
Jefferies Group, Inc.

Board of Directors Corporate Governance Guidelines

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Amended 1/18/2005
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The Corporate Governance and Nominating Committee of the Board of Directors of Jefferies Group, Inc. has recommended, and the Board of Jefferies has adopted, the following principles which, together with the various Charters of the Board Committees, provide the framework for the governance at Jefferies Group, Inc. (the “Company” or “Jefferies”). The Corporate Governance and Nominating Committee will continue to review these principles and other aspects of governance as necessary and in light of current practices, and at least annually will review these principles.

1. **Role of Board.**

The business of Jefferies is conducted by its employees under the ultimate direction of the Chief Executive Officer (CEO). The Board's role is to oversee the activities of the Company carried out by the management and employees of Jefferies throughout the world. The Board is elected by the shareholders to oversee the management of the Company and to use their business judgment in directing the activities of the Company for the long-term benefit of its shareholders. In doing this, the Board is sensitive to the fact that the Company's activities are conducted through subsidiaries that are in highly regulated industries and that the long-term interest of the Shareholders are advanced by scrupulous compliance with applicable law as well as recognizing the valid interest of the Company's customers, employees and shareholders.

2. **Functions and Responsibilities of the Board.**

The Board meets on a regularly scheduled basis to review and discuss reports by management on the performance of the Company, its plans and prospects and other issues requiring the Board's attention. All Directors should make every effort to attend meetings of the Board and the Committees of which they are members. Each Director should be sufficiently familiar with the business of the Company, including its financial statements and capital structure, and the risks and the competition it faces, to ensure active and effective participation in the deliberations of the Board and of each Committee on which he or she serves. Directors should also review the materials provided by management and advisors in advance of the meetings of the Board and its Committees and should arrive prepared to discuss the issues presented.

3. **Qualification.**

The Board seeks members with diverse backgrounds, with an understanding of the Company's business, and with a reputation for integrity. Directors should have experience in positions requiring the demonstration of responsibility and leadership roles in the company or institutions with which they are or have been affiliated and be selected on the basis of their qualifications, without regard to race or gender. Directors must be willing to devote sufficient time to fulfill their responsibilities.

4. **Selection of New Directors.**

The Corporate Governance and Nominating Committee has the responsibility to identify and recommend candidates to the full Board.

5. **Assessing Board Performance.**

The Corporate Governance and Nominating Committee has the responsibility to assess overall Board performance. The performance of the Board and the Corporate Governance and Nominating, Audit and Compensation Committees shall be evaluated each year. Comments regarding individual Directors that arise during these evaluations will be directed for their consideration to the Chairman of the Corporate Governance and Nominating Committee.

6. **Mix of Inside and Independent Directors.**

The Board should have a majority of Independent Directors.

7. **Directors Changing Their Present Job Responsibility.**

The Board expects Directors who change their present job responsibility to offer to resign to the Chairman, who should refer it to the Corporate Governance and Nominating Committee for review with the Chairman's recommendation. The Board expects Directors to consult with the Chairman (or the Chairman of the Corporate Governance and Nominating Committee) on special circumstances.

8. **Executive Sessions of Non-Employee Directors.**

The non-employee members of the Board meet in Executive session at each meeting of the Board. These sessions will be led by the non-employee members of the Board on a rotating basis. The non-employee members of the Board have the authority to retain outside consultants and to schedule additional meetings.

9. **Former Chairman Status on Board.**

The Board expects the Chairman to resign upon retirement. There may be circumstances where the Board's policy to accept the resignation would not apply, including to accommodate the transition of the new Chairman or where the current Chairman cedes the title of Chief Executive Officer to another individual.

The Board believes that officers other than the Chairman who are also Directors should resign immediately from the Board when they retire from or leave active Company employment or change positions.

10. **Board Committees: Independent Audit, Compensation, Corporate Governance and Nominating Committees.**

The Board maintains Audit, Compensation, and Corporate Governance and Nominating Committees consisting solely of Independent Directors. The Board also may maintain additional committees to facilitate discharging its responsibilities. Before establishing any additional committee, the Board considers whether the membership of the committee should be limited solely to Independent Directors.

11. **Rotation of Committee Assignments.**

The Board believes that Committee assignments should be based on the Director's knowledge, interests and areas of expertise. It does not favor mandatory rotation of Committee assignments. The Board believes experience and continuity are more important than rotation and that Board members should only be rotated if rotation is likely to increase Committee performance or facilitate Committee work.

12. **Frequency and Length of Board Committee Meetings.**

The Board meets on a regularly scheduled basis, generally at least 6 times per year. The Chairman should regularly consult with Committee chairs to obtain their insights and to optimize Committee performance. The Committee chairs, in consultation with the Chairman and CEO, the CFO and the General Counsel, should establish the frequency and length of Committee meetings.

13. **Development of Committee Agenda.**

The Committee chairs, working with the Chairman, should establish Committee agendas for the year. All standing Committees should meet regularly during the year and receive reports from Company personnel as necessary on developments affecting the Committee's work.

14. **Selection of Agenda Items for Board Meetings.**

The Chairman, in consultation with members of the Board, should establish the agenda for Board meetings.

15. **Distribution of Materials for Board Meetings.**

The Board believes it is critical for members to have materials on topics to be discussed sufficiently in advance of meeting date and for Board members to be kept abreast of developments between Board meetings. The Company provides regular updates to Board members of Company developments.

16. **Attendance of Non-Directors at Board Meetings.**

The Board believes that attendance of key executive officers augments the meeting process. The Company's Chief Financial Officer and General Counsel regularly attend all scheduled Board meetings. The Chairman encourages both persons to respond to questions posed by Board members relating to their areas of expertise.

17. **Board Access to Senior Management.**

Board members have complete and open access to senior members of management.

18. Board Compensation.

The Corporate Governance and Nominating Committee recommends Director compensation and benefits to the full Board. The Committee may retain an outside expert to provide information and recommendations with regard to this and other compensation related matters. In discharging this duty, the Committee shall be guided by three goals: compensation should fairly pay Directors for work required in a Company of Jefferies size and scope; compensation should align Directors' interest with the long-term interests of shareholders' and the structure of the compensation should be easy for shareholders to understand. The Board believes that total compensation should include a significant equity component because it believes that this more closely aligns the long-term interests of Directors with those of shareholders and provides a continuing incentive for Directors to foster the Company's success.

19. Optimum Board Size.

The Board's optimum size is 5 to 9.

20. Lead Independent Director.

The Board believes a lead Independent Director is not desirable for 3 reasons: (1) the Board's size makes interaction among all Directors relatively easy; (2) the existence of a lead Independent Director may cut off or reduce access of other Directors to the CEO and management and result in a less informed and less effective Board; and (3) the Board has a procedure for determining who shall lead non-employee executive sessions of the Board.

21. Independent Directors.

The Board shall follow the definition of Independent Director as set forth in the New York Stock Exchange Listed Company Manual.

The Board will annually review Jefferies' commercial, charitable and personal relationships with each Director. For relationships that are either not covered by the definition of Independent Director as set forth in the NYSE Listed Company Manual, the determination of whether the relationship is material, and therefore whether the Director would be independent, shall be made by the Independent Directors. Jefferies will explain in its next proxy statement thereafter the basis for any Board determination that any such relationship was immaterial, including describing any transactions, relationships or arrangements that were considered in making a determination that the Director is independent other than those already disclosed as a "related person" pursuant to Item 404(a) in the proxy statement.

22. Business Conduct and Ethics.

Directors are expected to act in compliance with these Corporate Governance Guidelines, applicable laws and regulations and the spirit of the Jefferies Code of Ethics for employees. Employee Directors are also governed by Jefferies Code of Ethics and Jefferies Employee Trading Policy.

Conflicts of Interest. A Director should avoid situations that result or appear to result in a conflict of interest with Jefferies. A Director may be considered to have a conflict of interest if the Director's interest interferes or appears to interfere in any material way with the interests of

Jefferies, including if:

- the Director, any member of his or her immediate family, or any company with which any of them is associated as an officer, director, five percent or more owner, partner, employee or consultant (i) is a five percent or more owner of, or (ii) has any management interest in, any company that is in the same business as Jefferies ("potential competitive interest"); or
- the Director offers gifts or other benefits to or solicits or receives gifts or other benefits from another entity as a result of his or her position with Jefferies; or
- the Director has any other relationship that the Corporate Governance & Nominating Committee believes is likely to result in a conflict of interest with Jefferies.

A non-employee Director is expected to advise Jefferies prior to acquiring or continuing any interest or entering into any transaction or relationship that may present a potential competitive interest or conflict of interest. The Corporate Governance & Nominating Committee, in consultation with the CEO, will review and advise the Board as soon as practicable whether a conflict would be presented.

Corporate Opportunities. A Director should not take advantage of an opportunity to engage in a business activity that properly belongs to Jefferies, including any activity that is discovered as a result of the use of Jefferies information or property or in connection with his or her service as a Director. A Director should not use Jefferies information, property or his or her position with Jefferies for personal gain.

Securities Transactions. A Director should not trade, or enable any other person to trade, in Jefferies securities or the securities of another company while aware of material non-public information. Directors should obtain written approval from the Company's General Counsel or his designee prior to any transactions in Jefferies securities. Employee Directors are also subject to the Jefferies Employees Trading Policy.

Confidentiality. Directors should maintain the confidentiality of information about Jefferies and other entities which Jefferies entrusts to them, except where the disclosure is authorized or required by law.

Protection and Proper Use of Assets. All Directors should protect Jefferies assets against theft, carelessness and waste and ensure they are efficiently used for legitimate business purposes.

Fair Dealing. Jefferies relies upon each of our employees and Directors to uphold the Principles adopted by Jefferies and set forth on Jefferies' Internet website. These Principles demand that employees and Directors deal fairly with Jefferies' clients, service providers, suppliers, competitors and each other. Taking unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice is a violation of these Corporate Governance Guidelines.

Waiver. No waiver of any provision of the business conduct and ethics requirements for a Director, or of any provision of the Jefferies Code of for a Jefferies Executive Officer may be granted without the approval of the Corporate Governance and Nominating Committee. The Board is strongly predisposed against any such waivers. However, in order to approve any such waiver the Board must affirmatively find the waiver does not violate any applicable law or regulation and that the waiver is in the best interests of the Corporation. In the event the Board approves a waiver, it will ensure that the waiver and the Board's rationale for granting the waiver are promptly disclosed, consistent with applicable legal and stock exchange requirements. Directors should immediately contact the Chairman of the Corporate Governance and Nominating Committee or the General Counsel if a violation of these Corporate Governance Guidelines or the Code of Ethics is suspected.

23. **Extending Invitation to New Board Member.**

The Chairman or the Chairman of the Corporate Governance and Nominating Committee should extend the invitation.

24. **Term Limits.**

The Board does not favor term limits for Directors, but believes that it is important to monitor individual Director performance.

25. **Succession Planning.**

The CEO reviews succession planning for his successor on an annual basis with the Board. Succession planning should include policies and principles for CEO selection and performance review, as well as policies regarding succession in the event of an emergency or the retirement of the CEO.

26. **Board Interaction with Institutional Investors, Peers, Customers, etc.**

The Board believes that under ordinary circumstances, management speaks for the Company and the Chairman speaks for the Board. Individual Board members may, from time to time, meet with or communicate with various constituencies that are involved with the Company. It is expected that Board members would do this with the knowledge of management and, in most instances, at the request of management.

27. **Cumulative Voting,**

The Board strongly supports the "one share/one vote" concept and opposes cumulative voting. It opposes the ability of a single investor or group of investors to band together to achieve a goal, such as the election of a Director, which is not supported by a majority of the Company's shareholders.

28. Director Stock Ownership.

Directors shall become stockholders of the Company within sixty days after their election to the Board. Non-employee Directors generally receive restricted shares of common stock when first appointed or elected to the Board, and when they are reelected. Non-employee Directors are also able to defer Board compensation pursuant to a plan in which they receive stock units based on the Company's common stock. These plans and incentives help align non-employee Directors' interests with shareholders' interests.

The Board believes that Directors should beneficially own at least 20,000 shares within five (5) years of being elected to the board.

29. Service on Multiple Boards.

The Board does not favor a one-size-fits-all limit on the number of other boards on which a Director may serve, but believes that it is important to monitor individual Director performance. In no event, however, should a Director serve on the Boards of Directors of more than five publicly held companies (that is, in addition to service on the Board of Jefferies, a Director should serve on no more than four other publicly held companies).

30. Orientation for New Directors; Continuing Education for Directors.

The General Counsel and Chief Financial Officer shall be responsible for providing an orientation program for new Directors. Orientation shall include personal briefing by senior management on the Company's strategic plans, its financial statements and its key policies and practices. The General Counsel and Chief Financial Officer shall make available to continuing Directors the opportunity to attend educational sessions on subjects that would assist them in discharging their duties.

31. Director Access to Independent Advisors.

The Board and its Committees shall have the right at any time to retain independent outside financial, legal or other advisors.

32. Provisions for Majority Voting of Directors.

In an uncontested election of Directors (i.e., an election where the only nominees are those recommended by the Board of Directors), any nominee for Director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election will promptly tender his or her resignation to the Chairman following certification of the shareholder vote.

The Corporate Governance and Nominating Committee will promptly consider the resignation submitted by a Director receiving a greater number of votes "withheld" from his or her election than votes "for" his or her election, and the Corporate Governance and Nominating Committee will recommend to the Board whether to accept the tendered resignation or reject it. In considering whether to accept or reject the tendered resignation, the Corporate Governance and Nominating Committee will consider all factors deemed relevant by the members of the Corporate Governance and Nominating Committee including, without limitation, the stated reasons why shareholders "withheld votes for election from such Director, the length of service and qualifications of the Director whose resignation has been tendered, the Director's contributions to the Company, and the Company's Corporate Governance Guidelines.

The Board will act on the Corporate Governance and Nominating Committee's recommendation no later than 90 days following the date of the shareholders' meeting where the election occurred. In considering the Corporate Governance and Nominating Committee's recommendation, the Board will consider the factors considered by the Corporate Governance and Nominating Committee and such additional information and factors the Board believes to be relevant. Following the Board's decision on the Corporate Governance and Nominating Committee's recommendation, the Company will promptly publicly disclose the Board's decision whether to accept the resignation as tendered (providing a full explanation of the process by which the decision was reached and, if applicable, the reasons for rejecting the tendered resignation) in a Form 8-K filed with the Securities and Exchange Commission.

To the extent that one or more Directors' resignations are accepted by the Board, the Corporate Governance and Nominating Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any Director who tenders his or her resignation pursuant to this provision will not participate in the Corporate Governance and Nominating Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Corporate Governance and Nominating Committee received a greater number of votes "withheld" from their election than votes "for" their election at the same election, then the Independent Directors who are on the Board who did not receive a greater number of votes "withheld" from their election than votes "for" their election (or who were not standing for election) will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them. This Board committee may, but need not, consist of all of the Independent Directors who did not receive a greater number of votes "withheld" from their election than votes "for" their election or who were not standing for election.

33. Publication.

These Corporate Governance Guidelines will be summarized or included in each proxy statement relating to an election of Directors of the Company. A copy shall also be posted on Jefferies' Internet website.