

## Jefferies Research Services LLC

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### **FORM ADV PART 2A**

#### The Brochure

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520 Madison Avenue, 18th Floor  
New York, NY 10022

Tel: 212-284-2300

**This brochure provides information about the qualifications and business practices of Jefferies Research Services LLC. If you have any questions about the contents of this brochure, please contact us at 212-284-2300. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority. Jefferies Research Services LLC is registered as an investment adviser with the SEC. Registration does not imply that a registered adviser has achieved a certain level of skill, expertise, or training in providing advisory services to its clients.**

**Additional information about Jefferies Research Services LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

# Jefferies

## **Item 2. Material Changes**

Since the last annual update to this brochure in February 2020, this brochure has been amended to discuss, in Items 10 and 14, an arrangement in which we may refer clients to one of our affiliates.

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## Item 4. Advisory Business

Jefferies Research Services LLC (“JRS” or “we”), a registered investment adviser, is a wholly owned subsidiary of Jefferies Group LLC (“Jefferies”), a wholly owned subsidiary of Jefferies Financial Group, Inc. (f/k/a Leucadia National Corporation). JRS, established in 2017, has been registered with the Securities and Exchange Commission as an investment adviser since March 2018. JRS engages in the business of offering research services (“Research Services”), discussed *infra* at Item 8, to institutional clients.

JRS provides investment advice to institutional clients through the provision of proprietary published research pertaining to global equities, and access to the research analysts who prepare such research. Together with affiliates, Jefferies’ global equity research effort consists of almost 140 publishing analysts covering over 2,000 stocks from research centers in London, Hong Kong, Mumbai, Singapore, Tokyo, Boston, Houston, Nashville, New York and San Francisco. Jefferies’ global coverage includes but is not limited to, Economics & Strategy, Business Services, Consumer, Energy, Financial Services, Insurance, Healthcare, Industrials, Internet and Interactive Entertainment, Maritime, Media, Metals & Mining, MLPs, REITs, Technology, Telecommunications, and Travel & Leisure.

Research Services constitute impersonal investment advice, and JRS has no liability for any investment decision, or results thereof, that a client or any permitted user makes in connection with the use of Research Services or any information or data provided therein or otherwise obtained or derived therefrom.

JRS is not responsible for the re-distribution of its research and a person’s receipt of such re-distributed research shall not, by itself, be deemed to create an investment adviser-client relationship between JRS and any such person.

Research Services do not include any services or communications provided by any institutional sales associates or trading desk strategists (including any services or communications that may refer to or be based on Research Services). JRS does not have any sales associates and such services provided by our affiliated broker-dealers are not part of Research Services.

The delivery of Research Services does not include trade execution, trading or brokerage services provided to clients by our affiliated broker-dealers. Our advisory relationship with our clients is strictly limited to the provision of Research Services, and any trades, transactions or orders that may be executed, routed, or otherwise processed through our affiliates will be conducted solely in their capacity as a broker-dealer.

JRS does not manage any assets on a discretionary or non-discretionary basis and thus does not have any assets under management.

## Item 5. Fees and Compensation

JRS receives discrete payments for Research Services, as separately negotiated with each client.

Fees are generally invoiced and paid in arrears.

Should a client decide to use our affiliated broker-dealers to execute trades based on JRS research recommendations, such client will incur transaction costs such as commissions, markups, and spreads. Such transaction costs are exclusive of and in addition to JRS’s advisory fee.

JRS personnel are not directly compensated based on the sale of securities that are generated by Research Services; however, the broader compensation pool for JRS personnel is funded in part by Jefferies equity brokerage commission revenue, some of which may be generated by Research Services.

Clients may but are not required to utilize any affiliated broker-dealers' brokerage or other affiliated investment advisers' investment advisory services. However, clients may elect to use other products or services available from or through an affiliate. In each such case, the client would pay additional compensation to the relevant affiliate for these additional services. This practice creates a potential conflict of interest that may give JRS and our affiliate's sales representatives an incentive to recommend other advisory services and other products and services based on the compensation received (whether by the individual making the recommendation, by the affiliate firm, or both), rather than on a client's needs. We address this conflict through disclosure in this Brochure.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

JRS does not charge performance-based fees for Research Services, nor do any of its supervised persons. The investment recommendations made in connection with the Research Services do not raise the conflicts associated with the side-by-side management of accounts because we do not make or recommend investment decisions for any JRS client.

## **Item 7. Types of Clients**

We provide advisory services to the following types of clients:

- Institutional investors;
- Registered investment advisers;
- Mutual funds;
- Private funds (*e.g.*, hedge funds);
- Corporations and other business entities; and
- Other institutional investors.

JRS clients are not required to open or maintain an account with an affiliated broker-dealer in order to receive Research Services.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

Research Services are impersonal investment advisory services that cover a broad range of securities and are not tailored specifically for particular clients. Research Services, including research reports, are prepared by research personnel who identify and analyze both financial information and strategic issues that may affect companies, industries, and market. Research analysts perform analysis based on proprietary, and publicly available market, industry, and company data.

Research reports may express opinions or provide recommendations that are inconsistent with prior recommendations. If there is an error or material change, a correction is made and a report updated; a material change will be indicated in such report. JRS may decide to cease coverage of a particular security or particular corporation at any time.

Clients must make their own independent evaluation of the suitability of the Research Services and the recommendations contained therein to their specific investment objectives, and of the merits of any investment decisions that are based on the Research Services.

### **RISKS RELATING TO TRADING AND THE MARKETS**

**Equity Risk.** Our Research Services primarily focus on equity securities. Equities may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. The values of equity securities will fluctuate and, as a result, a client's investment may decline suddenly or over a sustained period of time.

**Short Sales.** The implementation of certain research may depend upon a client's ability to "short" securities or other financial instruments (i.e., where a recommendation is to sell a security in anticipation of a decline in the market value of the security). Losses from short sales are potentially unlimited. In particular, a tender offer or similar transaction with respect to a company whose securities have been sold short could cause the value of such securities to rise dramatically, resulting in substantial losses. Regulators have suspended, and may again in the future suspend, short sales in securities we recommend, which may cause the price of such securities to rise, resulting in a loss to clients. Brokers may also require clients to "cover" a short position at an inopportune time.

**Small- to Mid-Capitalization Companies Risk.** Investments in securities of companies with small- to mid-sized market capitalizations can present higher risks than do investments in securities of larger companies. Prices of such securities can be more volatile than the securities of larger capitalization firms and can be more thinly traded. This may result in such securities being less liquid.

**Foreign Currency and Securities Investing.** Investing in foreign securities, currencies, and/or ADRs may present a greater degree of risk than investing in domestic securities and currencies due to, among other things, possible exchange rate fluctuations, a change in trade balances, possible exchange controls, less publicly-available information, more volatile markets, less regulation, less favorable tax provisions (including possible withholding taxes), and war or expropriation.

**Credit Risk.** To the extent that a client enters into over-the-counter contracts to implement a recommendation, the client is subject to the credit risk of the counterparty with which it enters into a swap or OTC transaction.

**Possibility of Additional Government or Market Regulation.** Market disruptions and the dramatic increase in the capital allocated to automated, systematic trading strategies and alternative investment strategies (including futures strategies) during recent years have led to increased governmental as well as self-regulatory scrutiny of investment strategies. In addition, certain legislation proposing greater regulation of the industry is periodically considered by the U.S. Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in the regulations applicable to us, the markets in which our clients trade and invest, the size of position limits, or the counterparties with which our clients do business may be instituted in the future. Any such regulation could limit the scope of our Research Services, or could have a material adverse impact on certain securities covered in our advisory services and/or our clients' abilities to implement the recommendations contained in our Research Services.

**Reliance on Our Recommendations.** There is no guarantee or representation made that our recommendations will be successful or profitable.

**Methodology Risk.** Certain of our recommendations are highly dependent on quantitatively based pricing theories and valuation models, which we use to evaluate investment opportunities. There can be no assurance that our recommendations will be effective implementations of these theories or models, or that they will be effectively utilized by clients. Moreover, there can be no assurance that we will be able to continue to develop, maintain and update our recommendations.

Our recommendations, including those developed using models, depend upon inputs from various sources, including fundamental research by third party service providers, and in the event such inputs are not accurate, the resulting recommendations may be inaccurate as well. Unexpected losses may result from a client's implementation of recommendations based on inaccurate inputs.

We anticipate the continued modification, enhancement and development of our methods and the models we use. Each new generation of analysis (including incremental improvements or changes to current models) exposes clients implementing the recommendations based on that analysis to the possibility of unforeseen losses from a variety of factors, including conceptual failures (i.e., in the principles underlying the analysis) and implementation failures (i.e., in the translation of the underlying principles into a model and/or a recommendation).

**Potential Loss of Investment.** The past results of our research analysts, and those of our affiliates, are not necessarily indicative of the future performance of our recommendations. As is true of any investment, there is a risk that an investment will be lost entirely or in part. None of our recommendations is a complete investment program (nor are all recommendations together a complete investment program) and should represent only a portion of an investor's strategy.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management.

## **Item 10. Other Financial Industry Activities and Affiliations**

### **MATERIAL FINANCIAL INDUSTRY AFFILIATIONS OF THE FIRM**

In addition to our being a registered investment adviser, all of our supervised persons are registered representatives of our affiliate Jefferies LLC, a registered broker-dealer. Jefferies LLC is a principal subsidiary of Jefferies Group LLC.

Jefferies LLC provides broker-dealer, investment banking, financing, and related products and services. These products and services include securities brokerage, trading, and related activities. Clients may but are not required to use our affiliates as executing brokers for their accounts. Clients may choose to implement JRS's recommendations through Jefferies LLC or other affiliated broker-dealers. Affiliated broker-dealers may act in a proprietary capacity with long or short positions in instruments of all types, including those traded by a JRS client. If a client decides to trade on a recommendation, the client understands that an affiliated broker-dealer may act as principal for its own account or as agent for another person. Such activities could affect the prices and availability of the securities that JRS recommends, which could adversely impact the performance of a recommendation. The brokerage services and sales and trading products and services provided by JRS affiliates, even if such products and services are based on or derived from the Research Services, are separate from Research Services. Please see Item 14 below for a discussion of the arrangement through which we may refer clients to our affiliate, M Science LLC ("M Science").

By reason of the advisory, investment banking, and/or other activities of our affiliates, we and our affiliates may acquire confidential or material non-public information or be restricted from providing Research Services regarding certain securities. We will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to publish a research report or otherwise provide Research Services with respect to such securities.

Certain of our affiliates are investment advisers and other financial institutions whose businesses have no material relationship to our business. Certain of our officers and directors also serve as officers and directors of other Jefferies Financial Group, Inc. and Jefferies Group LLC companies.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **CODE OF ETHICS**

Our supervised persons are subject to both the JRS Code of Ethics (the "Code") and the Jefferies Group LLC Code of Ethics. The Code incorporates and supplements the Jefferies Group LLC Code of Ethics with policies and procedures applicable to our supervised persons. The purpose of the Code is to identify the ethical and legal framework in which we and our personnel are required to operate and to highlight some of the guiding principles and mechanisms for upholding our standard of business conduct. A complete copy of the Code is provided to clients and prospective clients upon request.

The Code is based on a few basic principles: (i) the interests of our clients come before our interests and those of our personnel; (ii) the professional activities and personal investment activities of our personnel must be consistent with the Code and avoid any actual or potential conflict between the interests of clients and those of our firm or our personnel; (iii) the activities of our personnel must be conducted in a way that avoids any abuse of any such person's position of trust with and responsibility to our firm and its clients; and (iv) our personnel may not engage in any act, practice or course of conduct that would violate the provisions of the federal securities laws.

**Participation or Interest in Client Transactions.** Our affiliates act as broker (*i.e.*, agent) for clients and as a dealer (*i.e.*, principal) in the purchase and sale of securities traded on exchanges or in the over-the-counter markets, and conduct other derivatives trading activities. Our affiliates also engage in a wide variety of financial services. Various potential and actual conflicts of interest may arise from our affiliates' advisory, investment and other activities, which may affect the value of the securities held by our clients.

Sales representatives associated with our affiliated broker-dealer may suggest or recommend that Research Services clients also use other products or services provided by an affiliate. Where our affiliate's services are used or products are purchased by clients, our affiliates will receive fees and compensation. Sales representatives may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services. In addition, compensation received in connection with clients' purchase or sale of stocks, bonds, mutual funds, other securities or insurance products through our affiliates may include commissions, spreads, markups and markdowns, and distribution or other fees.

Our affiliates also may receive fees from third parties for performing consulting, merger and acquisition structuring or other financial advisory services or acting as directors, officers, general partners, managing members or creditors' committee members. These fees can relate to actual, contemplated or potential investments made by our clients, and may affect the value thereof.

**Affiliate Trading.** The trading activities of our affiliates and supervised persons may conflict with the transactions and strategies employed by a client in implementing the Research Services recommendations, and affect the prices and availability of the securities in which the client invests. Issuers of securities held by the client may have publicly or privately traded securities in which our affiliates or supervised persons are investors or make a market. Our affiliates' trading activities generally are carried out without reference to positions held directly or indirectly by Research Services clients and may have an effect on the value of the positions so held or may result in our affiliates or supervised persons having an interest in the issuer adverse to that of a client.

Notwithstanding the foregoing, all supervised persons when trading for their own accounts will do so in accordance with our Personal Account Trading Policy (described below).

## **PERSONAL TRADING**

**Personal Securities Transactions.** Our policies require that our supervised persons do not trade securities or commodities for their own account, except for (i) government and municipal securities (by non-municipal securities group supervised persons), open-ended mutual funds, commodities (by supervised persons not engaged in commodities activities), or foreign exchange transactions (by non-foreign exchange desk supervised persons), or (ii) otherwise with pre-approval from our compliance personnel and supervisors.

**Insider Trading.** Our personnel may not trade, either personally or on behalf of another, on material non-public information or communicate material non-public information to another person in violation of the law. This policy applies to all of our personnel and extends to their activities both within and outside their duties with us.

## **Item 12. Brokerage Practices**

This item is not applicable to JRS' business because JRS does not engage in securities transactions in connection with Research Services and, as a result, does not select broker-dealers.



### **Item 13. Review of Accounts**

JRS does not manage client accounts and does not provide any personalized investment advice tailored to a client's investment objectives or existing portfolios. Accordingly, there are no client account reviews.

### **Item 14. Client Referrals and Other Compensation**

JRS does not compensate any person for client referrals to it.

Institutional account representatives of JRS's affiliates may act as representatives of JRS and may offer advice or opinions as to the value of JRS's services or the appropriateness of such services for a potential client. Compensation will be provided to these persons by way of salaries and bonuses through such affiliate by which the designated person is employed.

Pursuant to an agreement entered into as of January 2020 with M Science, also an affiliate of Jefferies Group LLC, supervised persons of JRS may refer clients or prospective clients to M Science or its subsidiaries. In accordance with this agreement, M Science will compensate JRS for any such referral by paying JRS a fee equal to a percentage of the fees collected by M Science from such referred client in respect of the first year of services contracted for by such referred client.

### **Item 15. Custody**

JRS does not have custody of client funds and securities in connection with the provision of Research Services.

### **Item 16. Investment Discretion**

JRS does not have or accept discretionary authority in connection with the provision of Research Services.

### **Item 17. Voting Client Securities**

JRS does not vote client securities.

### **Item 18. Financial Information**

JRS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and JRS has not been the subject of a bankruptcy proceeding. JRS does not require any payment in advance.