price of common stock on the last day of the applicable session (monthly).

Deferred Compensation Plan. There is also a Deferred Compensation Plan (“Deferred Compensation Plan”), which was established in 2001. Eligible employees are able to defer compensation on a pre-tax basis, with deferred amounts deemed invested at a discount in Leucadia common shares, or by allocating among any combination of other investment funds available under the Deferred Compensation Plan. We often invest directly, as a principal, in investments corresponding to the other investment funds, relating to our obligations to perform under the Deferred Compensation Plan. The compensation deferred by our employees is expensed in the period earned. The change in fair value of our investments in assets corresponding to the specified other investment funds are recognized in Principal transaction revenues and changes in the corresponding deferred compensation liability are reflected as Compensation and benefits expense in our Consolidated Statements of Earnings.

Profit Sharing Plan. We have a profit sharing plan, covering substantially all employees, which includes a salary reduction feature designed to qualify under Section 401(k) of the Internal Revenue Code.

Restricted Cash Awards. We provide compensation to new and existing employees in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements. We amortize these awards to

compensation expense over the relevant service period, which is generally considered to start at the beginning of the annual compensation year.

Note 14. Income Taxes

At August 31, 2017 and November 30, 2016, we had approximately \$118.4 million and \$109.5 million, respectively, of total gross unrecognized tax benefits. The total amount of unrecognized benefit that, if recognized, would favorably affect the effective tax rate was \$78.9 million and \$73.1 million (net of benefits of taxes) at August 31, 2017 and November 30, 2016, respectively.

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

We recognize interest accrued related to unrecognized tax benefits in Interest expense. Penalties, if any, are recognized in Other expenses in our Consolidated Statements of Earnings. At August 31, 2017 and November 30, 2016, we had interest accrued of approximately \$45.8 million and \$39.3 million, respectively, included in Accrued expenses and other liabilities. No material penalties were accrued for the nine months ended August 31, 2017 and the year ended November 30, 2016.

We are currently under examination by the Internal Revenue Service and other major tax jurisdictions. We do not expect that resolution of these examinations will have a material effect on our consolidated financial position, but could have a material impact on our consolidated results of operations for the period in which resolution occurs.

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

<u>Jurisdiction</u>	<u>Tax Year</u>
United States	2007
California	2007
New Jersey	2010
New York State	2001
New York City	2003
United Kingdom	2014
Hong Kong	2011

Note 15. Commitments, Contingencies and Guarantees***Commitments***

The following table summarizes our commitments at August 31, 2017 (in millions):

	Expected Maturity Date (fiscal years)					Maximum Payout
	2017	2018	2019 and 2020	2021 and 2022	2023 and Later	
Equity commitments (1)	\$—	\$9.4	\$10.2	\$—	\$205.3	\$224.9
Loan commitments (1)	—	226.8	—	53.0	—	279.8
Mortgage-related and other purchase commitments	—	—	177.7	—	—	177.7
Underwriting commitments	70.0	—	—	—	—	70.0
Forward starting reverse repos (2)	3,943.7	—	—	—	—	3,943.7
Forward starting repos (2)	2,018.0	—	—	—	—	2,018.0
Other unfunded commitments (1)	45.0	154.5	130.6	226.2	12.1	568.4
Total commitments	\$6,076.7	\$390.7	\$318.5	\$279.2	\$217.4	\$7,282.5

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

(2) At August 31, 2017, all of the forward starting securities purchased under agreements to resell and securities sold under agreements to repurchase (collectively “repos”) settled within three business days.

Equity Commitments. Includes commitments to invest in our joint ventures, Jefferies Finance and Jefferies LoanCore, and commitments to invest in private equity funds and in Jefferies Capital Partners, LLC, the manager of the private equity funds, which consists of a team led by Brian P. Friedman, one of our directors and Chairman of the Executive Committee. At August 31, 2017, our outstanding commitments relating to Jefferies Capital Partners, LLC and its private equity funds was \$22.0 million.

See Note 9, Investments, for additional information regarding our investments in Jefferies Finance and Jefferies

LoanCore.

Additionally, at August 31, 2017, we had other outstanding equity commitments to invest up to \$1.5 million in various other investments.

50

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

Loan Commitments. From time to time we make commitments to extend credit to investment banking and other clients in loan syndication, acquisition finance and securities transactions and to SPE sponsors in connection with the funding of CLO and other asset-backed transactions. These commitments and any related drawdowns of these facilities typically have fixed maturity dates and are contingent on certain representations, warranties and contractual conditions applicable to the borrower. At August 31, 2017, we had \$64.9 million of outstanding loan commitments to clients.

Loan commitments outstanding at August 31, 2017 also include our portion of the outstanding secured revolving credit facility provided to Jefferies Finance to support loan underwritings by Jefferies Finance. See Note 9, Investments, for additional information.

Mortgage-Related and Other Purchase Commitments. We enter into forward contracts to purchase mortgage participation certificates, mortgage-backed securities and consumer loans. The mortgage participation certificates evidence interests in mortgage loans insured by the Federal Housing Administration and the mortgage-backed securities are insured or guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. We frequently securitize the mortgage participation certificates and mortgage-backed securities. The fair value of mortgage-related and other purchase commitments recorded in our Consolidated Statements of Financial Condition was \$44.5 million at August 31, 2017.

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

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

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

Guarantees

Derivative Contracts. As a dealer, we make markets and trade in a variety of derivative instruments. Certain derivative contracts that we have entered into meet the accounting definition of a guarantee under U.S. GAAP, including credit default swaps, written foreign currency options and written equity put options. On certain of these contracts, such as written interest rate caps and foreign currency options, the maximum payout cannot be quantified since the increase in interest or foreign exchange rates are not contractually limited by the terms of the contract. As such, we have disclosed notional values as a measure of our maximum potential payout under these contracts. The following table summarizes the notional amounts associated with our derivative contracts meeting the definition of a guarantee under U.S. GAAP at August 31, 2017 (in millions):

	Expected Maturity Date (fiscal years)					Notional/ Maximum Payout
	2017	2018	2019 and 2020	2021 and 2022	2023 and Later	
Guarantee Type:						
Derivative contracts—non-credit related	\$8,530.1	\$5,114.5	\$2,183.1	\$215.0	\$595.7	\$16,638.4
Written derivative contracts—credit related		41.4	10.0	279.8	—	331.2
Total derivative contracts	\$8,530.1	\$5,155.9	\$2,193.1	\$494.8	\$595.7	\$16,969.6

The derivative contracts deemed to meet the definition of a guarantee under U.S. GAAP are before consideration of hedging transactions and only reflect a partial or “one-sided” component of any risk exposure. Written equity options and written credit default swaps are often executed in a strategy that is in tandem with long cash instruments (e.g., equity and debt securities). We substantially mitigate our exposure to market risk on these contracts through hedges,

such as other derivative contracts and/or cash instruments, and we manage the risk associated with these contracts in the context of our overall risk management framework. We believe notional amounts overstate our expected payout and that fair value of these contracts is a more relevant measure of our obligations. At August 31, 2017, the fair value of derivative contracts meeting the definition of a guarantee is approximately \$245.5 million.

Loan Guarantee. We have provided a guarantee to Jefferies Finance that matures in January 2021, whereby we are required to make certain payments to an SPE sponsored by Jefferies Finance in the event that Jefferies Finance is unable to meet its obligations to the SPE. The maximum amount payable under the guarantee is \$0.2 million at August 31, 2017.

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

Standby Letters of Credit. At August 31, 2017, we provided guarantees to certain counterparties in the form of standby letters of credit in the amount of \$54.0 million, which have a weighted average maturity of less than one year. Standby letters of credit commit us to make payment to the beneficiary if the guaranteed party fails to fulfill its obligation under a contractual arrangement with that beneficiary. Since commitments associated with these collateral instruments may expire unused, the amount shown does not necessarily reflect the actual future cash funding requirement.

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

Note 16. Net Capital Requirements

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

At August 31, 2017, Jefferies and Jefferies Execution’s net capital and excess net capital were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies	\$ 1,491,122	\$ 1,411,625
Jefferies Execution	7,961	7,711

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

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

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

Note 17. Segment Reporting

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

Edgar Filing: Jefferies Group LLC - Form 10-Q

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

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

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

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

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

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2017	2016	2017	2016
Capital Markets:				
Net revenues	\$788.4	\$641.9	\$2,349.6	\$1,601.6
Non-interest expenses	663.4	558.2	1,971.9	1,693.6
Earnings (loss) before income taxes	\$125.0	\$83.7	\$377.7	\$(92.0)
Asset Management:				
Net revenues	\$12.3	\$12.6	\$25.9	\$71.2
Non-interest expenses	15.0	15.5	41.0	45.8
Earnings (loss) before income taxes	\$(2.7)	\$(2.9)	\$(15.1)	\$25.4
Total:				
Net revenues	\$800.7	\$654.5	\$2,375.5	\$1,672.8
Non-interest expenses	678.4	573.7	2,012.9	1,739.4
Earnings (loss) before income taxes	\$122.3	\$80.8	\$362.6	\$(66.6)

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

	August 31, 2017	November 30, 2016
Total Assets by Reportable Business Segment:		
Capital Markets	\$38,353.1	\$35,931.8
Asset Management	1,005.3	1,009.5
Total assets	\$39,358.4	\$36,941.3

Net Revenues by Geographic Region

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

	Three Months Ended August 31,		Nine Months Ended August 31,	
	2017	2016	2017	2016
Americas (1)	\$674,467	\$500,190	\$1,921,703	\$1,257,192
Europe (2)	99,147	126,476	378,448	349,700
Asia	27,078	27,784	75,348	65,953
Net revenues	\$800,692	\$654,450	\$2,375,499	\$1,672,845

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

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

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

(Unaudited)

Note 18. Related Party Transactions

Jefferies Capital Partners Related Funds. We have equity investments in the JCP Manager and in private equity funds which are managed by a team led by Brian P. Friedman, one of our directors and our Chairman of the Executive Committee ("Private Equity Related Funds"). At August 31, 2017 and November 30, 2016, our equity investments in Private Equity Related Funds were in aggregate \$28.1 million and \$37.7 million, respectively. We also charge the JCP Manager for certain services under a service agreement. The following table presents revenues and service charges related to our investment in Private Equity Related Funds (in thousands):

	Three Months Ended August 31, 2017		Nine Months Ended August 31, 2016	
Other revenues and investment income (loss)	\$(373)	\$6,048	\$(9,793)	\$(1,664)
Service charges	200	201	523	537

For further information regarding our commitments and funded amounts to the Private Equity Related Funds, see Note 15, Commitments, Contingencies and Guarantees.

Berkadia Commercial Mortgage, LLC. At August 31, 2017 and November 30, 2016, we had commitments to purchase \$722.9 million and \$817.0 million, respectively, in agency CMBS from Berkadia Commercial Mortgage, LLC, which is partially owned by Leucadia.

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

At August 31, 2017 and November 30, 2016, we had \$49.3 million and \$38.4 million, respectively, of loans outstanding to certain of our officers and employees (none of whom are executive officers or directors) that are included in Other assets in our Consolidated Statements of Financial Condition.

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

At November 30, 2016, we had provided a guarantee of a credit agreement for a private equity fund owned by our employees and in April 2017 this guarantee was terminated.

One of our directors has investments in a hedge fund managed by us of approximately \$5.0 million at both August 31, 2017 and November 30, 2016.

See Note 8, Variable Interest Entities, and Note 15, Commitments, Contingencies and Guarantees, for further information regarding related party transactions with our officers, directors and employees.

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

Under a service agreement, we provide services to and receive services from Leucadia (in millions):

	Three Months Ended August 31, 2017		Nine Months Ended August 31, 2016	
Charges to Leucadia for services provided	\$13.0	\$8.7	\$34.8	\$28.8
Charges from Leucadia for services received	4.9	3.6	13.8	9.2

Receivables from and payables to Leucadia, included in Other assets and Accrued Expenses and other liabilities in our Consolidated Statements of Financial Condition, respectively, are as follows (in millions):

August 31, November 30,

Edgar Filing: Jefferies Group LLC - Form 10-Q

	2017	2016
Receivable from Leucadia	\$ 1.9	\$ 2.8
Payable to Leucadia	2.0	1.9

54

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

Pursuant to a tax sharing agreement entered into between us and Leucadia, payments are made between us and Leucadia to settle current tax assets and liabilities. At August 31, 2017 and November 30, 2016, a net current tax payable to Leucadia of \$18.0 million and a net current tax receivable from Leucadia of \$80.1 million, respectively, is included in Accrued expenses and other liabilities and Other assets, respectively, in our Consolidated Statements of Financial Condition.

Two of our directors made capital contributions totaling \$3.6 million in June 2017 to a hedge fund managed by Leucadia.

We made a capital contribution of \$0.5 million in June 2017 to a hedge fund managed by Leucadia. We also made a capital contribution of \$114.0 million in March 2016 to another hedge fund managed by Leucadia, and in December 2016 we redeemed \$17.0 million from this hedge fund. Net gains on our investment in these hedge funds were \$1.9 million and \$5.1 million for the three and nine months ended August 31, 2017, respectively, and \$1.5 million and \$2.4 million for the three and nine months ended August 31, 2016, respectively, which are included in Principal Transactions in our Consolidated Statements of Earnings.

As a result of a public offering by Landcadia Holdings Inc., an affiliate of Leucadia, we own 638,561 public units (each unit consisting of one share of Class A common stock and one public warrant) at both August 31, 2017 and November 30, 2016, with fair values of \$6.9 million and \$6.6 million, respectively, included in Financial instruments owned in our Consolidated Statements of Financial Condition.

In July 2016, a subsidiary of Leucadia made a capital contribution of \$30.0 million to a hedge fund managed by us.

We sold securities to Leucadia during the periods presented below at fair value for cash. There was no gain or loss on these transactions.

<i>Date</i>	Amount (in millions)
February 2017	\$ 25.6
April 2017	21.9
August 2017	7.1

We received investment banking and advisory fees of \$1.8 million from Leucadia for the nine months ended August 31, 2016. Additionally, periodically Jefferies provides brokerage services to Leucadia.

In connection with our sales and trading activities, from time to time we make a market in long-term debt securities of Leucadia (*i.e.*, we buy and sell debt securities issued by Leucadia). At August 31, 2017, approximately \$2.1 million and \$1.1 million, of debt securities issued by Leucadia are included in Financial instruments owned and Financial instruments sold, respectively, in our Consolidated Statements of Financial Condition. At November 30, 2016, approximately \$1.0 million is included in Financial instruments owned in our Consolidated Statements of Financial Condition.

For information on transactions with our equity method investees, see Note 9, Investments.

Note 19. Exit Costs

Jefferies Bache. On April 9, 2015, we entered into an agreement with Société Générale S.A. (the "Agreement") to transfer certain client exchange and OTC transactions associated with our Jefferies Bache business for the net book value of the OTC transactions, calculated in accordance with certain principles set forth in the agreement, plus the repayment of certain margin loans in respect of certain exchange transactions. In addition, we initiated a plan to substantially exit the remaining aspects of the business, which was completed during the second quarter of 2016. The pre-tax loss of the Jefferies Bache business was \$1.9 million for the nine months ended August 31, 2016.

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

The following summarizes our recorded restructuring and impairment costs (in thousands):

	Three Months Ended August 31, 2016	Nine Months Ended August 31, 2016
Severance costs	\$	—\$ 279
Accelerated amortization of restricted stock and restricted cash awards	—	41
Contract termination costs	—	1,234
Other expenses	—	300
Total	\$	—\$ 1,854

Of the above costs, \$341,000 were of a non-cash nature for the nine months ended August 31, 2016.

Restructuring and exit costs are wholly attributed to our Capital Markets reportable business segment and were recorded in the following categories in our Consolidated Statement of Earnings (in thousands):

	Three Months Ended August 31, 2016	Nine Months Ended August 31, 2016
Compensation and benefits	\$	—\$ 320
Technology and communications	—	1,234
Other expenses	—	300
Total	\$	—\$ 1,854

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

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

- the description of our business and risk factors contained in our Annual Report on Form 10-K for the year ended November 30, 2016 and filed with the Securities and Exchange Commission (“SEC”) on January 27, 2017, and in our amended Annual Report on Form 10-K/A for the year ended November 30, 2016 and filed with the SEC on February 28, 2017;
- the discussion of our analysis of financial condition and results of operations contained in this report under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein;
- the discussion of our risk management policies, procedures and methodologies contained in this report under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Risk Management” herein;
- the notes to the consolidated financial statements contained in this report; and
- cautionary statements we make in our public documents, reports and announcements.

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

Our business, by its nature, does not produce predictable or necessarily recurring earnings. Our results in any given period can be materially affected by conditions in global financial markets, economic conditions generally and our own activities and positions. For a further discussion of the factors that may affect our future operating results, see “Risk Factors” in Part I, Item IA of our Annual Report on Form 10-K for the year ended November 30, 2016.

Consolidated Results of Operations

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

	Three Months Ended		%	%	Nine Months Ended		%	%
	August 31,	August 31,			August 31,	August 31,		
	2017	2016	Change		2017	2016		
Net revenues	\$800,692	\$654,450	22.3 %		\$2,375,499	\$1,672,845	42.0 %	
Non-interest expenses	678,428	573,728	18.2 %		2,012,855	1,739,402	15.7 %	
Earnings (loss) before income taxes	122,264	80,722	51.5 %		362,644	(66,557)	N/M	
Income tax expense	38,439	39,564	(2.8)%		95,009	5,112	1,758.5 %	
Net earnings (loss)	83,825	41,158	103.7 %		267,635	(71,669)	N/M	
Net earnings (loss) attributable to noncontrolling interests	10	(11)	N/M		50	77	(35.1)%	
Net earnings (loss) attributable to Jefferies Group LLC	83,815	41,169	103.6 %		267,585	(71,746)	N/M	
Effective tax rate	31.4 %	49.0 %	(35.9)%		26.2 %	(7.7)%	N/M	

N/M — Not Meaningful

57

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Executive Summary

Three Months Ended August 31, 2017

Consolidated Results

Net revenues for the three months ended August 31, 2017 were \$800.7 million, compared with \$654.5 million for the three months ended August 31, 2016, an increase of \$146.2 million, or 22.3%.

Our results in the three months ended August 31, 2017 were significantly higher due to record quarterly investment banking results due to increased capital markets activity, including record debt capital markets revenues, solid results in our equity capital markets business and a strong performance in our mergers, acquisitions and advisory activities. The increase was also due to higher equities net revenues due to growth in market share in our core equities businesses, partially offset by lower fixed income net revenues, primarily due to lower levels of volatility and volumes across most core businesses compared with the prior year quarter.

We continued to maintain strong leverage ratios, capital base and liquidity during the three months ended August 31, 2017. See the “Liquidity, Financial Condition and Capital Resources” section herein for further information.

Business Results

The increase in net revenues for the three months ended August 31, 2017, as compared to the three months ended August 31, 2016, reflects higher net revenues in investment banking and equities, partially offset by lower revenues in fixed income.

Quarterly record investment banking revenues during the three months ended August 31, 2017 primarily resulted from an improved environment for new issues, particularly in the debt capital markets, compared with the prior year quarter, as well as higher advisory revenues.

The increase in equities net revenues was primarily attributable to growth in market share in our core equities businesses.

Our equities results also included net revenues of \$20.4 million from our share of our Jefferies Finance LLC (“Jefferies Finance”) joint venture, compared with net revenues of \$11.4 million in the prior year quarter.

The decrease in fixed income net revenues is primarily due to lower volumes and volatility, which were prevalent throughout much of the quarter, which in turn negatively impacted our client flow oriented fixed income businesses compared with the prior year quarter.

Net revenues in the three months ended August 31, 2017 included investment income from managed funds of \$1.2 million, compared with investment losses from managed funds of \$8.3 million in the prior year quarter.

Expenses

Non-interest expenses for the three months ended August 31, 2017 increased \$104.7 million, or 18.2%, to \$678.4 million, compared with \$573.7 million for the three months ended August 31, 2016, reflecting an increase in both Compensation and benefits expense and Non-compensation expenses.

Compensation and benefits expense for the three months ended August 31, 2017 was \$462.9 million, an increase of \$86.5 million, or 23.0%, from the comparable prior year quarter, as a result of higher net revenues. Compensation and benefits expense as a percentage of Net revenues was 57.8% for the three months ended August 31, 2017, compared with 57.5% in the prior year quarter.

Non-compensation expenses for the three months ended August 31, 2017 were \$215.5 million, an increase of \$18.2 million, or 9.2% from the comparable prior year quarter. This increase was primarily due to higher Technology and communications expenses, Floor brokerage and clearing fees and Other expenses.

Nine Months Ended August 31, 2017

Consolidated Results

Net revenues for the nine months ended August 31, 2017 were \$2,375.5 million, compared with \$1,672.8 million for the nine months ended August 31, 2016, an increase of \$702.7 million, or 42.0%.

The results in the nine months ended August 31, 2017 were stronger than the same period last year due to improved capital markets and trading conditions across most core businesses compared with an extremely volatile bear market environment, primarily in the first quarter of 2016.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Business Results

- The increase in net revenues for the nine months ended August 31, 2017, as compared to the nine months ended August 31, 2016, reflects higher net revenues in investment banking, equities and fixed income.

Higher investment banking revenues during the nine months ended August 31, 2017 reflect increased debt and equity capital markets revenues and advisory revenues, as a result of higher transaction volumes. In the prior year period, new issue equity and leveraged finance capital markets were extremely constrained in the early part of 2016 and remained slow throughout the nine months ended August 31, 2016.

The increase in fixed income net revenues is primarily due to higher levels of trading activity in the first quarter of 2017 due to improved market conditions compared with the prior year period.

The increase in equities net revenues was primarily attributable to a net gain of \$109.0 million recognized during the nine months ended August 31, 2017 from our investment in two equity securities, including KCG Holdings, Inc. (“KCG”), compared with a net loss of \$20.0 million in the comparable prior year period from these two equity securities. KCG was sold for \$20.00 per share in cash on July 20, 2017.

The increase in equities net revenues was also due to revenues in the first nine months of 2017 of \$66.8 million from our share of our Jefferies Finance joint venture, compared with a net loss of \$27.5 million in the prior year comparable period.

Net revenues in the nine months ended August 31, 2017 included investment losses from managed funds of \$4.7 million, compared with investment income from managed funds of \$4.0 million in the prior year period.

Expenses

Non-interest expenses for the nine months ended August 31, 2017 increased \$273.5 million, or 15.7%, to \$2,012.9 million, compared with \$1,739.4 million for the nine months ended August 31, 2016, reflecting an increase in both Compensation and benefits expense and Non-compensation expenses.

Compensation and benefits expense for the nine months ended August 31, 2017 was \$1,373.6 million, an increase of \$232.1 million, or 20.3%, from the comparable prior year period, as a result of significantly higher net revenues.

Compensation and benefits expense as a percentage of Net revenues was 57.8% for the nine months ended August 31, 2017, compared with 68.2% in the prior year period. The unusually high compensation ratio in the prior year period was due to the significantly lower net revenue results in the prior year period and the relationship of non-discretionary compensation to the net revenue decline.

Non-compensation expenses for the nine months ended August 31, 2017 were \$639.2 million, an increase of \$41.3 million, or 6.9% from the comparable prior year period. This increase was primarily due to higher Floor brokerage and clearing fees and Technology and telecommunications and Other expenses.

Headcount

- At August 31, 2017, we had 3,438 employees globally, an increase of 115 employees from our headcount of 3,323 at August 31, 2016. Our headcount increased primarily as a result of increases across investment banking, other core businesses and corporate services due to business growth.

Revenues by Source

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

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

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

	Three Months Ended August 31,						Nine Months Ended August 31,				
	2017		2016		% Change	2017		2016		% Change	
	Amount	% of Net Revenues	Amount	% of Net Revenues		Amount	% of Net Revenues	Amount	% of Net Revenues		
Equities	\$ 176,789	22.1 %	\$ 148,308	22.7 %	19.2 %	\$ 605,025	25.4 %	\$ 373,593	22.3 %	61.9 %	
Fixed income	142,736	17.8	195,335	29.8	(26.9)%	523,194	22.0	490,603	29.4	6.6 %	
Total sales and trading	319,525	39.9	343,643	52.5	(7.0)%	1,128,219	47.4	864,196	51.7	30.6 %	
Equity	86,081	10.8	68,218	10.4	26.2 %	222,549	9.4	173,122	10.3	28.6 %	
Debt	186,261	23.3	72,473	11.1	157.0 %	474,736	20.0	175,870	10.5	169.9 %	
Capital markets	272,342	34.1	140,691	21.5	93.6 %	697,285	29.4	348,992	20.8	99.8 %	
Advisory	203,360	25.4	154,239	23.6	31.8 %	538,301	22.7	429,914	25.7	25.2 %	
Total investment banking	475,702	59.5	294,930	45.1	61.3 %	1,235,586	52.1	778,906	46.5	58.6 %	
Asset management fees and investment income (loss) from managed funds:											
Asset management fees	4,272	0.5	7,610	1.2	(43.9)%	16,368	0.7	25,779	1.5	(36.5)%	
Investment income (loss) from managed funds	1,193	0.1	8,267	1.2	(85.6)%	(4,674)	(0.2)	3,964	0.3	N/M	
Total	5,465	0.6	15,877	2.4	(65.6)%	11,694	0.5	29,743	1.8	(60.7)%	
Net revenues	\$ 800,692	100.0 %	\$ 654,450	100.0 %	22.3 %	\$ 2,375,499	100.0 %	\$ 1,672,845	100.0 %	42.0 %	

N/M — Not Meaningful

The following table sets forth our total sales and trading net revenues (dollars in thousands):

	Three Months Ended August 31,			Nine Months Ended August 31,		
	2017	2016	% Change	2017	2016	% Change
	Commissions and other fees	\$ 139,082	\$ 152,044	(8.5)%	\$ 437,547	\$ 454,025
Principal transactions	185,215	167,483	10.6 %	693,242	382,290	81.3 %
Other	12,371	19,791	(37.5)%	58,691	(6,937)	N/M
Net interest	(17,143)	4,325	N/M	(61,261)	34,818	N/M
Total sales and trading net revenues	\$ 319,525	\$ 343,643	(7.0)%	\$ 1,128,219	\$ 864,196	30.6 %

N/M — Not Meaningful

Equities Net Revenues

Equities net revenues include equity commissions, equity security principal trading and investments (including our investments in KCG and other equity securities) and net interest revenue generated by our equities sales and trading, prime services and wealth management businesses relating to the following products:

- cash equities,
- electronic trading,
- equity derivatives,
- convertible securities,
- prime brokerage,
- securities finance and
- alternative investment strategies.

Equities net revenue also includes our share of the net earnings from our joint venture investments in Jefferies Finance and Jefferies LoanCore, LLC (“Jefferies LoanCore”), which are accounted for under the equity method.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Three Months Ended August 31, 2017

Total equities net revenues were \$176.8 million for the three months ended August 31, 2017, an increase of \$28.5 million compared with \$148.3 million for the three months ended August 31, 2016.

Results during the three months ended August 31, 2017 include a final net gain of \$2.2 million from our investment in KCG, compared with a net gain of \$6.1 million in the prior year quarter from our investment in KCG.

Equities revenues were solid during the three months ended August 31, 2017 across most of our equities sales and trading businesses due to growth in market share.

Equities commission revenues declined slightly in our U.S. and Europe cash equities and equity derivatives trading businesses due to lower institutional investor volumes and reduced volatility, partially offset by an increase in our electronic trading volumes.

Equities revenues during the three months ended August 31, 2017 also include net revenues of \$20.4 million from our share of Jefferies Finance, primarily due to an increase in activity, compared with net revenues of \$11.4 million in the prior year quarter. Net revenue from our share of Jefferies LoanCore decreased during the three months ended August 31, 2017 as compared to the prior year quarter due to a decline in loan securitizations.

Nine Months Ended August 31, 2017

Total equities net revenues were \$605.0 million for the nine months ended August 31, 2017, an increase of \$231.4 million compared with \$373.6 million for the nine months ended August 31, 2016.

Results during the nine months ended August 31, 2017 include a net gain of \$109.0 million from our investment in two equity securities, including KCG, compared with a net loss of \$20.0 million in the prior year period from these two equity securities.

Equities revenues during the nine months ended August 31, 2017 decreased with lower revenues in our equity derivatives businesses and our Europe cash equities business due to reduced market making activities and lower equity volatility. The decrease was partially offset by higher electronic trading revenues.

Equities commission revenues declined in our equity derivative and U.S. cash equities businesses due to reduced trading volumes and lower levels of volatility, partially offset by higher revenues in our electronic trading and Asia Pacific cash equities businesses due to increased trading volumes.

Equities revenues during the nine months ended August 31, 2017 also include net revenues of \$66.8 million from our share of Jefferies Finance, primarily due to an increase in activity, compared with a net loss of \$27.5 million in the prior year period, primarily due to the mark down of certain loans held for sale. Net revenue from our share of Jefferies LoanCore declined during the nine months ended August 31, 2017 as compared to the prior year period due to a decrease in loan closings and syndications.

Fixed Income Net Revenues

Fixed income net revenues includes commissions, principal transactions and net interest revenue generated by our fixed income sales and trading businesses from the following products:

- investment grade corporate bonds,
- mortgage- and asset-backed securities,
- government and agency securities,
- high yield and distressed securities,
- bank loans,
- municipal bonds,
- emerging markets debt,
- foreign exchange and
- interest rate derivatives.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Three Months Ended August 31, 2017

Fixed income net revenues totaled \$142.7 million for the three months ended August 31, 2017, a decrease of \$52.6 million compared with net revenues of \$195.3 million in the three months ended August 31, 2016.

We recorded lower secondary sales and trading revenues in the three months ended August 31, 2017 in most of our fixed income businesses compared with the prior year quarter due to reduced trading volumes and lower levels of volatility, partially offset by higher revenues in our European credit, international rates and municipal securities businesses. The trading environment during the prior year quarter was characterized by improved financial market and secondary market trading conditions, which was also positively impacted by increased demand for higher yielding asset classes. The following highlights the main components of the decrease in the results in the three months ended August 31, 2017:

Revenues from our corporates businesses decreased as compared to the prior year quarter due to decreased trading activity, as a result of lower new issuance activity.

The lower revenues in our U.S. securitized markets group were due to reduced trading volumes, while the prior year quarter was positively impacted by increased demand for spread products, particularly, demand for higher yielding asset classes after the Brexit vote.

Results in our emerging markets business were lower due to decreased trading volumes and lower levels of volatility in the emerging markets as compared with the prior year quarter.

Revenues in our leveraged credit business declined due to reduced volatility and decreased trading volumes within high yield and distressed products.

Lower revenues in our U.S. rates business resulted from lower transaction volumes given decreased interest rate volatility, while the prior year quarter was characterized by a low interest rate environment and moderate economic growth in the U.S., which led to increased trading opportunities in our U.S. rates business.

Revenue declines were offset by higher revenues in our European credit business due to improved credit market conditions as demand increased for higher yielding products, as well as higher revenues in our international rates businesses due to a more favorable trading environment. Additionally, our municipal securities business generated higher revenues as we added new team members and expanded market share.

Nine Months Ended August 31, 2017

Fixed income net revenues totaled \$523.2 million for the nine months ended August 31, 2017, an increase of \$32.6 million compared with net revenues of \$490.6 million in the nine months ended August 31, 2016.

We recorded higher revenues in the nine months ended August 31, 2017 compared with the prior year period, primarily due to improved trading conditions and an increase in transaction volumes. The trading environment during the prior year period was characterized by significant market dislocation and lower trading volumes. The following highlights the main components of the increase in the results:

Revenues in our leveraged credit business in the nine months ended August 31, 2017 were strong on increased trading volumes within high yield and distressed products, as a result of an improved credit environment, as well as strategic growth in the business, compared with mark-to-market losses in the prior year period.

Higher revenues in our European credit business were due to improved trading conditions and increased demand for higher yielding products, while volatile oil prices and uncertainty as to bank liquidity negatively impacted revenues in this business in the prior year period.

Our municipal securities business performed well during the period, driven by increased client activity.

The higher revenues in our international securitized markets group were due to improved trading volumes, compared with a market slowdown in the prior year period.

Higher revenues in our international rates business was due to a more favorable trading environment compared with the prior year period.

The increase was offset by lower revenues in our corporates business due to decreased trading activity, as a result of lower new issuance activity and demand, as well as lower revenues in our U.S. rates, emerging markets and U.S. securitized markets businesses due to decreased trading volumes and lower levels of volatility.

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES*****Investment Banking Revenues***

We provide capital markets and financial advisory services to our clients across most industry sectors in the Americas, Europe and Asia. Investment banking revenues include the following businesses:

• Capital markets revenues include underwriting and placement revenues related to corporate debt, municipal bonds, mortgage- and asset-backed securities and equity and equity-linked securities.

• Advisory revenues consist primarily of advisory and transaction fees generated in connection with merger, acquisition and restructuring transactions.

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

	Three Months Ended		% Change	Nine Months Ended		% Change
	August 31, 2017	2016		August 31, 2017	2016	
Equity	\$86,081	\$68,218	26.2 %	\$222,549	\$173,122	28.6 %
Debt	186,261	72,473	157.0 %	474,736	175,870	169.9 %
Capital markets	272,342	140,691	93.6 %	697,285	348,992	99.8 %
Advisory	203,360	154,239	31.8 %	538,301	429,914	25.2 %
Total	\$475,702	\$294,930	61.3 %	\$1,235,586	\$778,906	58.6 %

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

	Deals Completed		Aggregate Value	
	Three Months Ended August 31, 2017	Nine Months Ended August 31, 2016	Three Months Ended August 31, 2017	Nine Months Ended August 31, 2016
Public and private debt financings	381	316	\$91.0	\$47.1
Public and private equity and convertible offerings (1)	34	37	15.7	6.5
Advisory transactions (2)	50	45	29.0	31.9

(1) We acted as sole or joint bookrunner on 33 and 118 offerings during the three and nine months ended August 31, 2017, respectively, and 34 and 83 offerings during the three and nine months ended August 31, 2016, respectively.

The number of advisory deals completed includes two and eight restructuring and recapitalization transactions (2) during the three and nine months ended August 31, 2017, respectively, and five and nine restructuring and recapitalization transactions during the three and nine months ended August 31, 2016, respectively.

Three Months Ended August 31, 2017

Total investment banking net revenues were \$475.7 million for the three months ended August 31, 2017, a record quarter and 61.3% higher than the three months ended August 31, 2016. This increase primarily reflects record debt capital markets revenues, solid results in our equity capital markets business and a strong performance by our mergers, acquisitions and advisory activities.

• Capital markets revenues in the three months ended August 31, 2017 increased 93.6% from the prior year quarter.

• Advisory revenues for the three months ended August 31, 2017 increased 31.8% compared to the prior year quarter.

From equity and debt capital raising activities, we generated \$86.1 million and \$186.3 million in revenues, respectively, for the three months ended August 31, 2017, compared with \$68.2 million and \$72.5 million in revenues, respectively, in the prior year quarter.

Nine Months Ended August 31, 2017

• Total investment banking revenues were \$1,235.6 million for the nine months ended August 31, 2017, 58.6% higher than the nine months ended August 31, 2016. This increase was due to significantly increased debt and equity capital markets and advisory revenues as a result of higher transaction volumes. In the prior year period, new issue equity and leveraged finance capital markets were virtually closed throughout January and February and remained slow

throughout the nine months ended August 31, 2016.

63

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

Capital markets revenues in the nine months ended August 31, 2017 increased 99.8% from the prior year period. Advisory revenues for the nine months ended August 31, 2017 increased 25.2% compared to the prior year period. From equity and debt capital raising activities, we generated \$222.5 million and \$474.7 million in revenues, respectively, for the nine months ended August 31, 2017, compared with \$173.1 million and \$175.9 million in revenues, respectively, in the prior year period.

Asset Management Fees and Investment Income (Loss) from Managed Funds

Asset management revenue includes the following:

- management and performance fees from funds and accounts managed by us,
- management and performance fees from related party managed funds and accounts and investment income (loss) from our investments in these funds, accounts and related party managed funds.

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

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

	Three Months		% Change	Nine Months		% Change
	Ended			Ended		
	August 31, 2017	2016		August 31, 2017	2016	
Asset management fees:						
Fixed income (1)	\$92	\$383	(76.0)%	\$1,267	\$1,150	10.2 %
Equities	291	634	(54.1)%	2,752	1,375	100.1 %
Multi-asset	3,889	6,593	(41.0)%	12,349	23,254	(46.9)%
Total asset management fees	4,272	7,610	(43.9)%	16,368	25,779	(36.5)%
Investment income (loss) from managed funds (2)	1,193	8,267	(85.6)%	(4,674)	3,964	N/M
Total	\$5,465	\$15,877	(65.6)%	\$11,694	\$29,743	(60.7)%

N/M — Not Meaningful

(1) Fixed income asset management fees represented ongoing consideration we received from the sale of contracts to manage certain collateralized loan obligations (“CLOs”) in January 2010. As sale consideration, we were entitled to a portion of the asset management fees earned under the contracts for their remaining lives. These CLOs were liquidated as of May 31, 2017.

(2) Investment income (loss) from managed funds primarily is comprised of net unrealized markups (markdowns) in private equity funds managed by related parties.

Assets under Management

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

	August 31, 2017	November 30, 2016
Assets under management (1):		
Equities	\$227	\$170
Multi-asset	1,201	884
Total	\$1,428	\$1,054

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

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

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

	Three Months Ended		% Change	Nine Months Ended		% Change
	August 31, 2017	2016		August 31, 2017	2016	
Compensation and benefits	\$462,933	\$376,438	23.0 %	\$1,373,627	\$1,141,497	20.3 %
Non-compensation expenses:						
Floor brokerage and clearing fees	44,869	40,189	11.6 %	138,221	124,259	11.2 %
Technology and communications	72,440	64,512	12.3 %	205,425	196,000	4.8 %
Occupancy and equipment rental	27,736	24,987	11.0 %	77,145	74,498	3.6 %
Business development	23,125	20,259	14.1 %	72,223	67,700	6.7 %
Professional services	25,007	29,761	(16.0)%	83,544	82,799	0.9 %
Other	22,318	17,582	26.9 %	62,670	52,649	19.0 %
Total non-compensation expenses	215,495	197,290	9.2 %	639,228	597,905	6.9 %
Total non-interest expenses	\$678,428	\$573,728	18.2 %	\$2,012,855	\$1,739,402	15.7 %

Compensation and Benefits

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

Cash and historical share-based awards and a portion of cash awards granted to employees as part of year end compensation generally contain provisions such that employees who terminate their employment or are terminated without cause may continue to vest in their awards, so long as those awards are not forfeited as a result of other forfeiture provisions (primarily non-compete clauses) of those awards. Accordingly, the compensation expense for a portion of awards granted at year end as part of annual compensation is recorded in the year of the award.

Included in Compensation and benefits expense are share-based amortization expense for senior executive awards granted in September 2012, February 2016 and January 2017, non-annual share-based and cash-based awards to other employees and certain year end awards that contain future service requirements for vesting, all of which are being amortized over their respective future service periods. In addition, the senior executive awards contain market and performance conditions.

Compensation and benefits expense was \$462.9 million and \$1,373.6 million for the three and nine months ended August 31, 2017, respectively, compared with \$376.4 million and \$1,141.5 million for the three and nine months ended August 31, 2016, respectively.

Compensation and benefits expense as a percentage of Net revenues was 57.8% for both the three and nine months ended August 31, 2017 compared with 57.5% and 68.2% for the three and nine months ended August 31, 2016, respectively. The unusually high compensation ratio in the prior year nine month period is due to the significantly lower revenue results in the prior year period and the relationship of non-discretionary compensation to the net revenue decline.

Compensation expense related to the amortization of share- and cash-based awards amounted to \$71.7 million and \$206.5 million for the three and nine months ended August 31, 2017, respectively, compared with \$62.4 million and \$207.9 million for the three and nine months ended August 31, 2016, respectively.

Employee headcount was 3,438 at August 31, 2017 and 3,323 at August 31, 2016. Since August 31, 2016, our headcount increased, primarily as a result of increases in investment banking, certain other core businesses and corporate services.

Non-Compensation Expenses*Three Months Ended August 31, 2017*

Non-compensation expenses were \$215.5 million for the three months ended August 31, 2017, an increase of \$18.2 million, or 9.2%, compared with \$197.3 million in the three months ended August 31, 2016.

Non-compensation expenses as a percentage of Net revenues was 26.9% and 30.1% for the three months ended August 31, 2017 and August 31, 2016, respectively.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

The increase in non-compensation expenses was primarily due to an increase in Technology and communications expenses due to costs associated with the development of the various trading systems and projects associated with corporate support infrastructure, higher Floor brokerage and clearing expenses due to the mix of costs across certain equities and fixed income businesses and an increase in Other expenses, partially offset by a decline in Professional services expense.

Nine Months Ended August 31, 2017

Non-compensation expenses were \$639.2 million for the nine months ended August 31, 2017, an increase of \$41.3 million, or 6.9%, compared with \$597.9 million in the nine months ended August 31, 2016.

- Non-compensation expenses as a percentage of Net revenues was 26.9% and 35.7% for the nine months ended August 31, 2017 and August 31, 2016, respectively.

The increase in non-compensation expenses was primarily due to an increase in Floor brokerage and clearing expenses due to improved market and trading conditions across most core businesses, primarily in the first quarter of 2017, Technology and communications expenses due to costs associated with the development of the various trading systems and projects associated with corporate support infrastructure and an increase in Other expenses.

Income Taxes

For the three and nine months ended August 31, 2017, income tax expense was \$38.4 million and \$95.0 million, respectively, equating to an effective tax rate of 31.4% and 26.2%, respectively. For the three and nine months ended August 31, 2016, the income tax expense was \$39.6 million and \$5.1 million, respectively, equating to an effective tax rate of 49.0% and (7.7)%, respectively.

The change in the effective tax rate during the three months ended August 31, 2017, as compared with the prior year quarter is primarily due to a change in the amount and geographical mix of earnings. Additionally, the prior year quarter was impacted by state and local rate changes that had a larger than usual impact on the effective tax rate given the limited amount of year-to-date losses during the prior year period. The change in the effective tax rate during the nine months ended August 31, 2017, as compared with the prior-year period is primarily due to net tax benefits, which resulted from repatriation of certain earnings in the current year period whereas the prior year period was impacted by year-to-date losses and excess stock detriments that more than offset the tax benefit of those losses.

Accounting Developments

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

Critical Accounting Policies

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

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

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

For further discussion of the following significant accounting policies and other significant accounting policies, see Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016 and Note 2, Summary of Significant

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

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

Valuation of Financial Instruments

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

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

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

Fair value is a market based measure; therefore, when market observable inputs are not available, our judgment is applied to reflect those judgments that a market participant would use in valuing the same asset or liability. The availability of observable inputs can vary for different products. We use prices and inputs that are current as of the measurement date even in periods of market disruption or illiquidity. The valuation of financial instruments classified in Level 3 of the fair value hierarchy involves the greatest extent of management judgment. (See Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016 and Note 4, Fair Value Disclosures, in our consolidated financial statements included in this Quarterly Report on Form 10-Q for further information on the definitions of fair value, Level 1, Level 2 and Level 3 and related valuation techniques.)

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

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

Goodwill

At August 31, 2017, goodwill recorded on our Consolidated Statement of Financial Condition is \$1,643.4 million (4.2% of total assets). The nature and accounting for goodwill is discussed in Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016 and Note 10, Goodwill and Other Intangible Assets, in our

consolidated financial statements included in this Quarterly Report on Form 10-Q. Goodwill must be allocated to reporting units and tested for impairment at least annually, or when circumstances or events make it more likely than not that an impairment occurred. Goodwill is tested by comparing the estimated fair value of each reporting unit with its carrying value. Our annual goodwill impairment testing date is August 1, which did not indicate any goodwill impairment in any of our reporting units at August 1, 2017.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

We use allocated tangible equity plus allocated goodwill and intangible assets for the carrying amount of each reporting unit. The amount of tangible equity allocated to a reporting unit is based on our cash capital model deployed in managing our businesses, which seeks to approximate the capital a business would require if it were operating independently. For further information on our Cash Capital Policy, refer to the Liquidity, Financial Condition and Capital Resources section herein. Intangible assets are allocated to a reporting unit based on either specifically identifying a particular intangible asset as pertaining to a reporting unit or, if shared among reporting units, based on an assessment of the reporting unit's benefit from the intangible asset in order to generate results.

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

The carrying values of goodwill by reporting unit at August 31, 2017 are as follows: \$564.1 million in Investment Banking, \$160.2 million in Equities and Wealth Management, \$916.1 million in Fixed Income and \$3.0 million in Strategic Investments.

The results of our assessment on August 1, 2017 indicated that all our reporting units had a fair value in excess of their carrying amounts based on current projections. The valuation methodology for our reporting units are sensitive to management's forecasts of future profitability, which comes with a level of uncertainty regarding trading volumes and capital market transaction levels. Reductions in trading volumes and/or declines from our expected level of performance in certain product areas assumed in our forecasts could cause a decline in the estimated fair value of our Equities reporting unit and a resulting impairment of a portion of our goodwill.

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

Compensation and Benefits

A portion of our compensation and benefits represents discretionary bonuses, which are finalized at year end. In addition to the level of net revenues, our overall compensation expense in any given year is influenced by prevailing labor markets, revenue mix, profitability, individual and business performance metrics, and our use of share-based compensation programs. We believe the most appropriate way to allocate estimated annual total compensation among interim periods is in proportion to net revenues earned. Consequently, during the year we accrue compensation and benefits based on annual targeted compensation ratios, taking into account the mix of our revenues and the timing of expense recognition.

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

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

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

Our Balance Sheet

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

We actively monitor and evaluate our financial condition and the composition of our assets and liabilities. We continually monitor our overall securities inventory, including the inventory turnover rate, which confirms the liquidity of our overall assets. Substantially all of our Financial instruments owned and Financial instruments sold, not yet purchased are valued on a daily basis and we monitor and employ balance sheet limits for our various businesses. In connection with our government and agency fixed income business and our role as a primary dealer in these markets, a sizable portion of our securities inventory is comprised of U.S. government and agency securities and other G-7 government securities.

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

	August 31, 2017	November 30, 2016	% Change	
Total assets	\$39,358.4	\$36,941.3	6.5	%
Cash and cash equivalents	4,806.7	3,529.1	36.2	%
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	903.7	857.3	5.4	%
Financial instruments owned	14,036.7	13,809.5	1.6	%
Financial instruments sold, not yet purchased	8,460.5	8,359.2	1.2	%
Total Level 3 assets	348.4	413.3	(15.7)	%
Securities borrowed	\$7,758.5	\$7,743.6	0.2	%
Securities purchased under agreements to resell	3,371.4	3,862.5	(12.7)	%
Total securities borrowed and securities purchased under agreements to resell	\$11,129.9	\$11,606.1	(4.1)	%
Securities loaned	\$2,763.3	\$2,819.1	(2.0)	%
Securities sold under agreements to repurchase	8,473.4	6,791.7	24.8	%
Total securities loaned and securities sold under agreements to repurchase	\$11,236.7	\$9,610.8	16.9	%

Total assets at August 31, 2017 and November 30, 2016 were \$39.4 billion and \$36.9 billion, respectively, an increase of 6.5%. During the three and nine months ended August 31, 2017, average total assets were approximately 15.1% and 14.7% higher, respectively, than total assets at August 31, 2017.

Our total Financial instruments owned inventory at August 31, 2017 was \$14.0 billion, an increase of 1.6% from inventory of \$13.8 billion at November 30, 2016, primarily due to increases in mortgage- and asset-backed securities

and loans, partially offset by decreases in government, federal agency and other sovereign obligations, derivative contracts inventory and corporate equity securities. Financial instruments sold, not yet purchased inventory was \$8.5 billion and \$8.4 billion at August 31, 2017 and November 30, 2016, respectively, with the increase primarily driven by loans and government and federal agency securities, partially offset by decreases in sovereign obligations and corporate equity and debt securities. Our overall net inventory position was \$5.6 billion and \$5.5 billion at August 31, 2017 and November 30, 2016, respectively. Our Level 3 financial instruments owned as a percentage of total financial instruments owned declined to 2.5% at August 31, 2017 from 3.0% at November 30, 2016.

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

Securities financing assets and liabilities include financing for our financial instruments trading activity, matched book transactions and mortgage finance transactions. Matched book transactions accommodate customers, as well as obtain securities for the settlement and financing of inventory positions. The aggregate outstanding balance of our securities borrowed and securities purchased under agreements to resell decreased by 4.1% from November 30, 2016 to August 31, 2017, due to a decrease in firm financing of our short inventory and an increase in the netting benefit for our collateralized financing transactions, partially offset by an increase in our matched book activity. The outstanding balance of our securities loaned and securities sold under agreement to repurchase increased by 16.9% from November 30, 2016 to August 31, 2017 due to an increase in firm financing of our inventory and our matched book activity, partially offset by an increase in the netting benefit for our collateralized financing transactions. Our average month end balances of total reverse repos and stock borrows during the three and nine months ended August 31, 2017 were 39.4% and 39.7% higher, respectively, than the August 31, 2016 balances. Our average month end balances of total repos and stock loans during the three and nine months ended August 31, 2017 were 28.8% and 24.9% higher, respectively, than the August 31, 2016 balances.

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

	Nine Months Ended August 31, 2017	Year Ended November 30, 2016
Securities Purchased Under Agreements to Resell:		
Period end	\$ 3,371	\$ 3,862
Month end average	6,299	5,265
Maximum month end	7,814	7,001
Securities Sold Under Agreements to Repurchase:		
Period end	\$ 8,473	\$ 6,792
Month end average	11,078	11,410
Maximum month end	13,626	16,620

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

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

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

	August 31, 2017	November 30, 2016
Total assets	\$39,358,421	\$36,941,276
Total equity	\$5,654,959	\$5,370,597
Total Jefferies Group LLC member's equity	\$5,654,258	\$5,369,946
Deduct: Goodwill and intangible assets	(1,841,430)	(1,847,124)
Tangible Jefferies Group LLC member's equity	\$3,812,828	\$3,522,822
Leverage ratio (1)	7.0	6.9
Tangible gross leverage ratio (2)	9.8	10.0

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

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

Liquidity Management

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

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

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

- repayment of all unsecured debt maturing within one year and no incremental unsecured debt issuance;
- maturity rolloff of outstanding letters of credit with no further issuance and replacement with cash collateral;
- higher margin requirements than currently exist on assets on securities financing activity, including repurchase agreements;
- liquidity outflows related to possible credit downgrade;
- lower availability of secured funding;
- client cash withdrawals;
- the anticipated funding of outstanding investment and loan commitments; and
- certain accrued expenses and other liabilities and fixed costs.

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

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

To ensure that we do not need to liquidate inventory in the event of a funding crisis, we seek to maintain surplus cash capital, which is reflected in the leverage ratios we maintain. Our total long-term capital of \$11.0 billion at August 31, 2017 exceeded our cash capital requirements.

Table of Contents

JEFFERIES GROUP LLC AND SUBSIDIARIES

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

Maximum Liquidity Outflow is based on a scenario that includes both a market-wide stress and firm-specific stress, characterized by some or all of the following elements:

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

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

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

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

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

• Liquidity needs over a 30-day scenario.

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

• No support from government funding facilities.

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

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

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

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

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

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

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

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

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

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

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

• Other upcoming large cash outflows, such as tax payments.

Based on the sources and uses of liquidity calculated under the Maximum Liquidity Outflow scenarios, we determine, based on a calculated surplus or deficit, additional long-term funding that may be needed versus funding through the repurchase financing market and consider any adjustments that may be necessary to our inventory balances and cash holdings. At August 31, 2017, we have sufficient excess liquidity to meet all contingent cash outflows detailed in the Maximum Liquidity Outflow. We regularly refine our model to reflect changes in market or economic conditions and the firm’s business mix.

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

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

	August 31, 2017	Average Balance Quarter ended August 31, 2017 (1)	November 30, 2016	
Cash and cash equivalents:				
Cash in banks	\$1,574,052	\$1,263,726	\$905,003	
Certificates of deposit	25,000	25,000	25,000	
Money market investments	3,207,673	2,442,820	2,599,066	
Total cash and cash equivalents	4,806,725	3,731,546	3,529,069	
Other sources of liquidity:				
Debt securities owned and securities purchased under agreements to resell (2)	1,083,265	1,093,890	1,455,398	
Other (3)	301,260	450,354	318,646	
Total other sources	1,384,525	1,544,244	1,774,044	
Total cash and cash equivalents and other liquidity sources	\$6,191,250	\$5,275,790	\$5,303,113	
Total cash and cash equivalents and other liquidity sources as % of Total assets	15.7	%	14.4	%
Total cash and cash equivalents and other liquidity sources as % of Total assets less goodwill and intangible assets	16.5	%	15.1	%

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

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

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

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

In addition to the cash balances and liquidity pool presented above, the majority of financial instruments (both long and short) in our trading accounts are actively traded and readily marketable. At August 31, 2017, we had the ability to readily obtain repurchase financing for 74.1% of our inventory at haircuts of 10% or less, which reflects the liquidity of our inventory. In addition, as a matter of our policy, all of these assets have internal capital assessed, which is in addition to the funding haircuts provided in the securities finance markets. Additionally, certain of our Financial instruments owned primarily consisting of bank loans, consumer loans and investments are predominantly funded by long term capital. Under our cash capital policy, we model capital allocation levels that are more stringent than the haircuts used in the market for secured funding; and we maintain surplus capital at these more stringent levels. We continually assess the liquidity of our inventory based on the level at which we could obtain financing in the market place for a given asset. Assets are considered to be liquid if financing can be obtained in the repurchase market or the securities lending market at collateral haircut levels of 10% or less. The following summarizes our financial instruments by asset class that we consider to be of a liquid nature and the amount of such assets that have not been pledged as collateral at August 31, 2017 and November 30, 2016 (in thousands):

	August 31, 2017		November 30, 2016	
	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)
Corporate equity securities	\$2,054,519	\$ 225,010	\$1,815,819	\$ 280,733
Corporate debt securities	2,052,673	36,405	1,818,150	—
U.S. government, agency and municipal securities	2,036,431	365,560	3,157,737	600,456
Other sovereign obligations	2,134,971	796,709	2,258,035	854,942
Agency mortgage-backed securities (1)	1,861,844	—	1,090,391	—
Loans and other receivables	264,177	—	274,842	—
Total	\$10,404,615	\$ 1,423,684	\$10,414,974	\$ 1,736,131

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

(2) Unencumbered liquid balances represent assets that can be sold or used as collateral for a loan, but have not been. Average liquid financial instruments were \$10.9 billion and \$11.5 billion for the three and nine months ended August 31, 2017, respectively, and \$10.7 billion and \$11.8 billion for the three and twelve months ended November 30, 2016, respectively. Average unencumbered liquid financial instruments were \$1.6 billion and \$1.7 billion for the three and nine months ended August 31, 2017 and \$1.8 billion and \$1.6 billion for the three and twelve months ended November 30, 2016, respectively.

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

Sources of Funding and Capital Resources

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

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

We rely principally on readily available secured funding to finance our inventory of financial instruments. Our ability to support increases in total assets is largely a function of our ability to obtain short and intermediate-term secured funding, primarily through securities financing transactions. We finance a portion of our long inventory and cover some of our short inventory by pledging and borrowing securities in the form of repurchase or reverse repurchase agreements (collectively “repos”), respectively. Approximately 77.9% of our cash and non-cash repurchase financing activities use collateral that is considered eligible collateral by central clearing corporations. Central clearing corporations are situated between participating members who borrow cash and lend securities (or vice versa); accordingly repo participants contract with the central clearing corporation and not one another individually. Therefore, counterparty credit risk is borne by the central clearing corporation which mitigates the risk through initial margin demands and variation margin calls from repo participants. The comparatively large proportion of our total repo activity that is eligible for central clearing reflects the high quality and liquid composition of the inventory we carry in our trading books. For those asset classes not eligible for central clearinghouse financing, we seek to execute our bi-lateral financings on an extended term basis and the tenor of our repurchase and reverse repurchase agreements generally exceeds the expected holding period of the assets we are financing. The weighted average maturity of cash and non-cash repurchase agreements for non-clearing corporation eligible funded inventory is approximately three months at August 31, 2017.

Our ability to finance our inventory via central clearinghouses and bi-lateral arrangements is augmented by our ability to draw bank loans on an uncommitted basis under our various banking arrangements. At August 31, 2017, short-term borrowings, which must be repaid within one year or less and include bank loans and overdrafts, borrowings under revolving credit facilities and structured notes totaled \$417.1 million. Interest under the bank lines is generally at a spread over the federal funds rate. Letters of credit are used in the normal course of business mostly to satisfy various collateral requirements in favor of exchanges in lieu of depositing cash or securities. Average daily short-term borrowings outstanding were \$436.7 million and \$474.2 million, respectively, for the three and nine months ended August 31, 2017.

Our short-term borrowings include the following facilities:

Intraday Credit Facility. The Bank of New York Mellon agrees to make revolving intraday credit advances (“Intraday Credit Facility”) for an aggregate committed amount of \$250.0 million. The Intraday Credit Facility contains a financial covenant, which includes a minimum regulatory net capital requirement for our U.S. broker-dealer, Jefferies LLC (“Jefferies”). Interest is based on the higher of the Federal funds effective rate plus 0.5% or the prime rate. At August 31, 2017, we were in compliance with all debt covenants under the Intraday Credit Facility.

Secured Revolving Loan Facilities. On October 29, 2015, we entered into a secured revolving loan facility (“First Secured Revolving Loan Facility”), whereby the lender agreed to make available a revolving loan facility in a maximum principal amount of \$50.0 million. On December 14, 2015, we entered into a second secured revolving loan facility (“Second Secured Revolving Loan Facility”), whereby the lender agreed to make available a revolving loan facility in a maximum principal amount of \$50.0 million. The First Secured Revolving Loan Facility was terminated effective December 6, 2016. The Second Secured Revolving Loan Facility was terminated effective January 24, 2017. For additional details on our short-term borrowings, refer to Note 11, Short-Term Borrowings, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

In addition to the above financing arrangements, we issue notes backed by eligible collateral under a master repurchase agreement, which provides an additional financing source for our inventory (our “repurchase agreement financing program”). The notes issued under the program are presented within Other secured financings in our Consolidated Statement of Financial Condition. At August 31, 2017, the outstanding notes were \$541.6 million and are as follows:

Series	Issued	Principal	Maturity
2015-2 (1) (2)	May 12, 2015	\$267.9 million	May 15, 2018
2017-1 (1)	February 7, 2017	\$97.4 million	February 7, 2018
2017-2 (1) (3)	July 27, 2017	\$101.3 million	July 24, 2018

2017-3 (1) August 15, 2017 \$75.0 million July 24, 2018

(1) These notes bear interest at a spread over one month LIBOR.

(2) This note is redeemable at the option of the noteholders.

(3) This note is redeemable at our option and at the option of the noteholders.

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

Table of Contents**JEFFERIES GROUP LLC AND SUBSIDIARIES***Total Long-Term Capital*

At August 31, 2017 and November 30, 2016, we had total long-term capital of \$11.0 billion and \$10.5 billion, respectively, resulting in a long-term debt to equity capital ratio of 0.95:1 and 0.96:1, respectively. Our total long-term capital base at August 31, 2017 and November 30, 2016 was as follows (in thousands):

	August 31, 2017	November 30, 2016
Long-Term Debt (1)	\$5,383,212	\$5,130,822
Total Equity	5,654,959	5,370,597
Total Long-Term Capital	\$11,038,171	\$10,501,419

Long-term capital at August 31, 2017 excludes \$7.1 million of our structured notes, as these notes mature on May 4, 2018, \$345.2 million of our 3.875% Convertible Senior Debentures, as these debentures are redeemable beginning on November 1, 2017 and \$714.1 million of our 5.125% senior notes, as these notes mature on April 13, (1)2018. Long-term capital at November 30, 2016 excludes \$6.3 million of our structured notes, as these notes were redeemable on May 4, 2017, and \$346.2 million of our 3.875% Convertible Senior Debentures, as these debentures are redeemable beginning on November 1, 2017. Refer to Note 12, Long-Term Debt, in our consolidated financial statements included in this Quarterly Report on Form 10-Q for further details on these notes.

Long-Term Debt

During the nine months ended August 31, 2017, long-term debt increased \$966.3 million, net of retirements. This amount includes the issuance of senior notes with a total principal amount of \$750.0 million on January 20, 2017 and structured notes with a total principal amount of approximately \$287.5 million, net of retirements. Certain of our structured notes contain various interest rate payment terms and are accounted for at fair value, with changes in fair value resulting from a change in the instrument-specific credit risk presented in other comprehensive income and changes in fair value resulting from non-credit components recognized in Principal transaction revenues. The fair value of all of our structured notes accounted for at fair value at August 31, 2017 was \$553.9 million. For further information, see Note 12, Long-Term Debt, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

At August 31, 2017, our long-term debt has a weighted average maturity of approximately seven years.

Our long-term debt ratings at August 31, 2017 are as follows:

	Rating	Outlook
Moody's Investors Service	Baa3	Stable
Standard and Poor's	BBB-	Stable
Fitch Ratings (1)	BBB-	Stable

(1) On February 27, 2017, Fitch reaffirmed our long-term debt rating of BBB- and our rating outlook of stable.

At August 31, 2017, the long-term ratings on our principal operating broker-dealers, Jefferies and Jefferies International Limited (a U.K. broker-dealer) are as follows:

	Jefferies	Jefferies International Limited		
	Rating	Outlook	Rating	Outlook
Moody's Investors Service	Baa2	Stable	Baa2	Stable
Standard and Poor's	BBB	Stable	BBB	Stable

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

periods is inherently uncertain and depends on a number of factors, including the magnitude of the downgrade, the behavior of individual clients and future mitigating action taken by us.

76

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

In connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, we may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. At August 31, 2017, the amount of additional collateral that could be called by counterparties, exchanges and clearing organizations under the terms of such agreements in the event of a downgrade of our long-term credit rating below investment grade was \$57.5 million. For certain foreign clearing organizations, credit rating is only one of several factors employed in determining collateral that could be called. The above represents management's best estimate for additional collateral to be called in the event of credit rating downgrade. The impact of additional collateral requirements is considered in our Contingency Funding Plan and calculation of Maximum Liquidity Outflow, as described above.

Equity Capital

As compared to November 30, 2016, the increase to total Jefferies Group LLC member's equity at August 31, 2017 is primarily attributed to net earnings during the nine months ended August 31, 2017.

Net Capital

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

At August 31, 2017, Jefferies and Jefferies Execution's net capital and excess net capital were as follows (in thousands):

	Net Capital	Excess Net Capital
Jefferies	\$ 1,491,122	\$ 1,411,625
Jefferies Execution	7,961	7,711

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

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

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

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

We have contractual commitments arising in the ordinary course of business for securities loaned or purchased under agreements to resell, repurchase agreements, future purchases and sales of foreign currencies, securities transactions on a when-issued basis and underwriting. Each of these financial instruments and activities contains varying degrees of off-balance sheet risk whereby the fair values of the securities underlying the financial instruments may be in

excess of, or less than, the contract amount. The settlement of these transactions is not expected to have a material effect upon our consolidated financial statements.

77

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

In the normal course of business we engage in other off balance sheet arrangements, including derivative contracts. Neither derivatives' notional amounts nor underlying instrument values are reflected as assets or liabilities in our Consolidated Statements of Financial Condition. Rather, the fair value of derivative contracts are reported in our Consolidated Statements of Financial Condition as Financial instruments owned or Financial instruments sold, not yet purchased as applicable. Derivative contracts are reflected net of cash paid or received pursuant to credit support agreements and are reported on a net by counterparty basis when a legal right of offset exists under an enforceable master netting agreement. For additional information about our accounting policies and our derivative activities see Note 2, Summary of Significant Accounting Policies, in our consolidated financial statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended November 30, 2016 and Note 4, Fair Value Disclosures, and Note 5, Derivative Financial Instruments, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

We are routinely involved with variable interest entities ("VIEs") in the normal course of business. At August 31, 2017, we did not have any commitments to purchase assets from these VIEs. For additional information regarding our involvement with VIEs, see Note 7, Securitization Activities, and Note 8, Variable Interest Entities, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Due to the uncertainty regarding the timing and amounts that will ultimately be paid, our liability for unrecognized tax benefits has been excluded from the below contractual obligations table. See Note 14, Income Taxes, in our consolidated financial statements for further information included in this Quarterly Report on Form 10-Q for further information.

For information on our commitments and guarantees, see Note 15, Commitments, Contingencies and Guarantees, in our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Contractual Obligations

The table below provides information about our contractual obligations at August 31, 2017. The table presents principal cash flows with expected maturity dates (in millions):

	Expected Maturity Date			
	2019	2021	2023	
2020	and	and	and	Total
	2020	2022	Later	

Debt obligations: