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, 2021

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 1-5721

JEFFERIES FINANCIAL GROUP INC.
(Exact name of registrant as specified in its Charter)

New York	13-2615557
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
520 Madison Avenue New York, New York	10022
(Address of principal executive offices)	(Zip Code)

(212) 460-1900
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value $1 per share	JEF	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

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 number of shares outstanding of each of the issuer's classes of common stock at September 30, 2021 was 245,561,148.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.
JEFFERIES FINANCIAL GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Financial Condition
August 31, 2021 and November 30, 2020
(Dollars in thousands, except par value)
(Unaudited)

	August 31, 2021	November 30, 2020
ASSETS		
Cash and cash equivalents	$ 9,480,914	$ 9,055,148
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	514,519	604,321
Financial instruments owned, at fair value (including securities pledged of $12,447,226 and $13,065,585)	19,735,103	18,124,577
Loans to and investments in associated companies	1,744,965	1,686,563
Securities borrowed	6,212,491	6,934,762
Securities purchased under agreements to resell	8,011,550	5,096,769
Securities received as collateral, at fair value	9,853	7,517
Receivables	7,067,641	6,608,767
Property, equipment and leasehold improvements, net	914,537	897,204
Intangible assets, net and goodwill	1,905,163	1,913,467
Other assets	2,440,663	2,189,257
Total assets (1)	$ 58,037,399	$ 53,118,352
LIABILITIES		
Short-term borrowings	$ 307,297	$ 764,715
Financial instruments sold, not yet purchased, at fair value	12,748,802	10,017,600
Securities loaned	1,764,488	1,810,748
Securities sold under agreements to repurchase	7,571,813	8,316,269
Other secured financings	4,341,348	3,288,384
Obligation to return securities received as collateral, at fair value	9,853	7,517
Lease liabilities	562,122	584,807
Payables, expense accruals and other liabilities	11,496,986	10,388,072
Long-term debt	8,670,728	8,352,039
Total liabilities (1)	47,473,437	43,530,151
Commitments and contingencies		
MEZZANINE EQUITY		
Redeemable noncontrolling interests	38,249	24,676
Mandatorily redeemable convertible preferred shares	125,000	125,000
EQUITY		
Common shares, par value $1 per share, authorized 600,000,000 shares; 245,557,193 and 249,750,542 shares issued and outstanding, after deducting 70,906,515 and 66,712,070 shares held in treasury	245,557	249,751
Additional paid-in capital	2,812,811	2,911,223
Accumulated other comprehensive income (loss)	(357,973)	(288,917)
Retained earnings	7,681,488	6,531,836
Total Jefferies Financial Group Inc. shareholders' equity	10,381,883	9,403,893
Noncontrolling interests	18,830	34,632
Total equity	10,400,713	9,438,525
Total	$ 58,037,399	$ 53,118,352

(1) Total assets include assets related to variable interest entities of $836.8 million and $566.1 million at August 31, 2021 and November 30, 2020, respectively, and Total liabilities include liabilities related to variable interest entities of $4.34 billion and $3.29 billion at August 31, 2021 and November 30, 2020, respectively. See Note 7 for additional information related to variable interest entities.

See notes to interim consolidated financial statements.

JEFFERIES FINANCIAL GROUP INC. AND SUBSIDIARIES

Consolidated Statements of Operations

For the periods ended August 31, 2021 and 2020

(In thousands, except per share amounts)

(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Revenues:				
Commissions and other fees	$ 214,363	$ 204,032	$ 673,756	$ 626,434
Principal transactions	232,110	623,283	1,513,034	1,421,485
Investment banking	1,180,620	615,837	3,184,932	1,595,330
Interest income	220,278	219,843	691,223	782,941
Manufacturing revenues	118,918	119,751	440,857	282,737
Other	174,305	42,753	506,709	186,367
Total revenues	2,140,594	1,825,499	7,010,511	4,895,294
Interest expense of Jefferies Group	201,610	209,329	634,078	745,207
Net revenues	1,938,984	1,616,170	6,376,433	4,150,087
Expenses:				
Compensation and benefits	802,243	760,837	2,806,028	2,029,497
Cost of sales	151,510	82,657	390,916	235,871
Floor brokerage and clearing fees	68,982	66,743	222,208	201,403
Interest expense	19,518	21,512	59,828	64,226
Depreciation and amortization	38,677	39,520	116,884	119,356
Selling, general and other expenses	277,262	237,712	890,759	784,668
Total expenses	1,358,192	1,208,981	4,486,623	3,435,021
Income before income taxes and income (loss) related to associated companies	580,792	407,189	1,889,810	715,066
Income (loss) related to associated companies	(27,176)	5,053	(61,270)	(69,523)
Income before income taxes	553,616	412,242	1,828,540	645,543
Income tax provision	145,700	107,403	484,756	185,138
Net income	407,916	304,839	1,343,784	460,405
Net loss attributable to the noncontrolling interests	1,324	324	2,736	5,033
Net loss attributable to the redeemable noncontrolling interests	68	650	1,071	1,130
Preferred stock dividends	(1,849)	(1,404)	(5,101)	(4,230)
Net income attributable to Jefferies Financial Group Inc. common shareholders	$ 407,459	$ 304,409	$ 1,342,490	$ 462,338
Basic earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:				
Net income	$ 1.54	$ 1.08	$ 5.05	$ 1.58
Diluted earnings per common share attributable to Jefferies Financial Group Inc. common shareholders:				
Net income	$ 1.50	$ 1.07	$ 4.93	$ 1.57

See notes to interim consolidated financial statements.

JEFFERIES FINANCIAL GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income (Loss)
For the periods ended August 31, 2021 and 2020
(In thousands)
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Net income	$ 407,916	$ 304,839	$ 1,343,784	$ 460,405
Other comprehensive income (loss):				
Net unrealized holding gains (losses) on investments arising during the period, net of income tax provision (benefit) of $(16), $(7), $(43) and $141	(49)	(22)	(136)	411
Less: reclassification adjustment for net (gains) losses included in net income, net of income tax provision (benefit) of $0, $0, $0 and $0	—	—	—	—
Net change in unrealized holding gains (losses) on investments, net of income tax provision (benefit) of $(16), $(7), $(43) and $141	(49)	(22)	(136)	411
Net unrealized foreign exchange gains (losses) arising during the period, net of income tax provision (benefit) of $(2,942), $24,621, $1,659 and $13,636	(9,203)	70,758	5,273	35,815
Less: reclassification adjustment for foreign exchange (gains) losses included in net income, net of income tax provision (benefit) of $0, $0, $0 and $0	—	—	—	—
Net change in unrealized foreign exchange gains (losses), net of income tax provision (benefit) of $(2,942), $24,621, $1,659 and $13,636	(9,203)	70,758	5,273	35,815
Net unrealized gains (losses) on instrument specific credit risk arising during the period, net of income tax provision (benefit) of $4,352, $(45,669), $(24,157) and $13,437	13,501	(133,915)	(74,661)	39,373
Less: reclassification adjustment for instrument specific credit risk (gains) losses included in net income, net of income tax provision (benefit) of $(321), $(224), $599 and $306	998	656	(1,861)	(898)
Net change in unrealized instrument specific credit risk gains (losses), net of income tax provision (benefit) of $4,673, $(45,445), $(24,756) and $13,131	14,499	(133,259)	(76,522)	38,475
Net pension gains (losses) arising during the period, net of income tax provision (benefit) of $0, $0, $0 and $0	—	—	—	—
Reclassification adjustment for pension (gains) losses included in net income, net of income tax provision (benefit) of $(270), $(220), $(795) and $(658)	778	644	2,329	1,931
Net change in pension liability, net of income tax provision (benefit) of $270, $220, $795 and $658	778	644	2,329	1,931
Other comprehensive income (loss), net of income taxes	6,025	(61,879)	(69,056)	76,632
Comprehensive income	413,941	242,960	1,274,728	537,037
Comprehensive loss attributable to the noncontrolling interests	1,324	324	2,736	5,033
Comprehensive loss attributable to the redeemable noncontrolling interests	68	650	1,071	1,130
Preferred stock dividends	(1,849)	(1,404)	(5,101)	(4,230)
Comprehensive income attributable to Jefferies Financial Group Inc. common shareholders	$ 413,484	$ 242,530	$ 1,273,434	$ 538,970

See notes to interim consolidated financial statements.

JEFFERIES FINANCIAL GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the nine months ended August 31, 2021 and 2020
(In thousands)
(Unaudited)

	For the Nine Months Ended	
	August 31, 2021	August 31, 2020
Net cash flows from operating activities:		
Net income	$ 1,343,784	$ 460,405
Adjustments to reconcile net income to net cash provided by operations:		
Deferred income tax provision (benefit)	(32,865)	106,501
Depreciation and amortization of real estate, property, equipment and leasehold improvements	108,522	109,877
Other amortization	17,435	7,942
Share-based compensation	71,219	29,554
Provision for doubtful accounts	48,091	32,344
(Income) loss related to associated companies	(125,962)	91,805
Distributions from associated companies	49,068	54,916
Net losses related to property and equipment, and other assets	10,059	59,125
Net change in:		
Securities deposited with clearing and depository organizations	34,237	(20,955)
Financial instruments owned, at fair value	(1,603,274)	(1,038,140)
Securities borrowed	724,187	382,907
Securities purchased under agreements to resell	(2,911,738)	(979,989)
Receivables from brokers, dealers and clearing organizations	264,375	261,569
Receivables from customers of securities operations	(581,647)	524,860
Other receivables	(107,228)	(42,659)
Other assets	(86,865)	(153,557)
Financial instruments sold, not yet purchased, at fair value	2,724,767	366,737
Securities loaned	(48,397)	387,692
Securities sold under agreements to repurchase	(748,003)	(260,144)
Payables to brokers, dealers and clearing organizations	708,810	(81,905)
Payables to customers of securities operations	39,890	128,167
Lease liabilities	(46,991)	(42,920)
Trade payables, expense accruals and other liabilities	302,689	651,918
Other	(67,618)	271,808
Net cash provided by operating activities	86,545	1,307,858
Net cash flows from investing activities:		
Acquisitions of property, equipment and leasehold improvements, and other assets	(115,998)	(146,416)
Advances on notes, loans and other receivables	(454,916)	(601,068)
Collections on notes, loans and other receivables	294,675	546,676
Loans to and investments in associated companies	(2,291,788)	(1,390,779)
Capital distributions and loan repayments from associated companies	2,308,786	1,372,779
Other	2,575	30,404
Net cash used for investing activities	$ (256,666)	$ (188,404)

(continued)

See notes to interim consolidated financial statements.

JEFFERIES FINANCIAL GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows, continued
For the nine months ended August 31, 2021 and 2020
(In thousands)
(Unaudited)

	For the Nine Months Ended	
	August 31, 2021	**August 31, 2020**
Net cash flows from financing activities:		
Issuance of debt, net of issuance costs	$ 1,465,707	$ 2,362,574
Repayment of debt	(1,580,894)	(2,121,748)
Net change in other secured financings	1,051,357	303,893
Net change in bank overdrafts	(6,350)	(37,758)
Distributions to noncontrolling interests	(15,997)	(1,719)
Contributions from noncontrolling interests	3,590	18,558
Purchase of common shares for treasury	(181,866)	(623,469)
Dividends paid	(161,330)	(122,871)
Other	1,631	821
Net cash provided by (used for) financing activities	575,848	(221,719)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	1,704	19,723
Net increase in cash, cash equivalents and restricted cash	407,431	917,458
Cash, cash equivalents and restricted cash at beginning of period	9,664,972	8,480,435
Cash, cash equivalents and restricted cash at end of period	$ 10,072,403	$ 9,397,893

The following presents our cash, cash equivalents and restricted cash by category within the Consolidated Statements of Financial Condition to the total of the same amounts in the Consolidated Statements of Cash Flows above (in thousands):

	August 31, 2021	**August 31, 2020**
Cash and cash equivalents	$ 9,480,914	$ 8,426,832
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	514,519	930,174
Other assets	76,970	40,887
Total cash, cash equivalents and restricted cash	$ 10,072,403	$ 9,397,893

See notes to interim consolidated financial statements.

JEFFERIES FINANCIAL GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the three months ended August 31, 2021 and 2020
(In thousands, except par value and per share amounts)
(Unaudited)

	Jefferies Financial Group Inc. Common Shareholders						
	Common Shares $1 Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Subtotal	Noncontrolling Interests	Total
Balance, June 1, 2021	$ 247,032	$ 2,849,487	$ (363,998)	$ 7,340,113	$ 10,072,634	$ 22,730	$ 10,095,364
Net income attributable to Jefferies Financial Group Inc. common shareholders				407,459	407,459		407,459
Net loss attributable to the noncontrolling interests					—	(1,324)	(1,324)
Other comprehensive income, net of income taxes			6,025		6,025		6,025
Contributions from noncontrolling interests					—	156	156
Distributions to noncontrolling interests					—	(2,731)	(2,731)
Share-based compensation expense		6,962			6,962		6,962
Change in fair value of redeemable noncontrolling interests		1,908			1,908		1,908
Purchase of common shares for treasury	(1,500)	(50,269)			(51,769)		(51,769)
Dividends ($0.25 per common share)				(66,084)	(66,084)		(66,084)
Other	25	4,723			4,748	(1)	4,747
Balance, August 31, 2021	$ 245,557	$ 2,812,811	$ (357,973)	$ 7,681,488	$ 10,381,883	$ 18,830	$ 10,400,713

	Jefferies Financial Group Inc. Common Shareholders						
	Common Shares $1 Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Subtotal	Noncontrolling Interests	Total
Balance, June 1, 2020	$ 267,111	$ 3,191,893	$ (134,528)	$ 6,002,078	$ 9,326,554	$ 34,559	$ 9,361,113
Net income attributable to Jefferies Financial Group Inc. common shareholders				304,409	304,409		304,409
Net loss attributable to the noncontrolling interests					—	(324)	(324)
Other comprehensive loss, net of income taxes			(61,879)		(61,879)		(61,879)
Contributions from noncontrolling interests					—	1,054	1,054
Distributions to noncontrolling interests					—	(1,503)	(1,503)
Share-based compensation expense		8,870			8,870		8,870
Purchase of common shares for treasury	(7,888)	(120,329)			(128,217)		(128,217)
Dividends ($0.15 per common share)				(41,798)	(41,798)		(41,798)
Other	23	2,703			2,726	—	2,726
Balance, August 31, 2020	$ 259,246	$ 3,083,137	$ (196,407)	$ 6,264,689	$ 9,410,665	$ 33,786	$ 9,444,451

See notes to interim consolidated financial statements.

JEFFERIES FINANCIAL GROUP INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the nine months ended August 31, 2021 and 2020
(In thousands, except par value and per share amounts)
(Unaudited)

	Jefferies Financial Group Inc. Common Shareholders						
	Common Shares $1 Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Subtotal	Noncontrolling Interests	Total
Balance, December 1, 2020	$ 249,751	$ 2,911,223	$ (288,917)	$ 6,531,836	$ 9,403,893	$ 34,632	$ 9,438,525
Cumulative effect of the adoption of accounting standards				(19,915)	(19,915)		(19,915)
Balance, December 1, 2020, as adjusted	249,751	2,911,223	(288,917)	6,511,921	9,383,978	34,632	9,418,610
Net income attributable to Jefferies Financial Group Inc. common shareholders				1,342,490	1,342,490		1,342,490
Net loss attributable to the noncontrolling interests					—	(2,736)	(2,736)
Other comprehensive loss, net of income taxes			(69,056)		(69,056)		(69,056)
Contributions from noncontrolling interests					—	3,590	3,590
Distributions to noncontrolling interests					—	(15,997)	(15,997)
Share-based compensation expense		71,219			71,219		71,219
Change in fair value of redeemable noncontrolling interests		(8,865)			(8,865)		(8,865)
Purchase of common shares for treasury	(6,603)	(175,263)			(181,866)		(181,866)
Dividends ($0.65 per common share)				(172,923)	(172,923)		(172,923)
Other	2,409	14,497			16,906	(659)	16,247
Balance, August 31, 2021	$ 245,557	$ 2,812,811	$ (357,973)	$ 7,681,488	$ 10,381,883	$ 18,830	$ 10,400,713

	Jefferies Financial Group Inc. Common Shareholders						
	Common Shares $1 Par Value	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Subtotal	Noncontrolling Interests	Total
Balance, December 1, 2019	$ 291,644	$ 3,627,711	$ (273,039)	$ 5,933,389	$ 9,579,705	$ 21,979	$ 9,601,684
Net income attributable to Jefferies Financial Group Inc. common shareholders				462,338	462,338		462,338
Net loss attributable to the noncontrolling interests					—	(5,033)	(5,033)
Other comprehensive income, net of income taxes			76,632		76,632		76,632
Contributions from noncontrolling interests					—	18,558	18,558
Distributions to noncontrolling interests					—	(1,719)	(1,719)
Share-based compensation expense		29,554			29,554		29,554
Change in fair value of redeemable noncontrolling interests		3,875			3,875		3,875
Purchase of common shares for treasury	(32,756)	(589,499)			(622,255)		(622,255)
Dividends ($0.45 per common share)				(131,038)	(131,038)		(131,038)
Other	358	11,496			11,854	1	11,855
Balance, August 31, 2020	$ 259,246	$ 3,083,137	$ (196,407)	$ 6,264,689	$ 9,410,665	$ 33,786	$ 9,444,451

See notes to interim consolidated financial statements.

Note 1. Nature of Operations

Jefferies Financial Group Inc. ("Jefferies," "we," "our" or the "Company") is engaged in investment banking and capital markets, asset management and direct investing. Jefferies Group LLC ("Jefferies Group"), our largest subsidiary, was established in 1962 and is now the largest independent U.S.-headquartered global full-service integrated investment banking and securities firm.

Jefferies Group operates in two business segments: Investment Banking and Capital Markets, and Asset Management. Investment Banking and Capital Markets includes investment banking, capital markets and other related services. Investment banking provides underwriting and financial advisory services to clients across most industry sectors in the Americas, Europe and Asia. Capital markets businesses operate across the spectrum of equities and fixed income products.

Our Asset Management segment comprises all asset management operations, including those within Jefferies Group. Within Asset Management, we manage, invest in and provide services to a diverse group of alternative asset management platforms across a spectrum of investment strategies and asset classes. Asset Management offers institutional clients an innovative range of investment strategies through its affiliated managers.

Merchant Banking is where we own a portfolio of legacy businesses and investments, including Linkem (fixed wireless broadband services in Italy); Vitesse Energy, LLC ("Vitesse Energy Finance") (oil and gas production and development); real estate, primarily HomeFed LLC ("HomeFed"); Idaho Timber (manufacturing); and FXCM Group, LLC ("FXCM") (provider of online foreign exchange trading services).

Note 2. Basis of Presentation and Significant Accounting Policies

Our unaudited interim consolidated financial statements have been prepared in accordance with the instructions for Form 10-Q and, therefore, do not include all information and footnotes which are normally included in our Form 10-K. These financial statements reflect all adjustments (consisting of normal recurring items or items discussed herein) that management believes are necessary to fairly state results for the interim periods presented. Results of operations for interim periods are not necessarily indicative of annual results of operations. For a detailed discussion about the Company's significant accounting policies, see Note 2, Significant Accounting Policies, included in our Annual Report on Form 10-K for the year ended November 30, 2020 ("2020 10-K").

The preparation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires us to make estimates and assumptions that affect the reported amounts in the financial statements and disclosures of contingent assets and liabilities. On an ongoing basis, we evaluate all of these estimates and assumptions.

During the nine months ended August 31, 2021, other than the following, there were no significant changes made to the Company's significant accounting policies. The accounting policy changes are attributable to the adoption of the Financial Accounting Standards Board ("FASB") guidance on credit losses on financial instruments (the "new credit loss standard") on December 1, 2020. The credit loss policy updates were applied using a modified retrospective approach, through a cumulative-effect adjustment to retained earnings upon adoption. Reported financial information for the historical comparable period was not revised and continues to be reported under the accounting standards in effect during the historical periods.

Credit Losses

Foursight Capital, our wholly-owned subsidiary, is an auto loan originator and servicer. Provision for credit losses are charged to income in amounts sufficient to maintain an allowance for credit losses inherent in Foursight Capital's finance receivables held for investment. The allowance for credit losses is established systematically by management based on the determination of the amount of credit losses inherent in the finance receivables held for investment as of the reporting date. All finance receivables held for investment of Foursight Capital are collectively evaluated for impairment. Management's estimate of expected credit losses is based on an evaluation of relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the future collectability of the reported amounts. Foursight Capital uses static pool modeling techniques to determine the allowance for loan losses expected over the remaining life of the receivables, which is supplemented by management judgment. Expected losses are estimated for groups of accounts aggregated by monthly vintage.

Generally, the expected losses are projected based on historical loss experience over the last eight years, more heavily weighted toward recent performance when determining the allowance to result in an estimate that is more reflective of the current internal and external environments. Foursight Capital's estimate of expected credit losses includes a reasonable and supportable forecast period of two years and then reverts to an estimate based on historical losses. Foursight Capital reviews charge-off experience factors, contractual delinquency, historical collection rates, the value of underlying collateral and other information to make the necessary judgments as to credit losses expected in the portfolio as of the reporting date. While management utilizes the best information available to make its evaluations, changes in macroeconomic conditions, interest rate environments, or both, may significantly impact the assumptions and inputs used in determining the allowance for credit losses. Foursight Capital's charge-off policy is based on a loan by loan review of delinquent finance receivables.

Other financial assets measured at amortized cost are presented at the net amount expected to be collected and the measurement of credit losses and any expected increases or decreases in expected credit losses are recognized in earnings. The estimate of expected credit losses involves judgment and is based on an assessment over the life of the financial instrument taking into consideration forecasts of expected future economic conditions. In evaluating secured financing receivables (reverse repurchases agreements, securities borrowing arrangements and margin loans), the underlying collateral maintenance provisions are taken into consideration. The underlying contractual collateral maintenance for significantly all of Jefferies Group's secured financing receivables requires that the counterparty continually adjust the collateralization amount, securing the credit exposure on these contracts. Collateralization levels for Jefferies Group's secured financing receivables are initially established based upon the counterparty, the type of acceptable collateral that is monitored daily and adjusted to mitigate the potential of any credit losses. Credit losses are not recognized for secured financing receivables where the underlying collateral's fair value is equal to or exceeds the asset's amortized cost basis. In cases where the collateral's fair value does not equal or exceed the amortized cost basis, the allowance for credit losses, if any, is limited to the difference between the fair value of the collateral at the reporting date and the amortized cost basis of the financial assets.

Our receivables from brokers, dealers, and clearing organizations include deposits of cash with exchange clearing organizations to meet margin requirements, amounts due from clearing organizations for daily variation settlements, securities failed-to-deliver or receive, receivables and payables for fees and commissions, and receivables arising from unsettled securities or loans transactions. These receivables generally do not give rise to material credit risk and have a remote probability of default either because of their short-term nature or due to the credit protection framework inherent in the design and operations of brokers, dealers and clearing organizations. As such, generally, no allowance for credit losses is held against these receivables.

For all other financial assets measured at amortized cost, we estimate expected credit losses over the financial assets' life as of the reporting date based on relevant information about past events, current conditions, and reasonable and supportable forecasts.

Receivables

At August 31, 2021 and November 30, 2020, Receivables include receivables from brokers, dealers and clearing organizations of $3.86 billion and $4.16 billion, respectively, and receivables from customers of securities operations of $1.87 billion and $1.29 billion, respectively.

Our subsidiary, Foursight Capital, had automobile loan receivables of $785.8 million and $694.2 million at August 31, 2021 and November 30, 2020, respectively. Of these amounts, $761.8 million and $532.4 million at August 31, 2021 and November 30, 2020, respectively, were in securitized vehicles. See Notes 6 and 7 for additional information on Foursight Capital's securitization activities. Based primarily on credit scores, Foursight Capital classifies its finance receivables held for investment as prime, near-prime and sub-prime based on the perceived credit risk at origination and generally considers prime receivables as those with a credit score of 680 and above, near-prime with scores between 620 and 679 and sub-prime with scores below 620. The credit quality classification at both August 31, 2021 and November 30, 2020 was approximately 14% prime, 54% near-prime and 32% sub-prime.

A rollforward of the allowance for credit losses related to receivables for the three and nine months ended August 31, 2021 and 2020 is as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Beginning balance	$ 79,254	$ 38,806	$ 53,926	$ 34,018
Adjustment for change in accounting principle for current expected credit losses	—	—	26,519	—
Provision for doubtful accounts (1)	(848)	9,365	48,091	32,344
Charge-offs, net of recoveries (1)	(1,777)	(3,349)	(51,907)	(21,540)
Ending balance	$ 76,629	$ 44,822	$ 76,629	$ 44,822

(1) The nine months ended August 31, 2021 includes a $39.0 million bad debt expense related to our prime brokerage business, recorded during the second quarter.

Other Investments

At August 31, 2021 and November 30, 2020, the Company had other investments (classified as Other assets and Loans to and investments in associated companies) in which fair values are not readily determinable, aggregating $47.7 million and $90.2 million, respectively. Impairments recognized on these investments were $0.3 million and $20.9 million during the three and nine months ended August 31, 2020, respectively. There were no impairments on these investments during the three and nine months ended August 31, 2021.

Capitalization of Interest

We capitalize interest on qualifying HomeFed real estate assets. Capitalized interest of $2.2 million and $1.6 million during the three months ended August 31, 2021 and 2020, respectively, and $6.4 million and $6.4 million during the nine months ended August 31, 2021 and 2020, respectively, was allocated among all of HomeFed's projects that are currently under development.

Payables, expense accruals and other liabilities

At August 31, 2021 and November 30, 2020, Payables, expense accruals and other liabilities include payables to brokers, dealers and clearing organizations of $4.04 billion and $3.33 billion, respectively, and payables to customers of securities operations of $4.29 billion and $4.25 billion, respectively.

Supplemental Cash Flow Information

	For the Nine Months Ended	
	August 31, 2021	August 31, 2020
	(In thousands)	
Cash paid during the year for:		
Interest	$ 737,935	$ 880,853
Income tax payments (refunds), net	$ 516,714	$ (13,514)

Accounting Developments - Accounting Standards Adopted in Current Annual Reporting Period

Financial Instruments - Credit Losses. In June 2016, the FASB issued new guidance which provides for estimating credit losses on financial assets measured at amortized cost by introducing an approach based on expected losses over the financial asset's entire life, recorded at inception or purchase. We adopted the new credit loss guidance on December 1, 2020 and applied a modified retrospective approach through a cumulative-effect adjustment to retained earnings upon adoption. At transition on December 1, 2020, the new accounting guidance's adoption resulted in an increase in the allowance for credit losses of $26.5 million with a corresponding decrease in retained earnings of $19.9 million, net of tax. The increase is primarily attributable to a $30.1 million increase in the allowance for credit losses in Foursight Capital's portfolio of finance receivables held for investment. Foursight Capital estimates expected credit losses on its portfolio using analysis of historical portfolio performance data as well as external economic factors that management considers to be relevant to the credit losses expected in the portfolio. This is partially offset by a $3.6 million decrease in the allowance for credit losses at Jefferies Group that is attributable to applying a revised provisioning methodology based on historical loss experience for its investment banking fee receivables.

We have determined expected credit losses to be immaterial upon adoption for our other financial instruments within the scope of the guidance. A significant portion of our financial instruments within the scope of the guidance represent secured financing receivables (reverse repurchase agreements, secured borrowing arrangements, and margin loans) that are substantially collateralized. For our secured financing receivables, we have concluded that the impact upon adoption was immaterial because the contractual collateral maintenance provisions require that the counterparty continually adjust the amount of collateralization securing the credit exposure on these contracts. Collateralization levels for our secured financing receivables are initially established based upon the counterparty, the type of acceptable collateral that is monitored daily and adjusted to mitigate the potential of any credit losses. For the remaining financial instruments within the guidance's scope, the expected credit losses were also determined to be immaterial considering the counterparty's credit quality, an insignificant history of credit losses, or the short-term nature of the credit exposures.

Goodwill. In January 2017, the FASB issued new guidance which simplifies goodwill impairment testing. We adopted the guidance in the first quarter of fiscal 2021 and the adoption did not have a material impact on our consolidated financial statements.

Defined Benefit Plans. In August 2018, the FASB issued new guidance to improve the effectiveness of disclosure requirements on defined benefit pension plans and other post-retirement plans. We adopted the guidance in the first quarter of fiscal 2021 and the adoption did not have a material impact on our consolidated financial statements.

Internal-Use Software. In August 2018, the FASB issued new guidance which amends the definition of a hosting arrangement and requires that the customer in a hosting arrangement that is a service contract capitalize certain implementation costs as if the arrangement was an internal-use software project. We adopted the guidance in the first quarter of fiscal 2021 and elected to apply the guidance prospectively to implementation costs incurred after the adoption date. The adoption did not have an impact on our consolidated financial statements on the adoption date.

Consolidation. In October 2018, the FASB issued new guidance which requires indirect interests held through related parties under common control arrangements be considered on a proportional basis for determining whether fees paid to decision makers and service providers are variable interests. We adopted the guidance in the first quarter of fiscal 2021 and the adoption did not have a material impact on our consolidated financial statements.

Income Taxes. In December 2019, the FASB issued new guidance to simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and to provide more consistent application to improve the comparability of financial statements. We adopted the guidance in the first quarter of fiscal 2021 and the adoption did not have a material impact on our consolidated financial statements.

Note 3. 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 $1.02 billion and $965.4 million at August 31, 2021 and November 30, 2020, respectively, by level within the fair value hierarchy (in thousands):

	August 31, 2021				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting (1)	Total
Assets:					
Financial instruments owned, at fair value:					
Corporate equity securities	$ 2,947,163	$ 227,455	$ 131,741	$ —	$ 3,306,359
Corporate debt securities	—	3,251,540	8,156	—	3,259,696
Collateralized debt obligations and collateralized loan obligations	—	240,315	52,561	—	292,876
U.S. government and federal agency securities	4,506,638	109,919	—	—	4,616,557
Municipal securities	—	431,909	—	—	431,909
Sovereign obligations	1,211,554	963,804	—	—	2,175,358
Residential mortgage-backed securities	—	391,189	1,436	—	392,625
Commercial mortgage-backed securities	—	388,073	2,680	—	390,753
Other asset-backed securities	—	246,507	77,433	—	323,940
Loans and other receivables	—	2,725,398	150,971	—	2,876,369
Derivatives	3,028	2,373,650	22,284	(1,981,853)	417,109
Investments at fair value	—	6,313	165,333	—	171,646
FXCM term loan	—	—	58,465	—	58,465
Total financial instruments owned, at fair value, excluding investments at fair value based on NAV	$ 8,668,383	$ 11,356,072	$ 671,060	$ (1,981,853)	$ 18,713,662
Loans to and investments in associated companies	$ —	$ —	$ 36,584	$ —	$ 36,584
Securities received as collateral, at fair value	$ 9,853	$ —	$ —	$ —	$ 9,853
Liabilities:					
Financial instruments sold, not yet purchased, at fair value:					
Corporate equity securities	$ 2,014,034	$ 12,131	$ 4,387	$ —	$ 2,030,552
Corporate debt securities	—	1,890,158	528	—	1,890,686
U.S. government and federal agency securities	3,713,613	—	—	—	3,713,613
Sovereign obligations	1,165,251	805,760	—	—	1,971,011
Commercial mortgage-backed securities	—	—	140	—	140
Loans	—	2,185,793	25,212	—	2,211,005
Derivatives	1,995	3,083,778	189,346	(2,343,324)	931,795
Total financial instruments sold, not yet purchased, at fair value	$ 6,894,893	$ 7,977,620	$ 219,613	$ (2,343,324)	$ 12,748,802
Other secured financings	$ —	$ —	$ 2,493	$ —	$ 2,493
Long-term debt	$ —	$ 1,005,033	$ 785,612	$ —	$ 1,790,645
Obligation to return securities received as collateral, at fair value	$ 9,853	$ —	$ —	$ —	$ 9,853

	November 30, 2020				
	Level 1	Level 2	Level 3	Counterparty and Cash Collateral Netting (1)	Total
Assets:					
Financial instruments owned, at fair value:					
Corporate equity securities	$ 2,475,887	$ 58,159	$ 75,904	$ —	$ 2,609,950
Corporate debt securities	—	2,954,236	23,146	—	2,977,382
Collateralized debt obligations and collateralized loan obligations	—	64,155	17,972	—	82,127
U.S. government and federal agency securities	2,840,025	91,653	—	—	2,931,678
Municipal securities	—	453,881	—	—	453,881
Sovereign obligations	1,962,346	591,342	—	—	2,553,688
Residential mortgage-backed securities	—	1,100,849	21,826	—	1,122,675
Commercial mortgage-backed securities	—	736,291	2,003	—	738,294
Other asset-backed securities	—	103,611	79,995	—	183,606
Loans and other receivables	—	2,610,746	134,636	—	2,745,382
Derivatives	1,523	2,013,942	21,678	(1,556,136)	481,007
Investments at fair value	—	6,122	213,946	—	220,068
FXCM term loan	—	—	59,455	—	59,455
Total financial instruments owned, at fair value, excluding investments at fair value based on NAV	$ 7,279,781	$ 10,784,987	$ 650,561	$ (1,556,136)	$ 17,159,193
Loans to and investments in associated companies	$ —	$ 8,603	$ 40,185	$ —	$ 48,788
Securities received as collateral, at fair value	$ 7,517	$ —	$ —	$ —	$ 7,517
Liabilities:					
Financial instruments sold, not yet purchased, at fair value:					
Corporate equity securities	$ 2,046,441	$ 9,046	$ 4,434	$ —	$ 2,059,921
Corporate debt securities	—	1,237,631	141	—	1,237,772
U.S. government and federal agency securities	2,609,660	—	—	—	2,609,660
Sovereign obligations	1,050,771	624,740	—	—	1,675,511
Residential mortgage-backed securities	—	477	—	—	477
Commercial mortgage-backed securities	—	—	35	—	35
Loans	—	1,776,446	16,635	—	1,793,081
Derivatives	551	2,391,556	47,695	(1,798,659)	641,143
Total financial instruments sold, not yet purchased, at fair value	$ 5,707,423	$ 6,039,896	$ 68,940	$ (1,798,659)	$ 10,017,600
Short-term borrowings	$ —	$ 5,067	$ —	$ —	$ 5,067
Other secured financings	$ —	$ —	$ 1,543	$ —	$ 1,543
Long-term debt	$ —	$ 1,036,217	$ 676,028	$ —	$ 1,712,245
Obligation to return securities received as collateral, at fair value	$ 7,517	$ —	$ —	$ —	$ 7,517

(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. To the extent these securities are actively traded, valuation adjustments are not applied.

- 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 Jefferies Group. 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 from observed prices on recently executed market transactions and broker quotations and 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 can be measured using third-party valuation services or 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

- Investment Grade Corporate Bonds: Investment grade 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. Investment grade 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. Investment grade corporate bonds measured using alternative valuation techniques are categorized within Level 2 or Level 3 of the fair value hierarchy and are a limited portion of our investment grade 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 institutional size. Where pricing data is less observable, valuations are categorized within Level 3 of the fair value hierarchy and are based on pending transactions involving the issuer or comparable issuers, prices implied from an issuer's subsequent financing or recapitalization, 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 obtained from external pricing services and categorized within Level 1 of the fair value hierarchy.
- U.S. Agency Debt Securities: Callable and non-callable U.S. agency 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, where available, or recently executed independent transactions of comparable size and are generally categorized within Level 2 of the fair value hierarchy.

Sovereign Obligations

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. Sovereign government obligations, with consideration given to the country of issuance, are generally categorized within Level 1 or Level 2 of the fair value hierarchy.

Residential Mortgage-Backed Securities

- Agency Residential Mortgage-Backed Securities: Agency residential mortgage-backed securities include mortgage pass-through securities (fixed and adjustable rate), collateralized mortgage obligations and principal-only and interest-only (including inverse interest-only) securities. Agency residential mortgage-backed securities are generally measured using recent transactions, pricing data from external pricing services or expected future cash flow techniques that incorporate prepayment models and other prepayment assumptions to amortize the underlying mortgage loan collateral and are categorized within Level 2 or Level 3 of the fair value hierarchy. We use prices observed from recently executed transactions to develop market-clearing spread and yield assumptions. Valuation inputs with regard to the underlying collateral incorporate factors such as weighted average coupon, loan-to-value, credit scores, geographic location, maximum and average loan size, originator, servicer and weighted average loan age.
- Non-Agency Residential Mortgage-Backed Securities: The fair value of non-agency residential mortgage-backed securities is determined primarily using pricing data from external pricing services, where available, and 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. In addition, broker quotes, where available, are also referenced to compare prices primarily on interest-only securities.

Commercial Mortgage-Backed Securities

- Agency Commercial Mortgage-Backed Securities: Government National Mortgage Association ("GNMA") project loan bonds are measured based on inputs corroborated from and benchmarked to observed prices of recent securitization transactions of similar securities with adjustments incorporating an evaluation of various factors, including prepayment speeds, default rates and cash flow structures. 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 Commercial Mortgage-Backed Securities: Non-agency commercial mortgage-backed securities are measured using pricing data obtained from external pricing services, prices observed from recently executed market transactions or based on expected cash flow models that incorporate underlying loan collateral characteristics and performance. Non-agency commercial mortgage-backed securities are categorized within Level 2 or Level 3 of the fair value hierarchy depending on the observability of the underlying inputs.

Other Asset-Backed Securities

Other asset-backed securities 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 or Level 3 of the fair value hierarchy. Valuations are primarily determined using pricing data obtained from external pricing services, broker quotes and prices observed from recently executed market transactions. In addition, recent transaction data from comparable deals is deployed to develop market clearing yields and cumulative loss assumptions. The cumulative loss assumptions are based on the analysis of the underlying collateral and comparisons to earlier deals from the same issuer to gauge the relative performance of the deal.

Loans and Other Receivables

- Corporate Loans: Corporate loans categorized within Level 2 of the fair value hierarchy are measured based on market consensus pricing service quotations. Where available, market price quotations from external pricing services are reviewed to ensure they 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, for example, derived using market prices for debt securities of the same creditor and estimates of future cash flows 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 and data provider pricing. 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 with similar underlying loan collateral to derive an implied spread. Securitization prices are adjusted to estimate the fair value of the loans to account for the arbitrage that is realized at the time of securitization. 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 and incorporating 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 Claim Receivables: Escrow and 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 claim receivables are categorized within Level 2 of the fair value hierarchy where fair value is based on recent observations in the same receivable.

Derivatives

- Listed Derivative Contracts: Listed derivative contracts that are actively traded are measured based on quoted exchange prices, broker quotes or vanilla option valuation models, such as Black-Scholes, using observable valuation inputs from the principal market or consensus pricing services. Exchange quotes and/or valuation inputs are generally obtained from external vendors and pricing services. Broker quotes are validated directly through observable and tradeable quotes. Listed derivative contracts that use unadjusted exchange close prices are generally categorized within Level 1 of the fair value hierarchy. All other listed derivative contracts are generally categorized within Level 2 of the fair value hierarchy.
- Over-the-Counter ("OTC") Derivative Contracts: 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 transaction. Where available, valuation inputs are calibrated from observable 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 Black-Scholes, with key inputs including the underlying security price, foreign exchange spot rate, 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. Where available, external data is used in measuring index credit default swaps and single-name credit default swaps. For commodity and equity total return swaps, market prices are generally 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.

- Oil Futures Derivatives: Vitesse Energy Finance uses swaps and call and put options in order to reduce exposure to future oil price fluctuations. Vitesse Energy Finance accounts for the derivative instruments at fair value, which are classified as either Level 1 or Level 2 within the fair value hierarchy. Fair values classified as Level 1 are measured based on quoted closing exchange prices obtained from external pricing services and Level 2 are determined under the income valuation technique using an option-pricing model that is based on directly or indirectly observable inputs.

Investments at Fair Value

Investments at fair value 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.

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

	Fair Value (1)	Unfunded Commitments
August 31, 2021		
Equity Long/Short Hedge Funds (2)	$ 462,600	$ —
Equity Funds (3)	40,651	17,961
Commodity Funds (4)	23,540	—
Multi-asset Funds (5)	398,962	—
Other Funds (6)	95,688	6,090
Total	$ 1,021,441	$ 24,051
November 30, 2020		
Equity Long/Short Hedge Funds (2)	$ 328,096	$ —
Equity Funds (3)	33,221	12,408
Commodity Funds (4)	17,747	—
Multi-asset Funds (5)	561,236	—
Other Funds (6)	25,084	5,000
Total	$ 965,384	$ 17,408

(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 both public and private equity securities in domestic and international markets. At August 31, 2021 and November 30, 2020, approximately 72% and 94%, respectively, of the fair value of investments in this category cannot be redeemed because these investments include restrictions that do not allow for redemption before December 31, 2021. At August 31, 2021 approximately 22% of the fair value of investments in this category cannot be redeemed because these investments include restrictions that do not allow for redemption before November 30, 2023. At both August 31, 2021 and November 30, 2020, approximately 6% of the fair value of investments in this category are redeemable quarterly with 60 days prior written notice.
(3) The investments in this category include investments in equity funds that invest in the equity of various U.S. and foreign private companies. These investments cannot be redeemed; instead distributions are received through the liquidation of the underlying assets of the funds, which are primarily expected to be liquidated in approximately one to nine years.
(4) This category includes investments in a hedge fund that invests, long and short, primarily in commodities. Investments in this category are redeemable quarterly with 60 days prior written notice.
(5) 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, 2021 and November 30, 2020, investments representing approximately 79% and 57%, respectively, of the fair value of investments in this category are redeemable monthly with 60 days prior written notice.
(6) This category includes investments in a fund that invests in short-term trade receivables and payables that are expected to generally be outstanding between 90 to 120 days and short-term credit instruments. This category also includes investments in a fund that invests in distressed and special situations long and short credit strategies across sectors and asset types. Investments in this category are redeemable quarterly with 90 days prior written notice.

Investment in FXCM

Our investment in FXCM and associated companies consists of a senior secured term loan due February 15, 2022 ($71.6 million principal outstanding at August 31, 2021), a 50% voting interest in FXCM and rights to a majority of all distributions in respect of the equity of FXCM. Our investment in the FXCM term loan is reported within Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition. We classify our equity investment in FXCM in the Consolidated Statements of Financial Condition as Loans to and investments in associated companies, as we have the ability to significantly influence FXCM through our seats on the board of directors.

We estimate the fair value of our term loan by using a valuation model with inputs including management's assumptions concerning the amount and timing of expected cash flows, the loan's implied credit rating and effective yield. Because of these inputs and the degree of judgment involved, we have categorized our term loan within Level 3 of the fair value hierarchy.

Loans to and Investments in Associated Companies

Corporate bonds are measured primarily using pricing data from external pricing services and are categorized within Level 2 of the fair value hierarchy. Non-exchange-traded equity warrants with no pricing from external pricing services are generally categorized within Level 3 of the fair value hierarchy. The warrants are measured using the Black-Scholes model with key inputs impacting the valuation including the underlying security price, implied volatility, interest rate curve, strike price and maturity date.

Other Secured Financings

Other secured financings that are accounted for at fair value are classified within Level 3 of the fair value hierarchy. Fair value is based on estimates of future cash flows incorporating assumptions regarding recovery rates.

Securities Received as Collateral and Obligations to Return Securities Received as Collateral

In connection with securities-for-securities transactions in which we are the lender of securities and are permitted to sell or repledge the securities received as collateral, we report the fair value of the collateral received and the related obligation to return the collateral. Valuation is based on the price of the underlying security and is categorized within the corresponding leveling guidance above. These financial instruments are typically categorized within Level 1 of the fair value hierarchy.

Short-term Borrowings and Long-term Debt

Short-term borrowings that are accounted for at fair value include equity-linked notes, which are generally categorized within Level 2 of 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, equity-linked notes, constant maturity swap, digital and Bermudan structured notes. These are valued using various valuation models that incorporate Jefferies Group's own credit spread, market price quotations from external pricing sources referencing the appropriate interest rate curves, volatilities and other inputs as well as prices for transactions in a given note during the period. Long-term debt notes are generally categorized within Level 2 of the fair value hierarchy where market trades have been observed during the period or model pricing is available, otherwise the notes are categorized within Level 3.

Nonrecurring Fair Value Measurements

HomeFed has a 49% membership interest in the RedSky JZ Fulton Investors ("RedSky JZ Fulton Mall") joint venture, which owns a property in Brooklyn, New York. The property consists of 14 separate tax lots, divided into two development sites which may be redeveloped with buildings consisting of up to 540,000 square feet of floor area development rights. During the three months ended February 29, 2020, difficulties were encountered with attempts to refinance debt within the investment. We viewed this, combined with a softening of the Brooklyn, New York real estate market during the quarter, as a triggering event and evaluated HomeFed's equity method investment in RedSky JZ Fulton Mall to determine if there was an impairment. In connection with this evaluation, we obtained an appraisal which reflected a reduction in the value of the investment in comparison to an earlier appraisal obtained shortly before the beginning of the quarter. The appraisal was based off of Level 3 inputs consisting of prices of comparable properties and the appraisal indicated that the value of the property was worth less than the debt outstanding. HomeFed recorded an impairment charge of $55.6 million within Income (loss) related to associated companies during the nine months ended August 31, 2020, which represented all of its carrying value in the joint venture.

Due to a decline in oil and gas prices during the second quarter of 2020, Vitesse Energy Finance performed impairment analyses on its proven oil and gas properties in the Denver-Julesburg Basin ("DJ Basin") of Wyoming and Colorado and the Williston Basin in North Dakota and Montana. Vitesse Energy Finance first determined the estimated undiscounted cash flows based on the reserves and costs utilized in its reserve report and then updated those cash flows based on strip pricing as of May 31, 2020. The expected undiscounted future net cash flows were then compared to the end of quarter net carrying value of the oil and gas properties. No impairment of the Williston Basin assets was necessary as the undiscounted future net cash flows significantly exceeded the carrying value of these assets. As undiscounted future net cash flows were lower than the carrying value of the DJ Basin properties, Vitesse Energy Finance then determined the estimated fair value of the proven properties. To measure the estimated fair value of its proven properties, Vitesse Energy Finance used unobservable Level 3 inputs, including a 10.0% discount rate and estimated future cash flows from its reserve report. The estimated fair value of Vitesse Energy Finance's proven oil and gas properties in the DJ Basin totaled $26.8 million, which was $13.2 million lower than the carrying value as of the end of the second quarter of 2020. As a result, an impairment charge of $13.2 million was recorded in Selling, general and other expenses during the nine months ended August 31, 2020.

Due to a decline in oil and gas prices during the first quarter of 2020, JETX Energy, LLC ("JETX Energy"), an oil and gas production and development subsidiary, performed an impairment analysis for its oil and gas properties in the East Eagle Ford. JETX Energy first determined the estimated undiscounted cash flows based on the reserves and costs utilized in its reserve report and then updated those cash flows based on strip pricing as of February 29, 2020. The expected undiscounted future net cash flows were then compared to the end of quarter net carrying value of the proven properties. As the undiscounted future net cash flows were lower than the carrying value, JETX Energy then determined the estimated fair value of the proven properties. To measure the estimated fair value of its proven properties, JETX Energy used unobservable Level 3 inputs, including a 10.0% discount rate and estimated future cash flows from its reserve report. The estimated fair value of JETX Energy's proven oil and gas properties in the East Eagle Ford totaled $9.6 million, which was $33.0 million lower than the carrying value as of the end of first quarter of 2020. As a result, an impairment charge of $33.0 million was recorded in Selling, general and other expenses during the nine months ended August 31, 2020.

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, 2021 (in thousands):

	Balance, May 31, 2021	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into (out of) Level 3	Balance, August 31, 2021	Changes in unrealized gains/losses included in earnings relating to instruments still held at August 31, 2021 (1)
Assets:									
Financial instruments owned, at fair value:									
Corporate equity securities	$ 86,451	$ 36,643	$ 208	$ (1,488)	$ (16)	$ —	$ 9,943	$ 131,741	$ 37,731
Corporate debt securities	7,985	405	14,898	(17,317)	(20)	—	2,205	8,156	192
CDOs and CLOs	26,561	2,539	50,199	(33,234)	(1,518)	—	8,014	52,561	(730)
Residential mortgage-backed securities	6,033	(42)	—	(417)	(61)	—	(4,077)	1,436	(14)
Commercial mortgage-backed securities	1,176	(103)	1,607	—	—	—	—	2,680	1,530
Other asset-backed securities	70,555	30	18,611	(274)	(14,426)	—	2,937	77,433	(3,145)
Loans and other receivables	190,412	(5,689)	14,796	(29,557)	(10,873)	—	(8,118)	150,971	(4,409)
Investments at fair value	230,834	3,662	1,185	(1)	(382)	—	(69,965)	165,333	3,661
FXCM term loan	59,155	(690)	—	—	—	—	—	58,465	(690)
Loans to and investments in associated companies	37,287	(703)	—	—	—	—	—	36,584	(703)
Liabilities:									
Financial instruments sold, not yet purchased, at fair value:									
Corporate equity securities	$ 4,462	$ (75)	$ —	$ —	$ —	$ —	$ —	$ 4,387	$ 75
Corporate debt securities	927	(7)	—	—	—	—	(392)	528	7
Commercial mortgage-backed securities	35	—	—	105	—	—	—	140	—
Loans	20,389	(8)	(3,118)	1,710	—	—	6,239	25,212	6
Net derivatives (2)	227,058	20,869	(1,868)	—	665	—	(79,662)	167,062	(22,433)
Other secured financings	2,493	—	—	—	—	—	—	2,493	—
Long-term debt (1)	795,098	(17,106)	—	—	—	22,330	(14,710)	785,612	13,204

(1) Realized and unrealized gains/losses are primarily reported in Principal transactions revenues in the Consolidated Statements of Operations. Changes in instrument specific credit risk related to structured notes within long-term debt are included in the Consolidated Statements of Comprehensive Income (Loss), net of tax. Changes in unrealized gains/losses included in other comprehensive income (loss) for instruments still held at August 31, 2021 were gains of $3.9 million during the three months ended August 31, 2021.

(2) Net derivatives represent Financial instruments owned, at fair value - Derivatives and Financial instruments sold, not yet purchased, at fair value - Derivatives.

Analysis of Level 3 Assets and Liabilities for the three months ended August 31, 2021

During the three months ended August 31, 2021, transfers of assets of $37.9 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Other asset-backed securities of $13.7 million, loans and other receivables of $13.4 million, CDOs and CLOs of $8.0 million and corporate debt securities of $2.5 million due to reduced pricing transparency.

During the three months ended August 31, 2021, transfers of assets of $97.0 million from Level 3 to Level 2 or Level 1 are primarily attributed to:

- Investments at fair value of $60.4 million, loans and other receivables of $21.5 million, other asset-backed securities of $10.7 million and residential mortgage-backed securities of $4.1 million due to greater pricing transparency supporting classification into Level 2 or Level 1.

During the three months ended August 31, 2021, transfers of liabilities of $51.8 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Net derivatives of $32.9 million, loans of $9.7 million and structured notes within long-term debt of $9.2 million due to reduced pricing and market transparency.

During the three months ended August 31, 2021, transfers of liabilities of $140.3 million from Level 3 to Level 2 of the fair value hierarchy are primarily attributed to:

- Net derivatives of $112.5 million and structured notes within long-term debt of $23.9 million due to greater pricing transparency.

Net gains on Level 3 assets were $36.1 million and net losses on Level 3 liabilities were $3.7 million for the three months ended August 31, 2021. Net gains on Level 3 assets were primarily due to increased market values across corporate equity securities, investments at fair value and CDOs and CLOs, partially offset by decreased market values of loans and other receivables. Net losses on Level 3 liabilities were primarily due to increased valuations of certain derivatives, partially offset by decreases in structured notes within long-term debt.

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, 2020 (in thousands):

	Balance, May 31, 2020	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into (out of) Level 3	Balance, August 31, 2020	Changes in unrealized gains/ losses included in earnings relating to instruments still held at August 31, 2020 (1)
Assets:									
Financial instruments owned, at fair value:									
Corporate equity securities	$ 76,140	$ (597)	$ 779	$ —	$ —	$ —	$ 1,619	$ 77,941	$ (597)
Corporate debt securities	25,178	(889)	4	(394)	—	—	(630)	23,269	(881)
CDOs and CLOs	31,551	3,813	39	(7,539)	(2,318)	—	10,576	36,122	159
Residential mortgage-backed securities	22,339	1,240	—	—	(774)	—	5,512	28,317	1,262
Commercial mortgage-backed securities	4,461	202	—	—	—	—	—	4,663	198
Other asset-backed securities	86,062	(1,585)	3,313	—	(7,442)	—	(17,011)	63,337	(5,101)
Loans and other receivables	121,129	13,109	18,492	(13,897)	(355)	—	24,463	162,941	13,440
Investments at fair value	154,238	24,179	7,183	—	(13,102)	—	—	172,498	23,030
FXCM term loan	53,765	2,777	—	—	—	—	—	56,542	2,777
Loans to and investments in associated companies	—	—	—	—	—	—	34,688	34,688	—
Liabilities:									
Financial instruments sold, not yet purchased, at fair value:									
Corporate equity securities	$ 4,190	$ (12)	$ —	$ —	$ —	$ —	$ 189	$ 4,367	$ 12
Corporate debt securities	163	(15)	—	—	—	—	—	148	15
Commercial mortgage-backed securities	140	—	(140)	35	—	—	—	35	—
Loans	10,674	6,636	(23,001)	3,558	—	—	48,727	46,594	(6,591)
Net derivatives (2)	45,131	(12,175)	(1,404)	13,089	(648)	—	(21,568)	22,425	12,007
Other secured financings	—	(617)	—	—	—	4,019	—	3,402	617
Long-term debt (1)	497,040	130,463	—	—	—	5,749	(2,992)	630,260	(42,163)

(1) Realized and unrealized gains/losses are primarily reported in Principal transactions revenues in the Consolidated Statements of Operations. Changes in instrument specific credit risk related to structured notes within long-term debt are included in the Consolidated Statements of Comprehensive Income (Loss), net of tax. Changes in unrealized gains (losses) included in other comprehensive income (loss) for instruments still held at August 31, 2020 were losses of $88.3 million during the three months ended August 31, 2020.

(2) Net derivatives represent Financial instruments owned, at fair value - Derivatives and Financial instruments sold, not yet purchased, at fair value - Derivatives.

Analysis of Level 3 Assets and Liabilities for the three months ended August 31, 2020

During the three months ended August 31, 2020, transfers of assets of $64.5 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Loans and other receivables of $31.8 million, CDOs and CLOs of $19.5 million, other asset-backed securities of $5.8 million and residential mortgage-backed securities of $5.5 million due to reduced pricing transparency.

During the three months ended August 31, 2020, transfers of assets into Level 3 also include $34.7 million related to Loans to and investments in associated companies.

During the three months ended August 31, 2020, transfers of assets of $39.9 million from Level 3 to Level 2 are primarily attributed to:

- Other asset-backed securities of $22.9 million, CDOs and CLOs of $8.9 million and loans and other receivables of $7.4 million due to greater pricing transparency supporting classification into Level 2.

During the three months ended August 31, 2020, transfers of liabilities of $54.4 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Loans of $50.1 million and net derivatives of $4.1 million due to reduced pricing and market transparency.

During the three months ended August 31, 2020, transfers of liabilities of $30.0 million from Level 3 to Level 2 of the fair value hierarchy are primarily attributed to:

- Net derivatives of $25.6 million and structured notes within long-term debt of $3.0 million due to greater pricing and market pricing transparency.

Net gains on Level 3 assets were $42.2 million and net losses on Level 3 liabilities were $124.3 million for the three months ended August 31, 2020. Net gains on Level 3 assets were primarily due to increased market values across investments at fair value, loans and other receivables, CDOs and CLOs and the FXCM term loan, partially offset by decreased market values across other asset-backed securities. Net losses on Level 3 liabilities were primarily due to increased valuations of certain structured notes within long-term debt, partially offset by decreased market values across derivatives.

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, 2021 (in thousands):

	Balance, November 30, 2020	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into (out of) Level 3	Balance, August 31, 2021	Changes in unrealized gains/losses included in earnings relating to instruments still held at August 31, 2021 (1)
Assets:									
Financial instruments owned, at fair value:									
Corporate equity securities	$ 75,904	$ 48,741	$ 7,900	$ (37,794)	$ (16)	$ —	$ 37,006	$ 131,741	$ 37,146
Corporate debt securities	23,146	1,600	1,513	(3,721)	(128)	—	(14,254)	8,156	331
CDOs and CLOs	17,972	7,666	58,868	(37,277)	(2,201)	—	7,533	52,561	(4,716)
Residential mortgage-backed securities	21,826	(195)	157	(784)	(291)	—	(19,277)	1,436	(123)
Commercial mortgage-backed securities	2,003	134	2,590	(393)	(1,639)	—	(15)	2,680	741
Other asset-backed securities	79,995	4,770	38,785	(26,642)	(25,966)	—	6,491	77,433	(6,955)
Loans and other receivables	134,636	18,104	51,933	(55,693)	(10,509)	—	12,500	150,971	9,756
Investments at fair value	213,946	106,699	12,669	(47,245)	(8,955)	—	(111,781)	165,333	30,027
FXCM term loan	59,455	(990)	—	—	—	—	—	58,465	(990)
Loans to and investments in associated companies	40,185	(3,601)	—	—	—	—	—	36,584	(3,601)
Liabilities:									
Financial instruments sold, not yet purchased, at fair value:									
Corporate equity securities	$ 4,434	$ (12)	$ (22)	$ —	$ —	$ —	$ (13)	$ 4,387	$ 13
Corporate debt securities	141	375	—	12	—	—	—	528	(375)
Commercial mortgage-backed securities	35	—	(35)	140	—	—	—	140	—
Loans	16,635	1,308	(7,182)	14,083	—	—	368	25,212	(4,094)
Net derivatives (2)	26,017	33,173	(1,548)	49,871	768	—	58,781	167,062	(33,007)
Other secured financings	1,543	—	—	—	—	950	—	2,493	—
Long-term debt (1)	676,028	25,323	—	—	—	58,000	26,261	785,612	31,992

(1) Realized and unrealized gains/losses are primarily reported in Principal transactions revenues in the Consolidated Statements of Operations. Changes in instrument specific credit risk related to structured notes within long-term debt are included in the Consolidated Statements of Comprehensive Income (Loss), net of tax. Changes in unrealized gains/losses included in other comprehensive income (loss) for instruments still held at August 31, 2021 were losses of $57.3 million during the nine months ended August 31, 2021.
(2) Net derivatives represent Financial instruments owned, at fair value - Derivatives and Financial instruments sold, not yet purchased, at fair value - Derivatives.

Analysis of Level 3 Assets and Liabilities for the nine months ended August 31, 2021

During the nine months ended August 31, 2021, transfers of assets of $50.9 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:
- Loans and other receivables of $17.4 million, other asset-backed securities of $12.5 million, corporate equity securities of $10.2 million and CDOs and CLOs of $7.6 million due to reduced pricing transparency.

During the nine months ended August 31, 2021, transfers of assets of $132.7 million from Level 3 to Level 2 or Level 1 are primarily attributed to:
- Investments at fair value of $84.5 million, residential mortgage-backed securities of $19.3 million, corporate debt securities of $17.5 million, other asset-backed securities of $6.0 million and loans and other receivables of $4.9 million due to greater pricing transparency supporting classification into Level 2 or Level 1.

During the nine months ended August 31, 2021, transfers of liabilities of $100.0 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:
- Net derivatives of $73.4 million and structured notes within long-term debt of $26.3 million due to reduced pricing and market transparency.

During the nine months ended August 31, 2021, transfers of liabilities of $14.6 million from Level 3 to Level 2 of the fair value hierarchy are primarily attributed to:

- Net derivatives of $14.6 million due to greater pricing transparency.

Net gains on Level 3 assets were $182.9 million and net losses on Level 3 liabilities were $60.2 million for the nine months ended August 31, 2021. Net gains on Level 3 assets were primarily due to increased market values across investments at fair value, corporate equity securities, loans and other receivables, CDOs and CLOs and other asset-backed securities, partially offset by decreases in loans to and investments in associated companies. Net losses on Level 3 liabilities were primarily due to increased valuations of certain derivatives and structured notes within long-term debt.

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, 2020 (in thousands):

	Balance, November 30, 2019	Total gains/ losses (realized and unrealized) (1)	Purchases	Sales	Settlements	Issuances	Net transfers into (out of) Level 3	Balance, August 31, 2020	Changes in unrealized gains/ losses included in earnings relating to instruments still held at August 31, 2020 (1)
Assets:									
Financial instruments owned, at fair value:									
Corporate equity securities	$ 58,426	$ (3,914)	$ 3,406	$ (13,555)	$ —	$ —	$ 33,578	$ 77,941	$ (775)
Corporate debt securities	7,490	(162)	285	(489)	(602)	—	16,747	23,269	(591)
CDOs and CLOs	28,788	(8,000)	10,883	(20,935)	(6,847)	—	32,233	36,122	(20,739)
Residential mortgage-backed securities	17,740	(1,347)	7,625	—	(496)	—	4,795	28,317	(1,811)
Commercial mortgage-backed securities	6,110	232	—	—	(1,785)	—	106	4,663	807
Other asset-backed securities	42,563	(3,495)	29,096	(664)	(22,125)	—	17,962	63,337	(13,012)
Loans and other receivables	114,080	966	309,982	(208,958)	(57,371)	—	4,242	162,941	1,291
Investments at fair value	205,412	(62,415)	42,771	(168)	(13,102)	—	—	172,498	(64,263)
FXCM term loan	59,120	(2,578)	—	—	—	—	—	56,542	(2,578)
Loans to and investments in associated companies	—	—	—	—	—	—	34,688	34,688	—
Securities purchased under agreements to resell	25,000	—	—	—	(25,000)	—	—	—	—
Liabilities:									
Financial instruments sold, not yet purchased, at fair value:									
Corporate equity securities	$ 4,487	$ 258	$ (567)	$ —	$ —	$ —	$ 189	$ 4,367	$ 98
Corporate debt securities	340	(261)	(325)	394	—	—	—	148	20
Commercial mortgage-backed securities	35	—	(35)	35	—	—	—	35	—
Loans	9,463	2,986	(5,760)	38,531	—	—	1,374	46,594	(3,366)
Net derivatives (2)	77,168	(63,367)	(6,732)	26,656	(1,567)	—	(9,733)	22,425	60,257
Other secured financings	—	(617)	—	—	—	4,019	—	3,402	617
Long-term debt (1)	480,069	10,851	—	—	(2,000)	202,046	(60,706)	630,260	(28,153)

(1) Realized and unrealized gains/losses are primarily reported in Principal transactions revenues in the Consolidated Statements of Operations. Changes in instrument specific credit risk related to structured notes within long-term debt are included in the Consolidated Statements of Comprehensive Income (Loss), net of tax. Changes in unrealized gains (losses) included in other comprehensive income (loss) for instruments still held at August 31, 2020 were gains of $17.3 million during the nine months ended August 31, 2020.

(2) Net derivatives represent Financial instruments owned, at fair value - Derivatives and Financial instruments sold, not yet purchased, at fair value - Derivatives.

Analysis of Level 3 Assets and Liabilities for the nine months ended August 31, 2020

During the nine months ended August 31, 2020, transfers of assets of $132.0 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Corporate equity securities of $36.6 million, CDOs and CLOs of $34.1 million, other asset-backed securities of $23.5 million, corporate debt securities of $18.6 million and loans and other receivables of $13.4 million due to reduced pricing transparency.

During the nine months ended August 31, 2020, transfers of assets into Level 3 also include $34.7 million related to Loans to and investments in associated companies.

During the nine months ended August 31, 2020, transfers of assets of $22.3 million from Level 3 to Level 2 are primarily attributed to:

- Loans and other receivables of $9.2 million, other asset-backed securities of $5.6 million and corporate equity securities of $3.1 million due to greater pricing transparency supporting classification into Level 2.

During the nine months ended August 31, 2020, transfers of liabilities of $37.3 million from Level 2 to Level 3 of the fair value hierarchy are primarily attributed to:

- Net derivatives of $35.2 million due to reduced pricing transparency.

During the nine months ended August 31, 2020, transfers of liabilities of $106.2 million from Level 3 to Level 2 of the fair value hierarchy are primarily attributed to:

- Structured notes within long-term debt of $60.7 million and net derivatives of $45.0 million due to greater market and pricing transparency.

Net losses on Level 3 assets were $80.7 million and net gains on Level 3 liabilities were $50.1 million for the nine months ended August 31, 2020. Net losses on Level 3 assets were primarily due to decreased market values across investments at fair value, CDOs and CLOs, corporate equity securities, other assets-backed securities and the FXCM term loan. Net gains on Level 3 liabilities were primarily due to decreased market values across derivatives, partially offset by increased valuations of certain structured notes within long-term.

Quantitative Information about Significant Unobservable Inputs used in Level 3 Fair Value Measurements

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.

August 31, 2021					
	Fair Value (in thousands)	Valuation Technique	Significant Unobservable Input(s)	Input/Range	Weighted Average
Financial instruments owned, at fair value					
Corporate equity securities	$ 130,796				
Non-exchange-traded securities		Market approach	Price	$1 to $366	$125
			EBITDA multiple	3.7	—
		Volatility benchmarking	Volatility	41 % to 52%	43 %
Corporate debt securities	$ 8,156	Market approach	Price	$13 to $73	$46
		Scenario analysis	Estimated recovery percentage	20%	—
CDOs and CLOs	$ 52,466	Discounted cash flows	Constant prepayment rate	2 % to 20%	19 %
			Constant default rate	1 % to 2%	2 %
			Loss severity	25 % to 60%	28 %
			Discount rate/yield	7 % to 30%	15 %
		Market approach	Price	$100 to $104	$101
			Transaction level	€100	—
Commercial mortgage-backed securities	$ 2,680	Scenario analysis	Estimated recovery percentage	81%	—
Other asset-backed securities	$ 77,433	Discounted cash flows	Discount rate/yield	2 % to 15%	8 %
			Cumulative loss rate	7 % to 80%	15 %
			Duration (years)	0.7 years to 2.4 years	1.4 years
		Market approach	Price	$60 to $100	$90
Loans and other receivables	$ 149,748	Market approach	Price	$10 to $100	$69
		Scenario analysis	Estimated recovery percentage	8 % to 100%	87 %
Derivatives	$ 20,905				
Equity Options		Volatility benchmarking	Volatility	36 % to 41%	40 %
Interest rate swaps		Market approach	Basis points upfront	0.8 to 11.2	4.3
Investments at fair value	$ 131,925				
Private equity securities		Market approach	Price	$1 to $169	$37
			EBITDA multiple	19.1	—
			Revenue multiple	4.9 to 5.1	5.0
		Volatility benchmarking	Volatility	21 % to 26%	25 %
		Scenario analysis	Estimated recovery percentage	9%	—
			Discount rate/yield	13 % to 21%	17 %
			Revenue growth	0%	—
Investment in FXCM	$ 58,465				
Term loan		Discounted cash flows	Term based on the pay off (years)	0 months to 1.5 years	1.5 years
Loans to and investments in associated companies					
Non-exchange-traded warrants	$ 36,584	Market approach	Underlying stock price	$682	—
			Underlying stock price	€15 to €18	€17
			Volatility	25 % to 61%	31 %
Financial instruments sold, not yet purchased, at fair value					
Corporate equity securities	$ 4,387	Market approach	Price	$1	—
Corporate debt securities	$ 528	Scenario analysis	Estimated recovery percentage	20%	—
Loans	$ 25,212	Market approach	Price	$31 to $92	$62
		Scenario analysis	Estimated recovery percentage	50%	—
Derivatives	$ 189,346				
Equity options		Volatility benchmarking	Volatility	26 % to 56%	43 %
Interest rate swaps		Market approach	Basis points upfront	0.1 to 22.1	9.3
Other secured financings	$ 2,493	Scenario analysis	Estimated recovery percentage	19 % to 100%	59 %
Long-term debt					
Structured notes	$ 785,612	Market approach	Price	$82 to $115	$103
			Price	€80 to €112	€85

	November 30, 2020				
	Fair Value (in thousands)	**Valuation Technique**	**Significant Unobservable Input(s)**	**Input/Range**	**Weighted Average**
Financial instruments owned, at fair value					
Corporate equity securities	$ 75,409				
Non-exchange-traded securities		Market approach	Price	$1 to $213	$86
			EBITDA multiple	4.0 to 8.0	5.7
Corporate debt securities	$ 23,146	Market approach	Price	$69	—
		Scenario analysis	Estimated recovery percentage	20 % to 44%	30 %
CDOs and CLOs	$ 17,972	Discounted cash flows	Constant prepayment rate	20%	—
			Constant default rate	2%	—
			Loss severity	25 % to 30%	26 %
			Discount rate/yield	14 % to 28%	20 %
		Scenario analysis	Estimated recovery percentage	2 % to 34%	23 %
Residential mortgage-backed securities	$ 21,826	Discounted cash flows	Cumulative loss rate	2 % to 3%	3 %
			Loss severity	35 % to 50%	36 %
			Duration (years)	2.0 years to 12.9 years	5.1 years
			Discount rate/yield	3 % to 12%	4 %
Other asset-backed securities	$ 67,816	Discounted cash flows	Cumulative loss rate	1 % to 28%	11 %
			Loss severity	50 % to 85%	54 %
			Duration (years)	0.2 years to 2.1 years	1.3 years
			Discount rate/yield	1 % to 16%	9 %
		Market approach	Price	$100	—
Loans and other receivables	$ 76,049	Market approach	Price	$31 to $100	$84
		Scenario analysis	Estimated recovery percentage	19 % to 100%	52 %
Derivatives	$ 19,951				
Equity options		Volatility benchmarking	Volatility	47%	—
Interest rate swaps		Market approach	Basis points upfront	1.2 to 8.0	4.8
Investments at fair value	$ 96,906				
Private equity securities		Market approach	Price	$1 to $169	$29
		Scenario analysis	Estimated recovery percentage	17%	—
			Discount rate/yield	19 % to 21%	20 %
			Revenue growth	0%	—
Investment in FXCM	$ 59,455				
Term loan		Discounted cash flows	Term based on the pay off (years)	0 months to 1.2 years	1.2 years
Loans to and investments in associated companies					
Non-exchange-traded warrants	$ 40,185	Market approach	Underlying stock price	$778 to $805	$792
			Underlying stock price	€15 to €19	€16
			Volatility	25 % to 55%	30 %
Financial instruments sold, not yet purchased, at fair value					
Corporate equity securities	$ 4,434	Market approach	Price	$1	—
Corporate debt securities	$ 141	Scenario analysis	Estimated recovery percentage	20%	—
Loans	$ 16,635	Market approach	Price	$31 to $99	$55
Derivatives	$ 46,971				
Equity options		Volatility benchmarking	Volatility	33 % to 50%	42 %
Interest rate swaps		Market approach	Basis points upfront	1.2 to 8.0	5.4
Other secured financings	$ 1,543	Scenario analysis	Estimated recovery percentage	19 % to 55%	45 %
Long-term debt					
Structured notes	$ 676,028	Market approach	Price	$100	—
			Price	€76 to €113	€99

The fair values of certain Level 3 assets and liabilities that were determined based on third-party pricing information, unadjusted past transaction prices or a percentage of the reported enterprise fair value are excluded from the above tables. At August 31, 2021 and November 30, 2020, asset exclusions consisted of $38.5 million and $192.0 million, respectively, primarily comprised of certain investments at fair value, CDOs and CLOs, other asset-backed securities, residential mortgage-backed securities, commercial mortgage-backed securities, certain derivatives, loans and other receivables and corporate equity securities. At August 31, 2021 and November 30, 2020, liability exclusions consisted of $0.1 million and $0.8 million, respectively, primarily comprised of certain derivatives and commercial mortgage-backed securities.

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

- Non-exchange-traded securities, corporate equity securities, corporate debt securities, CDOs and CLOs, loans and other receivables, other asset-backed securities, private equity securities, certain derivatives, loans to and investments in associated companies and structured notes using a market approach valuation technique. A significant increase (decrease) in the price of the private equity securities, non-exchange-traded securities, corporate equity securities, CDOs and CLOs, corporate debt securities, other asset-backed securities, loans and other receivables or structured notes would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the transaction level of CDOs and CLOs would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the EBITDA multiple related to non-exchange traded securities or private equity securities would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the revenue multiple related to private equity securities would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the underlying stock price of non-exchange-traded warrants would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the volatility of the underlying stock price of non-exchange-traded warrants would result in a significantly higher (lower) fair value measurement. Depending on whether we are a receiver or (payer) of basis points upfront, a significant increase in basis points would result in a significant increase (decrease) in the fair value measurement of interest rate swaps.
- Loans and other receivables, corporate debt securities, commercial mortgage-backed securities, private equity securities, CDOs and CLOs and other secured financings using scenario analysis. A significant increase (decrease) in the possible recovery rates of the cash flow outcomes underlying the financial instrument would result in a significantly higher (lower) fair value measurement for the financial instrument. A significant increase (decrease) in the discount rate/yield underlying the investment would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the revenue growth underlying the investment would result in a significantly higher (lower) fair value measurement.
- CDOs and CLOs, residential mortgage-backed securities, other asset-backed securities and the FXCM term loan 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. A significant increase (decrease) in term based on the time to pay off the loan would result in a lower (higher) fair value measurement.
- Derivative equity options, non-exchange-traded securities and private equity securities using volatility benchmarking. A significant increase (decrease) in volatility would result in a significantly higher (lower) fair value measurement.

Fair Value Option Election

We have elected the fair value option for all loans and loan commitments made by our investment banking and 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-backed 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, at fair value and loan commitments are included in Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value in the 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 associated companies in the 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 investment banking and capital markets businesses and are included in Long-term debt and Short-term borrowings in the 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 on a fair value basis. The fair value option has been elected for certain other secured financings that arise in connection with our securitization activities and other structured financings. Other secured financings, receivables from brokers, dealers and clearing organizations, receivables from customers of securities operations, other receivables, payables to brokers, dealers and clearing organizations and payables to customers of securities operations, 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 short-term borrowings and long-term debt measured at fair value under the fair value option (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Financial instruments owned, at fair value:				
Loans and other receivables	$ (7,273)	$ 1,704	$ 17,600	$ (11,256)
Financial instruments sold, not yet purchased, at fair value:				
Loans	$ (574)	$ 367	$ 945	$ (610)
Loan commitments	—	1,875	—	464
Short-term borrowings:				
Changes in instrument specific credit risk (1)	$ —	$ (23)	$ —	$ (92)
Other changes in fair value (2)	—	(1,115)	—	(959)
Other secured financings:				
Other changes in fair value (2)	$ —	$ 617	$ —	$ 617
Long-term debt:				
Changes in instrument specific credit risk (1)	$ 20,478	$ (177,801)	$ (103,751)	$ 49,369
Other changes in fair value (2)	(26,093)	(9,943)	61,695	(78,567)

(1) Changes in instrument specific credit risk related to structured notes are included in the Consolidated Statements of Comprehensive Income (Loss), net of tax.
(2) Other changes in fair value are included in Principal transactions revenues in the Consolidated Statements of Operations.

The following is a summary of the amounts by which contractual principal is greater than (less than) fair value for loans and other receivables, long-term debt and short-term borrowings and other secured financings measured at fair value under the fair value option (in thousands):

	August 31, 2021	November 30, 2020
Financial instruments owned, at fair value:		
Loans and other receivables (1)	$ 5,788,620	$ 1,662,647
Loans and other receivables on nonaccrual status and/or 90 days or greater past due (1) (2)	123,430	287,889
Long-term debt and short-term borrowings	$ (73,789)	$ (42,819)
Other secured financings	$ 2,782	$ 2,782

(1) Interest income is recognized separately from other changes in fair value and is included in Interest income in the Consolidated Statements of Operations.
(2) Amounts include loans and other receivables 90 days or greater past due by which contractual principal exceeds fair value of $31.8 million and $30.0 million at August 31, 2021 and November 30, 2020, respectively.

The aggregate fair value of loans and other receivables on nonaccrual status and/or 90 days or greater past due was $61.6 million and $69.7 million at August 31, 2021 and November 30, 2020, respectively, which includes loans and other receivables 90 days or greater past due of $16.4 million and $3.8 million at August 31, 2021 and November 30, 2020, 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 within 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 with a fair value of $0.0 million and $34.2 million at August 31, 2021 and November 30, 2020, respectively.

Note 4. Derivative Financial Instruments

Derivative Financial Instruments

Derivative activities are recorded at fair value in the Consolidated Statements of Financial Condition in Financial instruments owned, at fair value and Financial instruments sold, not yet purchased, at fair value, 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 (1) interest rate swaps that have been designated as fair value hedges of the changes in fair value due to the benchmark interest rate for certain fixed rate senior long-term debt and (2) forward foreign exchange contracts designated as hedges to offset the change in the value of certain net investments in foreign operations. See Notes 3 and 18 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. master netting agreements or similar agreements with counterparties.

The following tables present the fair value and related number of derivative contracts at August 31, 2021 and November 30, 2020 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 the Consolidated Statements of Financial Condition as appropriate under 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).

	Assets		Liabilities	
	Fair Value	Number of Contracts (2)	Fair Value	Number of Contracts (2)
August 31, 2021 (1)				
Derivatives designated as accounting hedges:				
Interest rate contracts:				
Cleared OTC	$ 44,100	1	$ 22,880	1
Foreign exchange contracts:				
Bilateral OTC	11,180	5	—	—
Total derivatives designated as accounting hedges	55,280		22,880	
Derivatives not designated as accounting hedges:				
Interest rate contracts:				
Exchange-traded	2,484	39,884	1,587	44,836
Cleared OTC	50,449	4,101	82,597	4,407
Bilateral OTC	453,216	1,568	316,259	854
Foreign exchange contracts:				
Exchange-traded	—	30	—	—
Bilateral OTC	662,479	16,373	668,138	16,294
Equity contracts:				
Exchange-traded	742,689	1,259,059	789,866	1,212,193
Bilateral OTC	390,703	3,100	1,319,868	2,219
Commodity contracts:				
Exchange-traded	553	2,077	370	1,679
Bilateral OTC	275	166	15,010	1,220
Credit contracts:				
Cleared OTC	28,410	27	45,253	51
Bilateral OTC	12,424	19	13,291	16
Total derivatives not designated as accounting hedges	2,343,682		3,252,239	
Total gross derivative assets/liabilities:				
Exchange-traded	745,726		791,823	
Cleared OTC	122,959		150,730	
Bilateral OTC	1,530,277		2,332,566	
Amounts offset in the Consolidated Statement of Financial Condition (3):				
Exchange-traded	(742,450)		(742,450)	
Cleared OTC	(122,587)		(141,384)	
Bilateral OTC	(1,116,816)		(1,459,490)	
Net amounts in the Consolidated Statement of Financial Condition (4)	$ 417,109		$ 931,795	

(continued)

	Assets		Liabilities	
	Fair Value	Number of Contracts (2)	Fair Value	Number of Contracts (2)
November 30, 2020 (1)				
Derivatives designated as accounting hedges:				
Interest rate contracts:				
Cleared OTC	$ 67,381	1	$ 6,891	1
Foreign exchange contracts:				
Bilateral OTC	—	—	3,306	11
Total derivatives designated as accounting hedges	67,381		10,197	
Derivatives not designated as accounting hedges:				
Interest rate contracts:				
Exchange-traded	2,442	52,620	439	42,611
Cleared OTC	17,379	3,785	114,524	4,307
Bilateral OTC	626,210	1,493	317,534	466
Foreign exchange contracts:				
Exchange-traded	—	—	—	180
Bilateral OTC	297,165	15,005	277,706	15,050
Equity contracts:				
Exchange-traded	558,304	1,147,486	564,951	971,938

Bilateral OTC	429,304	2,374	1,125,944	2,421
Commodity contracts:				
Exchange-traded	64	3,207	—	2,654
Bilateral OTC	13,190	1,556	—	—
Credit contracts:				
Cleared OTC	24,696	39	26,298	31
Bilateral OTC	1,008	11	2,209	11
Total derivatives not designated as accounting hedges	1,969,762		2,429,605	
Total gross derivative assets/liabilities:				
Exchange-traded	560,810		565,390	
Cleared OTC	109,456		147,713	
Bilateral OTC	1,366,877		1,726,699	
Amounts offset in the Consolidated Statement of Financial Condition (3):				
Exchange-traded	(546,989)		(546,989)	
Cleared OTC	(109,228)		(111,654)	
Bilateral OTC	(899,919)		(1,140,016)	
Net amounts in the Consolidated Statement of Financial Condition (4)	$ 481,007		$ 641,143	

(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.

(2) Number of exchange-traded contracts may include open futures contracts. The unsettled fair value of these futures contracts is included in Receivables and Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition.

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

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

The following table provides information related to gains (losses) recognized in Interest expense of Jefferies Group in the Consolidated Statements of Operations related to fair value hedges (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Interest rate swaps	$ 17,665	$ 834	$ (27,797)	$ 47,303
Long-term debt	(13,396)	1,634	38,630	(45,539)
Total	$ 4,269	$ 2,468	$ 10,833	$ 1,764

The following table provides information related to gains (losses) on net investment hedges recognized in Net unrealized foreign exchange gains (losses), a component of Accumulated other comprehensive income (loss), in the Consolidated Statements of Comprehensive Income (Loss) (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Foreign exchange contracts	$ 39,778	$ (393)	$ (23,628)	$ (393)
Total	$ 39,778	$ (393)	$ (23,628)	$ (393)

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

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Interest rate contracts	$ (152)	$ (35,462)	$ (20,912)	$ (40,630)
Foreign exchange contracts	(38,633)	4,418	32,439	2,534
Equity contracts	(198,979)	(32,782)	(291,991)	113,253
Commodity contracts	(3,958)	(18,716)	(29,027)	42,049
Credit contracts	(4,927)	(179)	(6,970)	14,205
Total	$ (246,649)	$ (82,721)	$ (316,461)	$ 131,411

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 as reflected in the Consolidated Statement of Financial Condition at August 31, 2021 (in thousands):

	OTC Derivative Assets (1) (2) (3)				
	0-12 Months	1-5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Commodity swaps, options and forwards	$ 132	$ 143	$ —	$ —	$ 275
Equity options and forwards	61,205	36	20,728	(25,243)	56,726
Credit default swaps	—	1,028	389	—	1,417
Total return swaps	78,860	60,206	789	(7,489)	132,366
Foreign currency forwards, swaps and options	72,545	7,643	—	(8,809)	71,379
Fixed income forwards	26,952	—	—	—	26,952
Interest rate swaps, options and forwards	39,919	104,882	152,622	(33,967)	263,456
Total	$ 279,613	$ 173,938	$ 174,528	$ (75,508)	552,571
Cross product counterparty netting					(29,988)
Total OTC derivative assets included in Financial instruments owned, at fair value					$ 522,583

(1) At August 31, 2021, we held net exchange-traded derivative assets and other credit agreements with a fair value of $16.2 million, which are not included in this table.
(2) OTC derivative assets in the table above are gross of collateral received. OTC derivative assets are recorded net of collateral received in the Consolidated Statements of Financial Condition. At August 31, 2021, cash collateral received was $121.7 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)				
	0-12 Months	1-5 Years	Greater Than 5 Years	Cross-Maturity Netting (4)	Total
Commodity swaps, options and forwards	$ 12,799	$ 2,211	$ —	$ —	$ 15,010
Equity options and forwards	8,209	670,980	136,499	(25,243)	790,445
Credit default swaps	12	19,268	—	—	19,280
Total return swaps	61,866	270,869	—	(7,489)	325,246
Foreign currency forwards, swaps and options	67,044	7,113	—	(8,809)	65,348
Fixed income forwards	29,254	—	—	—	29,254
Interest rate swaps, options and forwards	25,013	46,642	112,617	(33,967)	150,305
Total	$ 204,197	$ 1,017,083	$ 249,116	$ (75,508)	1,394,888
Cross product counterparty netting					(29,988)
Total OTC derivative liabilities included in Financial instruments sold, not yet purchased, at fair value					$ 1,364,900

(1) At August 31, 2021, we held net exchange-traded derivative liabilities and other credit agreements with a fair value of $50.0 million, which are not included in this table.
(2) OTC derivative liabilities in the table above are gross of collateral pledged. OTC derivative liabilities are recorded net of collateral pledged in the Consolidated Statements of Financial Condition. At August 31, 2021, cash collateral pledged was $483.1 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, 2021, the counterparty credit quality with respect to the fair value of our OTC derivative assets was as follows (in thousands):

Counterparty credit quality (1):	
A- or higher	$ 130,680
BBB- to BBB+	13,552
BB+ or lower	165,863
Unrated	212,488
Total	$ 522,583

(1) We utilize internal credit ratings determined by the Jefferies Group's Risk Management department. Credit ratings determined by Jefferies Group 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 are as follows (in millions):

	External Credit Rating			
	Investment Grade	Non-investment grade	Unrated	Total Notional
August 31, 2021				
Credit protection sold:				
Index credit default swaps	$ 265.0	$ 287.1	$ —	$ 552.1
Single name credit default swaps	12.6	6.2	0.2	19.0
November 30, 2020				
Credit protection sold:				
Index credit default swaps	$ 62.0	$ 262.8	$ —	$ 324.8
Single name credit default swaps	—	6.2	0.2	6.4

Contingent Features

Certain of Jefferies Group's derivative instruments contain provisions that require its debt to maintain an investment grade credit rating from each of the major credit rating agencies. If Jefferies Group's debt was 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 the derivative instruments in liability positions. The following table presents the aggregate fair value of all derivative instruments with such credit-risk-related contingent features that are in a liability position, the collateral amounts posted or received in the normal course of business and the potential collateral we would have been required to return and/or post additionally to our counterparties if the credit-risk-related contingent features underlying these agreements were triggered (in millions).

	August 31, 2021	November 30, 2020
Derivative instrument liabilities with credit-risk-related contingent features	$ 440.4	$ 284.6
Collateral posted	(216.2)	(129.8)
Collateral received	121.7	141.4
Return of and additional collateral required in the event of a credit rating downgrade below investment grade (1)	346.0	296.2

(1) These potential outflows include initial margin received from counterparties at the execution of the derivative contract. The initial margin will be returned if counterparties elect to terminate the contract after a downgrade.

Other Derivatives

Vitesse Energy Finance uses swaps and call and put options in order to reduce exposure to future oil price fluctuations. Vitesse Energy Finance accounts for the derivative instruments at fair value. The gains and losses associated with the change in fair value of the derivatives are recorded in Other revenues.

Note 5. Collateralized Transactions

Our repurchase agreements and securities borrowing and lending arrangements are generally recorded at cost in the Consolidated Statements of Financial Condition, which is a reasonable approximation of their fair values due to their short-term nature. 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 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, at fair value, and noted parenthetically as Securities pledged in the Consolidated Statements of Financial Condition.

In instances where we receive securities as collateral in connection with securities-for-securities transactions in which we are the lender of securities and are permitted to sell or repledge the securities received as collateral, we report the fair value of the collateral received and the related obligation to return the collateral in the Consolidated Statements of Financial Condition.

The following tables set forth the carrying value of securities lending arrangements, repurchase agreements and obligation to return securities received as collateral, at fair value, by class of collateral pledged and remaining contractual maturity (in thousands):

Collateral Pledged	Securities Lending Arrangements	Repurchase Agreements	Obligation to Return Securities Received as Collateral, at Fair Value	Total
August 31, 2021				
Corporate equity securities	$ 1,428,901	$ 207,370	$ 9,853	$ 1,646,124
Corporate debt securities	262,099	2,019,062	—	2,281,161
Mortgage-backed and asset-backed securities	—	1,035,695	—	1,035,695
U.S. government and federal agency securities	17,261	8,399,520	—	8,416,781
Municipal securities	—	170,540	—	170,540
Sovereign obligations	56,227	2,211,634	—	2,267,861
Loans and other receivables	—	1,607,536	—	1,607,536
Total	$ 1,764,488	$ 15,651,357	$ 9,853	$ 17,425,698
November 30, 2020				
Corporate equity securities	$ 1,371,978	$ 157,912	$ 7,517	$ 1,537,407
Corporate debt securities	369,218	1,869,844	—	2,239,062
Mortgage-backed and asset-backed securities	—	1,547,140	—	1,547,140
U.S. government and federal agency securities	14,789	7,149,992	—	7,164,781
Municipal securities	—	278,470	—	278,470
Sovereign obligations	54,763	2,763,032	—	2,817,795
Loans and other receivables	—	1,392,883	—	1,392,883
Total	$ 1,810,748	$ 15,159,273	$ 7,517	$ 16,977,538

	Contractual Maturity				
	Overnight and Continuous	Up to 30 Days	31 to 90 Days	Greater than 90 Days	Total
August 31, 2021					
Securities lending arrangements	$ 693,448	$ —	$ 446,696	$ 624,344	$ 1,764,488
Repurchase agreements	6,731,201	2,113,096	2,346,442	4,460,618	15,651,357
Obligation to return securities received as collateral, at fair value	9,853	—	—	—	9,853
Total	$ 7,434,502	$ 2,113,096	$ 2,793,138	$ 5,084,962	$ 17,425,698
November 30, 2020					
Securities lending arrangements	$ 636,256	$ 59,735	$ 459,455	$ 655,302	$ 1,810,748
Repurchase agreements	5,510,476	1,747,526	5,019,885	2,881,386	15,159,273
Obligation to return securities received as collateral, at fair value	7,517	—	—	—	7,517
Total	$ 6,154,249	$ 1,807,261	$ 5,479,340	$ 3,536,688	$ 16,977,538

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, 2021 and November 30, 2020, the approximate fair value of securities received as collateral by us that may be sold or repledged was $31.60 billion and $25.85 billion, respectively. At August 31, 2021 and November 30, 2020, a substantial portion of the securities received have 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).

The following table provides information regarding repurchase agreements, securities borrowing and lending arrangements and securities received as collateral, at fair value, and obligation to return securities received as collateral, at fair value, that are recognized in the Consolidated Statements of Financial Condition and (1) the extent to which, under enforceable master netting arrangements, such balances are presented net in the Consolidated Statements of Financial Condition as appropriate under GAAP and (2) the extent to which other rights of setoff associated with these arrangements exist and could have an effect on our consolidated financial position.

(In thousands)	Gross Amounts	Netting in Consolidated Statements of Financial Condition	Net Amounts in Consolidated Statements of Financial Condition	Additional Amounts Available for Setoff (1)	Available Collateral (2)	Net Amount (3)
Assets at August 31, 2021						
Securities borrowing arrangements	$ 6,212,491	$ —	$ 6,212,491	$ (263,043)	$ (1,925,452)	$ 4,023,996
Reverse repurchase agreements	16,091,094	(8,079,544)	8,011,550	(310,547)	(7,669,325)	31,678
Securities received as collateral, at fair value	9,853	—	9,853	—	(9,853)	—
Liabilities at August 31, 2021						
Securities lending arrangements	$ 1,764,488	$ —	$ 1,764,488	$ (263,043)	$ (1,489,230)	$ 12,215
Repurchase agreements	15,651,357	(8,079,544)	7,571,813	(310,547)	(6,835,756)	425,510
Obligation to return securities received as collateral, at fair value	9,853	—	9,853	—	(9,853)	—
Assets at November 30, 2020						
Securities borrowing arrangements	$ 6,934,762	$ —	$ 6,934,762	$ (395,342)	$ (1,706,046)	$ 4,833,374
Reverse repurchase agreements	11,939,773	(6,843,004)	5,096,769	(412,327)	(4,578,560)	105,882
Securities received as collateral, at fair value	7,517	—	7,517	—	—	7,517
Liabilities at November 30, 2020						
Securities lending arrangements	$ 1,810,748	$ —	$ 1,810,748	$ (395,342)	$ (1,397,550)	$ 17,856
Repurchase agreements	15,159,273	(6,843,004)	8,316,269	(412,327)	(7,122,422)	781,520
Obligation to return securities received as collateral, at fair value	7,517	—	7,517	—	—	7,517

(1) 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 balances reflect additional credit risk mitigation that is available by a counterparty in the event of a counterparty's default, but which are not netted in the Consolidated Statements of Financial Condition because other netting provisions of GAAP are not met.

(2) Includes securities received or paid under collateral arrangements with counterparties that could be liquidated in 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.

(3) At August 31, 2021, amounts include $3.93 billion of securities borrowing arrangements, for which we have received securities collateral of $3.79 billion, and $420.0 million of repurchase agreements, for which we have pledged securities collateral of $432.1 million, which are subject to master netting agreements, but we have not determined the agreements to be legally enforceable. At November 30, 2020, amounts include $4.76 billion of securities borrowing arrangements, for which we have received securities collateral of $4.62 billion, and $720.0 million of repurchase agreements, for which we have pledged securities collateral of $733.9 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 segregated in accordance with regulatory regulations and deposited with clearing and depository organizations totaled $514.5 million and $604.3 million at August 31, 2021 and November 30, 2020, respectively. Segregated cash and securities consist of deposits in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, which subjects Jefferies LLC 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.

Note 6. Securitization Activities

We engage in securitization activities related to corporate loans, 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 variable interest entities ("VIEs"); however, we generally do not consolidate the SPEs as we are not considered the primary beneficiary for these SPEs.

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 the Consolidated Statements of Operations 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-backed and other asset-backed securities or CLOs). These securities are included in Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition and are generally initially categorized as Level 2 within the fair value hierarchy.

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

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Transferred assets	$ 2,608.1	$ 983.9	$ 9,338.1	$ 4,794.3
Proceeds on new securitizations	2,609.8	983.9	9,339.4	4,794.3
Cash flows received on retained interests	4.5	6.3	14.3	18.6

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, 2021 and November 30, 2020.

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

	August 31, 2021		November 30, 2020	
Securitization Type	Total Assets	Retained Interests	Total Assets	Retained Interests
U.S. government agency residential mortgage-backed securities	$ 382.5	$ 5.6	$ 562.5	$ 7.8
U.S. government agency commercial mortgage-backed securities	2,755.1	100.3	2,461.2	205.2
CLOs	3,826.5	58.7	3,345.5	39.5
Consumer and other loans	2,250.3	125.7	1,290.6	56.6

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, at fair value in the Consolidated Statements of Financial Condition.

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-backed and asset-backed securitizations in the nonconsolidated VIEs section presented in Note 7.

Foursight Capital also utilizes SPEs to securitize automobile loans receivable. These SPEs are VIEs and our subsidiary is the primary beneficiary; the related assets and the secured borrowings are recognized in the Consolidated Statements of Financial Condition. These secured borrowings do not have recourse to our subsidiary's general credit. See Note 7 for further information on securitization activities and VIEs.

Note 7. 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, equity interests in associated companies, commitments, guarantees and certain fees. Our involvement with VIEs arises primarily from the following activities, but also includes other activities discussed below:

- Purchases of securities in connection with our trading and secondary market-making activities;
- Retained interests held as a result of securitization activities;
- Acting as placement agent and/or underwriter in connection with client-sponsored securitizations;
- Financing of agency and non-agency mortgage-backed and other asset-backed securities;
- Warehouse funding arrangements for client-sponsored consumer and mortgage loan vehicles and CLOs through participation agreements, forward sale agreements, reverse repurchase agreements 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 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 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.

Consolidated VIEs

The following table presents information about our consolidated VIEs (in millions). The assets and liabilities in the table below are presented prior to consolidation and thus a portion of these assets and liabilities are eliminated in consolidation.

	August 31, 2021		November 30, 2020	
	Secured Funding Vehicles	**Other**	**Secured Funding Vehicles**	**Other**
Cash (1)	$ —	$ 1.2	$ —	$ 1.2
Financial instruments owned, at fair value	—	37.6	—	5.2
Securities purchased under agreements to resell (2)	3,549.9	—	2,908.9	—
Receivables	708.1	13.1	510.6	12.9
Other assets (3)	113.9	—	46.4	0.1
Total assets	$ 4,371.9	$ 51.9	$ 3,465.9	$ 19.4
Financial instruments sold, not yet purchased, at fair value	$ —	$ 0.1	$ —	$ 2.5
Other secured financings (4)	4,338.8	—	3,425.0	—
Other liabilities (5)	2.6	51.3	1.8	0.4
Total liabilities	$ 4,341.4	$ 51.4	$ 3,426.8	$ 2.9

(1) Approximately $1.2 million and $0.7 million of the cash amounts at August 31, 2021 and November 30, 2020, respectively, represent cash on deposit with related consolidated entities and are eliminated in consolidation.
(2) Securities purchased under agreements to resell primarily represent amounts due under collateralized transactions on related consolidated entities, which are eliminated in consolidation.
(3) Approximately $36.0 million and $9.7 million of the other assets at August 31, 2021 and November 30, 2020, respectively, represent intercompany receivables with related consolidated entities, which are eliminated in consolidation.
(4) Approximately $138.2 million of the other secured financings at November 30, 2020 are with related consolidated entities, which are eliminated in consolidation.
(5) Approximately $50.9 million and $0.3 million of the other liabilities at August 31, 2021 and November 30, 2020, respectively, represent intercompany payables with related consolidated entities, which are eliminated in consolidation.

Secured Funding Vehicles. We are the primary beneficiary of asset-backed financing vehicles to which we sell agency and non-agency residential and commercial mortgage loans and asset-backed securities pursuant to the terms of a master repurchase agreement. Our variable interests in these vehicles consist of our collateral margin maintenance obligations under the master repurchase agreement, which we manage, 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.

At August 31, 2021 and November 30, 2020, Foursight Capital is the primary beneficiary of SPEs it utilized to securitize automobile loans receivable. Foursight Capital acts as the servicer for which it receives a fee, and owns an equity interest in the SPEs. The notes issued by the SPEs are secured solely by the assets of the SPEs and do not have recourse to Foursight Capital's general credit and the assets of the VIEs are not available to satisfy any other debt. During the three and nine months ended August 31, 2021, automobile loan receivables aggregating $264.1 million and $514.5 million, respectively, were securitized by Foursight Capital in connection with secured borrowing offerings. The majority of the proceeds from issuance of the secured borrowings were used to pay down Foursight Capital's two credit facilities.

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 table presents information about our variable interests in nonconsolidated VIEs (in millions):

	Carrying Amount		Maximum	
	Assets	Liabilities	Exposure to Loss	VIE Assets
August 31, 2021				
CLOs	$ 309.3	$ 2.3	$ 2,372.2	$ 8,669.1
Asset-backed vehicles	214.6	—	241.7	3,097.8
Related party private equity vehicles	28.1	—	38.7	80.4
Other investment vehicles	1,079.4	—	1,196.7	16,618.9
Total	$ 1,631.4	$ 2.3	$ 3,849.3	$ 28,466.2
November 30, 2020				
CLOs	$ 60.7	$ 0.2	$ 642.7	$ 6,849.1
Asset-backed vehicles	251.6	—	377.2	2,462.7
Related party private equity vehicles	19.0	—	30.0	53.0
Other investment vehicles	899.9	—	1,042.9	15,735.5
Total	$ 1,231.2	$ 0.2	$ 2,092.8	$ 25,100.3

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 the variable interests in our 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, sub-investment grade and senior secured U.S. loans and senior secured Euro denominated corporate leveraged loans and bonds. 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; and
    - Reverse repurchase agreements with collateral margin maintenance obligations and commitments to fund such reverse repurchase agreements;
- Trading positions in securities issued in CLO transactions; and
- Investments in variable funding notes issued by CLOs.

Asset-Backed Vehicles. We provide financing and lending related services to certain client-sponsored VIEs in the form of revolving funding note agreements, revolving credit facilities, forward purchase agreements and reverse repurchase agreements. The underlying assets, which are collateralizing the vehicles, are primarily composed of unsecured consumer loans, mortgage loans and trade claims. 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 in private equity funds (the "JCP Funds", including Jefferies Group's interests in Jefferies Capital Partners V L.P. and the Jefferies SBI USA Fund L.P. (together, "JCP Fund V")) managed by Jefferies Capital Partners, LLC (the "JCP Manager"). Additionally, we committed to invest 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. At both August 31, 2021 and November 30, 2020, our total equity commitment in the JCP Entities was $133.0 million, of which $122.3 million and $122.0 million, respectively, had been funded. The carrying value of our equity investments in the JCP Entities was $28.1 million and $19.0 million at August 31, 2021 and November 30, 2020, 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.

Other Investment Vehicles. The carrying amount of our equity investment was $1.08 billion and $899.9 million at August 31, 2021 and November 30, 2020, respectively. Our unfunded equity commitment related to these investments totaled $117.2 million and $143.0 million at August 31, 2021 and November 30, 2020, respectively. Our exposure to loss is limited to the total of our carrying value and unfunded equity commitment. These investment vehicles have assets primarily consisting of private and public equity investments, debt instruments, trade and insurance claims and various oil and gas assets.

Mortgage-Backed and Other Asset-Backed Secured Funding 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, at fair value in the 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.

At August 31, 2021 and November 30, 2020, we held $695.9 million and $1.57 billion of agency mortgage-backed securities, respectively, and $189.0 million and $252.0 million of non-agency mortgage-backed and other asset-backed securities, respectively, as a result of our secondary trading and market-making activities, and underwriting, placement and structuring activities. Our maximum exposure to loss on these securities is limited to the carrying value of our investments in these securities. These mortgage-backed and other asset-backed secured funding vehicles discussed are not included in the above table containing information about our variable interests in nonconsolidated VIEs.

FXCM is considered a VIE and our term loan and equity ownership are variable interests. We have determined that we are not the primary beneficiary of FXCM because we do not have the power to direct the activities that most significantly impact FXCM's performance. Therefore, we do not consolidate FXCM and we account for our equity interest under the equity method as an investment in an associated company. FXCM reported total assets of $394.7 million in its latest financial statements. Our maximum exposure to loss as a result of our involvement with FXCM is limited to the carrying value of the term loan ($58.5 million) and the investment in associated company ($51.0 million), which totaled $109.5 million at August 31, 2021. FXCM is not included in the above table containing information about our variable interests in nonconsolidated VIEs.

Note 8. Loans to and Investments in Associated Companies

A summary of Loans to and investments in associated companies accounted for under the equity method of accounting during the nine months ended August 31, 2021 and 2020 is as follows (in thousands):

	Loans to and investments in associated companies as of beginning of period	Income (losses) related to associated companies	Other income (losses) related to associated companies (1)	Contributions to (distributions from) associated companies, net	Other	Loans to and investments in associated companies as of end of period
2021						
Jefferies Finance	$ 693,201	$ —	$ 59,068	$ (8,837)	$ —	$ 743,432
Berkadia	301,152		86,639	(556)	(140)	387,095
FXCM (2)	73,920	(23,046)	—	—	109	50,983
Linkem (3)	198,991	(34,174)	—	(9,057)	(726)	155,034
Real estate associated companies	168,678	(2,948)	—	(20,151)	—	145,579
Other (3)	250,621	(1,102)	41,525	(28,200)	(2)	262,842
Total	$ 1,686,563	$ (61,270)	$ 187,232	$ (66,801)	$ (759)	$ 1,744,965
2020						
Jefferies Finance	$ 673,867	$ —	$ (65,681)	$ 10,107	$ —	$ 618,293
Berkadia	268,949	—	40,373	(36,615)	510	273,217
FXCM (2)	70,223	9,956	—	—	161	80,340
Linkem	194,847	(21,754)	—	35,103	(2,149)	206,047
Real estate associated companies (4)	255,309	(50,910)	—	(34,505)	—	169,894
Other	189,762	(6,815)	3,026	(3,643)	9,235	191,565
Total	$ 1,652,957	$ (69,523)	$ (22,282)	$ (29,553)	$ 7,757	$ 1,539,356

(1) Primarily related to Jefferies Group and classified in Other revenues.

(2) As further described in Note 3, our investment in FXCM includes both our equity method investment in FXCM and our term loan with FXCM. Our equity method investment is included in Loans to and investments in associated companies and our term loan is included in Financial instruments owned, at fair value in the Consolidated Statements of Financial Condition.

(3) Loans to and investments in associated companies at August 31, 2021 and November 30, 2020 include loans and debt securities aggregating $104.1 million and $104.1 million, respectively, related to Linkem and Other.

(4) Income (loss) related to Real estate associated companies for the nine months ended August 31, 2020 includes a non-cash charge of $6.9 million to fully write-off the value of HomeFed's interest in the Brooklyn Renaissance Plaza hotel due to the significant impact of the global novel coronavirus ("COVID-19") during the second quarter of 2020 and a non-cash charge of $55.6 million to fully write-off the value of HomeFed's RedSky JZ Fulton Mall joint venture investment related to a softening of the Brooklyn real estate market.

Income (losses) related to associated companies includes the following (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
FXCM	$ (12,926)	$ 3,704	$ (23,046)	$ 9,956
Linkem	(14,231)	(1,945)	(34,174)	(21,754)
Real estate associated companies	169	2,532	(2,948)	(50,910)
Other	(188)	762	(1,102)	(6,815)
Total	$ (27,176)	$ 5,053	$ (61,270)	$ (69,523)

Other income (losses) related to associated companies (primarily related to Jefferies Group and classified in Other revenues) includes the following (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Jefferies Finance	$ (1,767)	$ (17,731)	$ 59,068	$ (65,681)
Berkadia	25,967	18,448	86,639	40,373
Other	9,988	3,137	41,525	3,026
Total	$ 34,188	$ 3,854	$ 187,232	$ (22,282)

Jefferies Finance

In August 2021, Jefferies Finance LLC’s corporate structure was reorganized and its debt was refinanced. As a result, we now hold an equity interest in JFIN Parent LLC ("Jefferies Finance") and Jefferies Finance LLC is a direct subsidiary of JFIN Parent LLC. Through Jefferies Group, we own 50% of Jefferies Finance a joint venture entity pursuant to an agreement with Massachusetts Mutual Life Insurance Company ("MassMutual"). Jefferies Finance is a commercial finance company that structures, underwrites and syndicates primarily senior secured loans to corporate borrowers. Jefferies Finance conducts its operations primarily through two business lines, Leveraged Finance Arrangement and Portfolio & Asset Management. The Leveraged Finance Arrangement business line participates in transactions typically ranging from $250 million to $1.50 billion for borrowers. Loans are originated primarily through the investment banking efforts of Jefferies LLC. The Portfolio & Asset Management business line, collectively referred to as Jefferies Credit Partners, is a private credit platform that manages more than $10.0 billion of proprietary and third party capital invested across commingled funds, separately managed accounts and CLOs.

At August 31, 2021, Jefferies Group and MassMutual each had equity commitments to Jefferies Finance of $750.0 million. At August 31, 2021, $681.2 million of Jefferies Group's commitment was funded. The investment commitment is scheduled to expire on March 1, 2022 with automatic one year extensions absent a 60-day termination notice by either party.

Jefferies Finance has executed a Secured Revolving Credit Facility with Jefferies Group and MassMutual, to be funded equally, to support loan underwritings by Jefferies Finance, which 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, 2021. Advances are shared equally between Jefferies Group and MassMutual. The facility is scheduled to mature on March 1, 2022 with automatic one year extensions absent a 60-day termination notice by either party. At August 31, 2021, $0.0 million of Jefferies Group's $250.0 million commitment was funded. Jefferies Group recognized interest income and unfunded commitment fees related to the facility of $0.3 million and $0.4 million during the three months ended August 31, 2021 and 2020, respectively, and $2.2 million and $3.0 million during the nine months ended August 31, 2021 and 2020, respectively.

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

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Origination and syndication fee revenues (1)	$ 87.8	$ 42.4	$ 303.5	$ 123.9
Origination fee expenses (1)	15.6	3.8	48.4	12.4
CLO placement fee revenues (2)	0.6	1.3	4.3	1.7
Underwriting fees (3)	2.0	—	2.5	0.3
Service fees (4)	18.0	13.5	63.5	49.4

(1) Jefferies Group engages in the origination and syndication of loans underwritten by Jefferies Finance. In connection with such services, Jefferies Group earned fees, which are recognized in Investment banking revenues in the Consolidated Statements of Operations. In addition, Jefferies Group paid fees to Jefferies Finance in respect of certain loans originated by Jefferies Finance, which are recognized in Selling, general and other expenses in the Consolidated Statements of Operations.

(2) Jefferies Group acts as a placement agent for CLOs managed by Jefferies Finance, for which Jefferies Group recognized fees, which are included in Investment banking revenues in the Consolidated Statements of Operations. At August 31, 2021

and November 30, 2020, Jefferies Group held securities issued by CLOs managed by Jefferies Finance, which are included in Financial instruments owned, at fair value.

(3) Jefferies Group acted as underwriter in connection with term loans issued by Jefferies Finance.

(4) Under a service agreement, Jefferies Group charges Jefferies Finance for services provided.

In connection with non-U.S. dollar loans originated by Jefferies Finance to borrowers who are investment banking clients of Jefferies Group, Jefferies Group has entered into an agreement to indemnify Jefferies Finance with respect to any foreign currency exposure.

At August 31, 2021 and November 30, 2020, we had receivables from Jefferies Finance, included in Other assets in the Consolidated Statements of Financial Condition of $14.5 million and $24.2 million, respectively. At August 31, 2021 and November 30, 2020, we had payables to Jefferies Finance, related to cash deposited with Jefferies Group, included in Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition of $1.1 million and $13.7 million, respectively.

Berkadia

Berkadia is a commercial mortgage banking and servicing joint venture formed in 2009 with Berkshire Hathaway Inc. We and Berkshire Hathaway each contributed $217.2 million of equity capital to the joint venture and each have a 50% membership interest in Berkadia. We are entitled to receive 45% of the profits. Berkadia originates commercial/multifamily real estate loans that are sold to U.S. government agencies, and other investors. Berkadia also is an investment sales advisor focused on the multifamily industry. Berkadia is a servicer of commercial real estate loans in the U.S., performing primary, master and special servicing functions for U.S. government agency programs, commercial mortgage-backed securities transactions, banks, insurance companies and other financial institutions.

Berkadia uses all of the proceeds from the commercial paper sales of an affiliate of Berkadia to fund new mortgage loans, servicer advances, investments and other working capital requirements. Repayment of the commercial paper is supported by a $1.5 billion surety policy issued by a Berkshire Hathaway insurance subsidiary and corporate guaranty, and we have agreed to reimburse Berkshire Hathaway for one-half of any losses incurred thereunder. At August 31, 2021, the aggregate amount of commercial paper outstanding was $1.47 billion.

FXCM

We have a 50% voting interest in FXCM, a provider of online foreign exchange trading services. We account for our equity interest in FXCM on a one month lag. We are amortizing our basis difference between the estimated fair value and the underlying book value of FXCM customer relationships, technology and tradename over their respective useful lives (weighted average life of 11 years).

FXCM is considered a VIE and our term loan and equity interest are variable interests. We have determined that we are not the primary beneficiary of FXCM because we do not have the power to direct the activities that most significantly impact FXCM's performance. Therefore, we do not consolidate FXCM.

Linkem

We own approximately 42% of the common shares of Linkem, the largest fixed wireless broadband services provider in Italy. In addition, we own convertible preferred stock, which is automatically convertible to common shares in 2022, and warrants. If all of our convertible preferred stock was converted and warrants were exercised, it would increase our ownership to approximately 56% of Linkem's common equity at August 31, 2021. We have approximately 48% of the total voting securities of Linkem. Additionally, we have made shareholder loans to Linkem with principal outstanding of $101.1 million at August 31, 2021. We account for our equity interest in Linkem on a two month lag.

Real Estate Associated Companies

Real estate equity method investments primarily consist of HomeFed's interests in Brooklyn Renaissance Plaza and Hotel and 54 Madison. These equity interests are accounted for on a two month lag.

Brooklyn Renaissance Plaza is comprised of a hotel operated by Marriott, an office building complex and a parking garage located in Brooklyn, New York. HomeFed owns a 25.8% equity interest in the hotel and a 61.25% equity interest in the office building and garage. Although HomeFed has a majority interest in the office building and garage, it does not have control, but only has the ability to exercise significant influence on this investment. As such, HomeFed accounts for the office building and garage under the equity method of accounting. We are amortizing our basis difference between the estimated fair value and the underlying book value of Brooklyn Renaissance office building and garage over the respective useful lives (weighted average life of 39 years).

We own approximately 48.1% of 54 Madison, a fund that seeks long-term capital appreciation through investment in real estate development and similar projects. 54 Madison invests both in projects which they consolidate and projects where they have significant influence and utilize the equity method of accounting. Based on total committed capital of the 54 Madison fund, all projects of this fund have already been identified and launched.

Note 9. Intangible Assets, Net and Goodwill

A summary of Intangible assets, net and goodwill is as follows (in thousands):

	August 31, 2021	November 30, 2020
Indefinite-lived intangibles:		
Exchange and clearing organization membership interests and registrations	$ 7,811	$ 7,884
Amortizable intangibles:		
Customer and other relationships, net of accumulated amortization of $126,254 and $119,694	45,065	51,285
Trademarks and tradenames, net of accumulated amortization of $31,472 and $28,585	97,888	100,255
Other, net of accumulated amortization of $10,768 and $8,953	5,914	7,729
Total intangible assets, net	156,678	167,153
Goodwill:		
Investment Banking and Capital Markets (1)	1,565,315	1,563,144
Asset Management	143,000	143,000
Real estate	36,711	36,711
Other operations	3,459	3,459
Total goodwill	1,748,485	1,746,314
Total intangible assets, net and goodwill	$ 1,905,163	$ 1,913,467

(1) The increase in Investment Banking and Capital Markets goodwill during the nine months ended August 31, 2021, primarily relates to translation adjustments.

Amortization expense on intangible assets was $3.6 million and $3.7 million for the three months ended August 31, 2021 and 2020, respectively, and $10.7 million and $11.5 million for the nine months ended August 31, 2021 and 2020, respectively.

The estimated aggregate future amortization expense for the intangible assets for each of the next five years is as follows (in thousands):

Remainder of current year	$ 3,585
2022	11,134
2023	9,900
2024	9,143
2025	8,632

We performed our annual impairment testing of goodwill within the Investment Banking and Capital Markets, and Asset Management segments as of August 1, 2021. The quantitative goodwill impairment test is performed at our reporting unit level. The fair value of the 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, an impairment loss is recognized as the difference between the fair value and carrying value of the reporting unit.

The estimated fair value of both the Investment Banking and Capital Markets segment and the Asset Management segment are based on valuation techniques that we believe market participants would use, although the valuation process requires significant judgment and often involves the use of significant estimates and assumptions. The methodologies we utilize in estimating fair value include price-to-earnings and price-to-book multiples of comparable public companies and/or projected cash flows. 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 our reporting units on a controlling basis. An independent valuation specialist was engaged to assist with the valuation process at August 1, 2021. The results of our annual goodwill impairment test for both the Investment Banking and Capital Markets segment and the Asset Management segment did not indicate any goodwill impairment.

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 within our Investment Banking and Capital Markets segment, at August 1, 2021. We utilized quantitative assessments 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 and qualitative assessments were performed on the remainder of our indefinite-life intangible assets. In applying our quantitative assessments, we recognized immaterial impairment losses on certain exchange membership interests and registrations. With regard to our qualitative assessments of the remaining indefinite-life intangible assets, based on our assessments 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.

Note 10. Short-Term Borrowings

Our short-term borrowings, which mature in one year or less, are as follows (in thousands):

	August 31, 2021	November 30, 2020
Bank loans (1)	$ 300,497	$ 752,848
Floating rate puttable notes (1)	6,800	6,800
Equity-linked notes (2)	—	5,067
Total short-term borrowings	$ 307,297	$ 764,715

(1) These short-term borrowings are recorded at cost in the Consolidated Statements of Financial Condition, which is a reasonable approximation of their fair values due to their liquid and short-term nature.
(2) See Note 3 for further information on these notes.

At August 31, 2021 and November 30, 2020, the weighted average interest rate on short-term borrowings outstanding was 1.02% and 1.87% per annum, respectively.

Our bank loans include facilities that contain certain covenants that, among other things, require Jefferies Group to maintain a specified level of tangible net worth and impose certain restrictions on the future indebtedness of certain of Jefferies Group's subsidiaries that are borrowers. At August 31, 2021, Jefferies Group was in compliance with all covenants under these facilities. Our facilities, which are with a bank and are included within bank loans, were $300.0 million and $746.0 million at August 31, 2021 and November 30, 2020, respectively. Interest is based on a rate per annum at spreads over the Federal Funds Rate, as defined in the credit agreements.

In addition, a bank has agreed to make revolving intraday credit advances to Jefferies Group ("Jefferies Group Intraday Credit Facility") for an aggregate committed amount of $150.0 million. The Jefferies Group Intraday Credit Facility is structured so that advances are generally repaid before the end of each business day. However, if an advance is not repaid by the end of any business day, the advance is converted to an overnight loan. Intraday loans accrue interest at a rate of 0.12% based on the number of minutes in a day the advance is outstanding. Overnight loans are charged interest at the base rate plus 3% on a daily basis. The base rate is the higher of the federal funds rate plus 0.50% or the prime rate in effect at that time. The Jefferies Group Intraday Credit Facility contains financial covenants, which include a minimum regulatory net capital requirement for Jefferies Group's U.S. broker-dealer, Jefferies LLC. At August 31, 2021, Jefferies Group was in compliance with all debt covenants under the Jefferies Group Intraday Credit Facility.

Note 11. Long-Term Debt

Principal amounts included in the table below are shown net of unamortized discounts, premiums and debt issuance costs (dollars in thousands).

	August 31, 2021	November 30, 2020
Parent Company Debt:		
Senior Notes:		
5.50% Senior Notes due October 18, 2023, $750,000 principal	$ 746,891	$ 745,883
6.625% Senior Notes due October 23, 2043, $250,000 principal	246,873	246,828
Total long-term debt – Parent Company	993,764	992,711
Subsidiary Debt (non-recourse to Parent Company):		
Jefferies Group:		
2.25% Euro Medium Term Notes, due July 13, 2022, $0 and $4,779 principal	—	4,638
5.125% Senior Notes, due January 20, 2023, $750,000 principal	756,536	759,901
1.00% Euro Medium Term Notes, due July 19, 2024, $590,600 and $597,350 principal	589,294	595,700
4.85% Senior Notes, due January 15, 2027, $750,000 principal (1)	789,663	809,039
6.45% Senior Debentures, due June 8, 2027, $350,000 principal	367,194	369,057
4.15% Senior Notes, due January 23, 2030, $1,000,000 principal	990,283	989,574
2.75% Senior Notes, due October 15, 2032, $500,000 principal (1)	466,860	485,134
6.25% Senior Debentures, due January 15, 2036, $500,000 principal	510,497	510,834
6.50% Senior Notes, due January 20, 2043, $400,000 principal	419,500	419,826
Structured Notes (2)	1,790,645	1,712,245
Jefferies Group Revolving Credit Facility	248,873	189,732
Jefferies Group Secured Credit Facility	375,000	—
Jefferies Group Secured Bank Loan	50,000	50,000
HomeFed EB-5 Program debt	202,618	191,294
HomeFed construction loans	45,442	45,471
Foursight Capital Credit Facilities	—	129,000
Vitesse Energy Finance Revolving Credit Facility	74,559	97,883
Total long-term debt – subsidiaries	7,676,964	7,359,328
Long-term debt	$ 8,670,728	$ 8,352,039

(1) The carrying values of these senior notes include a net gain of $38.6 million and a net loss of $45.5 million during the nine months ended August 31, 2021 and 2020, respectively, associated with interest rate swaps based on designation as fair value hedges. See Note 4 for further information.

(2) 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 Accumulated other comprehensive income (loss) and changes in fair value resulting from non-credit components recognized in Principal transactions revenues. Gains and losses in the fair value of structured notes resulting from non-credit components are recognized within Other operating activities in the Consolidated Statements of Cash Flow.

Parent Company Debt:

Subsequent to quarter-end on October 8, 2021, we announced a tender offer for any and all of our $750.0 million outstanding 5.50% Senior Notes due October 18, 2023.

***Subsidiary Debt*:**

During the nine months ended August 31, 2021, structured notes with a total principal amount of approximately $50.6 million, net of retirements, were issued by Jefferies Group. Subsequent to quarter-end, on October 8, 2021, Jefferies Group issued 2.625% senior notes with a principal amount of $1.0 billion, due 2031. In addition, Jefferies Group gave notice to the trustee and debt holders of its 5.125% senior notes, due January 20, 2023, of its plan to redeem the outstanding aggregate principal amount (carrying value of $756.5 million at August 31, 2021) of these notes.

During April 2021, Jefferies Group entered into a Revolving Credit Facility ("Jefferies Group Revolving Credit Facility") with a group of commercial banks following the maturity of its previous revolving credit facility. At August 31, 2021, borrowings under the Jefferies Group Revolving Credit Facility amounted to $248.9 million. Interest is based on an adjusted London Interbank Offered Rate ("LIBOR"), as defined in the credit agreement. The Jefferies Group Revolving Credit Facility contains certain covenants that, among other things, require Jefferies Group LLC to maintain specified levels of tangible net worth and liquidity amounts, and impose certain restrictions on future indebtedness of and require specified levels of regulated capital for certain of its subsidiaries. Throughout the period and at August 31, 2021, no instances of noncompliance with the Jefferies Group Revolving Credit Facility covenants occurred and Jefferies Group expects to remain in compliance given its current liquidity and anticipated funding requirements given its business plan and profitability expectations.

During May 2021, Jefferies Group entered into a Secured Credit Facility agreement ("Jefferies Group Secured Credit Facility") with a bank under which it has borrowed $375.0 million at August 31, 2021. Interest is based on a rate per annum at spreads over an Adjusted LIBOR Rate, as defined in the credit agreement. The Jefferies Group Secured Credit Facility contains certain covenants that, among other things, require Jefferies Group LLC to maintain a specified level of tangible net worth. The covenants also require a certain subsidiary of Jefferies Group to maintain specified leverage amounts and impose certain restrictions on its future indebtedness. At August 31, 2021, Jefferies Group was in compliance with all debt covenants under the Jefferies Group Secured Credit Facility.

During August 2021, Jefferies Group entered into a senior unsecured revolving credit facility ("Jefferies Group Unsecured Revolving Credit Facility") agreement with a bank for an aggregate committed amount of $350.0 million. Interest is based on a rate per annum at spreads over an Adjusted LIBOR Rate or a Base Rate, as defined in the credit agreement. The Jefferies Group Unsecured Revolving Credit Facility contains certain covenants that, among other things, require Jefferies Group LLC to maintain a specified level of tangible net worth, net cash capital and a minimum regulatory net capital requirement for Jefferies LLC. At August 31, 2021, Jefferies Group was in compliance with all covenants under the Jefferies Group Unsecured Revolving Credit Facility. At August 31, 2021, Jefferies Group did not have any borrowings outstanding under the Jefferies Group Unsecured Revolving Credit Facility.

One of Jefferies Group's subsidiaries had a Loan and Security Agreement with a bank for a term loan with a principal amount of $50.0 million ("Jefferies Group Secured Bank Loan"). This Jefferies Group Secured Bank Loan matured on September 27, 2021 and was collateralized by certain trading securities. Interest on the Jefferies Group Secured Bank Loan was 1.25% plus LIBOR. The agreement contained certain covenants that, among other things, restricted lien or encumbrance upon any of the pledged collateral. At August 31, 2021, Jefferies Group was in compliance with all covenants under the Loan and Security Agreement.

HomeFed funds certain of its real estate projects in part by raising funds under the Immigrant Investor Program administered by the U.S. Citizenship and Immigration Services pursuant to the Immigration and Nationality Act ("EB-5 Program"). This program was created to stimulate the U.S. economy through the creation of jobs and capital investments in U.S. companies by foreign investors. This debt is secured by certain real estate of HomeFed. At August 31, 2021, HomeFed was in compliance with all debt covenants which include, among other requirements, limitations on incurrence of debt, collateral requirements and restricted use of proceeds. Primarily all of HomeFed's EB-5 Program debt matures in 2024 and 2025.

At August 31, 2021, HomeFed has construction loans with an aggregate committed amount of $151.9 million. The proceeds are being used for construction at certain of its real estate projects. The outstanding principal amount of the loans bear interest based on spreads of 2.15% to 3.15%, over 30-day LIBOR, subject to adjustment on the first of each calendar month. At August 31, 2021, the weighted average interest rate on these loans was 3.24%. The loans mature between March 2022 and May 2024 and are collateralized by the property underlying the related project with a guarantee by HomeFed. At August 31, 2021 and November 30, 2020, $46.8 million and $46.2 million, respectively, was outstanding under the construction loan agreements.

At August 31, 2021, Foursight Capital's credit facilities consisted of two warehouse credit commitments aggregating $175.0 million. The $75.0 million credit facility matures in May 2023 and bears interest based on the one-month LIBOR plus a credit spread fixed through its maturity. The $100.0 million credit facility is currently available through October 2021 and bears interest based on a commercial paper rate plus a fixed credit spread. Foursight Capital anticipates renegotiating the terms of the $100.0 million credit facility in the upcoming quarter. As a condition of the credit facilities, Foursight Capital is obligated to maintain cash reserves to comply with the hedging requirements of the credit commitment. At August 31, 2021 and November 30, 2020, $0.0 million and $129.3 million, respectively, was outstanding under Foursight Capital's credit facilities.

Vitesse Energy Finance has a revolving credit facility with a syndicate of banks that matures in April 2023 and has a maximum borrowing base of $120.0 million at August 31, 2021. Amounts outstanding under the facility at August 31, 2021 and November 30, 2020 were $75.0 million and $98.5 million, respectively. Borrowings under the facility have been made as Eurodollar loans that bear interest at adjusted LIBOR plus a spread ranging from 2.5% to 3.5% based on the borrowing base utilization percentage. The credit facility is guaranteed by Vitesse Energy Finance's subsidiaries and is collateralized with a minimum of 85% of Vitesse Energy Finance's proved reserve value of its oil and gas properties. Vitesse Energy Finance's borrowing base is subject to regular re-determination on or about April 1 and October 1 of each year based on proved oil and gas reserves, hedge positions and estimated future cash flows from these reserves calculated using future commodity pricing provided by Vitesse Energy Finance's lenders.

Note 12. Mezzanine Equity

Redeemable Noncontrolling Interests

At August 31, 2021 and November 30, 2020, redeemable noncontrolling interests include other redeemable noncontrolling interests of $38.2 million and $24.7 million, respectively, primarily related to our oil and gas exploration and development businesses.

Mandatorily Redeemable Convertible Preferred Shares

We have one series of callable mandatorily redeemable cumulative convertible preferred shares ("Preferred Shares"). Our 125,000 Preferred Shares are callable beginning January 2023 at a price of $1,000 per share, plus accrued interest and are mandatorily redeemable in 2038 for $125.0 million. The Preferred Shares have a dividend rate equal to the sum of 3.25% annual, cumulative cash dividend, plus an additional quarterly payment based on the amount by which our common stock dividends exceed $0.0625 per common share. The Preferred Shares are currently convertible into 4,440,863 common shares, an effective conversion price of $28.15 per share.

In the first quarter of 2021, we increased our quarterly dividend from $0.15 to $0.20 per common share and in the third quarter of 2021, we increased our quarterly dividend from $0.20 to $0.25 per common share. These increased the preferred stock dividend from $4.2 million for the nine months ended August 31, 2020 to $5.1 million for the nine months ended August 31, 2021. Based on the quarterly dividend of $0.25 per common share, the effective rate on these Preferred Shares is approximately 5.9%.

Note 13. Compensation Plans

Restricted Stock and Restricted Stock Units. Restricted stock and restricted stock units ("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 it is determined that it is probable that the performance condition will be achieved.

Senior Executive Compensation Plan. In December 2020, the Compensation Committee of our Board of Directors granted certain senior executives nonqualified stock options and stock appreciation rights ("SAR"). The total initial fair value of the stock options and SAR awards were recorded as expense at the time of the grant as both have no future service requirements. The SAR awards will be settled on a cash basis or, at the sole discretion of the Compensation Committee, may be converted irrevocably to a stock-settled award and were initially determined to be liability-classified share-based awards. In March 2021, the Compensation Committee exercised its discretion and converted these to stock-settled awards and at such time they became equity-classified share-based awards. For the nine months ended August 31, 2021, we recorded $48.6 million of total Compensation and benefits expense relating to the stock options and SAR awards.

Share-Based Compensation Expense. Share-based compensation expense relating to grants made under our share-based compensation plans was $7.0 million and $8.9 million for the three months ended August 31, 2021 and 2020, respectively, and $71.2 million (including $48.6 million related to the senior executive stock option and SAR awards, as discussed above) and $29.6 million for the nine months ended August 31, 2021 and 2020, respectively. Total compensation cost includes the amortization of sign-on, retention and senior executive awards, less forfeitures and clawbacks. The total tax benefit recognized in results of operations related to share-based compensation expenses was $1.8 million and $2.3 million for the three months ended August 31, 2021 and 2020, respectively, and $9.0 million and $7.5 million for the nine months ended August 31, 2021 and 2020, respectively. At August 31, 2021, total unrecognized compensation cost related to nonvested share-based compensation plans was $30.9 million; this cost is expected to be recognized over a weighted average period of 2.1 years.

At August 31, 2021, there were 1,583,000 shares of restricted stock outstanding with future service required, 2,896,000 RSUs outstanding with future service required (including target RSUs issuable under the senior executive compensation plan), 17,080,000 RSUs outstanding with no future service required, 5,132,000 stock options outstanding and 1,119,000 shares issuable under other plans. Additionally, the Preferred Shares are currently convertible into 4,440,863 common shares at an effective conversion price of $28.15 per share. The maximum potential increase to common shares outstanding resulting from these outstanding awards and the Preferred Shares is 30,668,000 at August 31, 2021.

Restricted Cash Awards. Jefferies Group provides compensation to certain new and existing employees in the form of loans and/or other cash awards which are subject to ratable vesting terms with service requirements. These awards are amortized to compensation expense over the relevant service period, which is generally considered to start at the beginning of the annual compensation year. At August 31, 2021, the remaining unamortized amount of the restricted cash awards was $390.0 million and is included within Other assets in the Consolidated Statement of Financial Condition; this cost is expected to be recognized over a weighted average period of 3 years.

Note 14. Accumulated Other Comprehensive Income (Loss)

Activity in accumulated other comprehensive income (loss) is reflected in the Consolidated Statements of Comprehensive Income (Loss) and Consolidated Statements of Changes in Equity but not in the Consolidated Statements of Operations. A summary of accumulated other comprehensive income (loss), net of taxes is as follows (in thousands):

	August 31, 2021	November 30, 2020
Net unrealized gains on available for sale securities	$ 377	$ 513
Net unrealized foreign exchange losses	(151,445)	(156,718)
Net unrealized losses on instrument specific credit risk	(147,673)	(71,151)
Net minimum pension liability	(59,232)	(61,561)
Total accumulated other comprehensive income (loss)	$ (357,973)	$ (288,917)

Amounts reclassified out of accumulated other comprehensive income (loss) to net income are as follows (in thousands):

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)		Affected Line Item in the Consolidated Statements of Operations
	For the Nine Months Ended		
	August 31, 2021	August 31, 2020	
Net unrealized gains (losses) on instrument specific credit risk, net of income tax provision (benefit) of $599 and $306	$ 1,861	$ 898	Principal transactions revenues
Amortization of defined benefit pension plan actuarial losses, net of income tax benefit of $(795) and $(658)	(2,329)	(1,931)	Selling, general and other expenses, which includes pension expense
Total reclassifications for the period, net of tax	$ (468)	$ (1,033)	

Note 15. Revenues from Contracts with Customers

The following table presents our total revenues separated for our revenues from contracts with customers and our other sources of revenues (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Revenues from contracts with customers:				
Commissions and other fees	$ 214,363	$ 204,032	$ 673,756	$ 626,434
Investment banking	1,180,620	615,837	3,184,932	1,595,330
Manufacturing revenues	118,918	119,751	440,857	282,737
Other	120,168	35,121	259,520	132,975
Total revenues from contracts with customers	1,634,069	974,741	4,559,065	2,637,476
Other sources of revenue:				
Principal transactions	232,110	623,283	1,513,034	1,421,485
Interest income	220,278	219,843	691,223	782,941
Other	54,137	7,632	247,189	53,392
Total revenues from other sources	506,525	850,758	2,451,446	2,257,818
Total revenues	$ 2,140,594	$ 1,825,499	$ 7,010,511	$ 4,895,294

Revenues from contracts with customers are recognized when, or as, we satisfy our performance obligations by transferring the promised goods or services to the customers. A good or service is transferred to a customer when, or as, the customer obtains control of that good or service. A performance obligation may be satisfied over time or at a point in time. Revenue from a performance obligation satisfied over time is recognized by measuring our progress in satisfying the performance obligation in a manner that depicts the transfer of the goods or services to the customer. Revenue from a performance obligation satisfied at a point in time is recognized at the point in time that we determine the customer obtains control over the promised good or service. The amount of revenue recognized reflects the consideration we expect to be entitled to in exchange for those promised goods or services (the "transaction price"). In determining the transaction price, we consider multiple factors, including the effects of variable consideration. Variable consideration is included in the transaction price only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainties with respect to the amount are resolved. In determining when to include variable consideration in the transaction price, we consider the range of possible outcomes, the predictive value of our past experiences, the time period of when uncertainties expect to be resolved and the amount of consideration that is susceptible to factors outside of our influence, such as market volatility or the judgment and actions of third-parties.

The following provides detailed information on the recognition of our revenues from contracts with customers:

Commissions and Other Fees. We earn commission and other fee revenues by executing, settling and clearing transactions for clients primarily in equity, equity-related and futures products. Trade execution and clearing services, when provided together, represent a single performance obligation as the services are not separately identifiable in the context of the contract. Commission revenues associated with combined trade execution and clearing services, as well as trade execution services on a standalone basis, are recognized at a point in time on trade-date. Commission revenues are generally paid on settlement date and we record a receivable between trade-date and payment on settlement date. We permit institutional customers to allocate a portion of their gross commissions to pay for research products and other services provided by third-parties. The amounts allocated for those purposes are commonly referred to as soft dollar arrangements. We act as an agent in the soft dollar arrangements as the customer controls the use of the soft dollars and directs our payments to third-party service providers on its behalf. Accordingly, amounts allocated to soft dollar arrangements are netted against commission revenues in the Consolidated Statements of Operations. We also earn investment research fees for the sales of our proprietary investment research when a contract with a client has been identified. The delivery of investment research services represents a distinct performance obligation that is satisfied over time when the performance obligation is to provide ongoing access to a research platform or research analysts, with fees recognized on a straight-line basis over the period in which the performance obligation is satisfied. The performance obligation is satisfied at a point in time when the performance obligation is to provide individual interactions with research analysts or research events, with fees recognized on the interaction date.

We earn account advisory and distribution fees in connection with wealth management services. Account advisory fees are recognized over time using the time-elapsed method as we determined that the customer simultaneously receives and consumes the benefits of investment advisory services as they are provided. Account advisory fees may be paid in advance of a specified service period or in arrears at the end of the specified service period (e.g., quarterly). Account advisory fees paid in advance are initially deferred within Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition. Distribution fees are variable and recognized when the uncertainties with respect to the amounts are resolved.

Investment Banking. We provide our clients with a full range of financial advisory and underwriting services. Revenues from financial advisory services primarily consist of fees generated in connection with merger, acquisition and restructuring transactions. Advisory fees from mergers and acquisitions engagements are recognized at a point in time when the related transaction is completed, as the performance obligation is to successfully broker a specific transaction. Fees received prior to the completion of the transaction are deferred within Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition. Advisory fees from restructuring engagements are recognized over time using a time elapsed measure of progress as our clients simultaneously receive and consume the benefits of those services as they are provided. A significant portion of the fees we receive for our advisory services are considered variable as they are contingent upon a future event (e.g., completion of a transaction or third-party emergence from bankruptcy) and are excluded from the transaction price until the uncertainty associated with the variable consideration is subsequently resolved, which is expected to occur upon achievement of the specified milestone. Payment for advisory services are generally due promptly upon completion of a specified milestone or, for retainer fees, periodically over the course of the engagement. We recognize a receivable between the date of completion of the milestone and payment by the customer. Expenses associated with investment banking advisory engagements are deferred only to the extent they are explicitly reimbursable by the client and the related revenue is recognized at a point in time. All other investment banking advisory related expenses, including expenses incurred related to restructuring assignments, are expensed as incurred. All investment banking advisory expenses are recognized within their respective expense category in the Consolidated Statements of Operations and any expenses reimbursed by our clients are recognized as Investment banking revenues.

Underwriting services include underwriting and placement agent services in both the equity and debt capital markets, including private equity placements, initial public offerings, follow-on offerings and equity-linked convertible securities transactions and structuring, underwriting and distributing public and private debt, including investment grade debt, high yield bonds, leveraged loans, municipal bonds and mortgage-backed and asset-backed securities. Underwriting and placement agent revenues are recognized at a point in time on trade-date, as the client obtains the control and benefit of the underwriting offering at that point. Costs associated with underwriting transactions are deferred until the related revenue is recognized or the engagement is otherwise concluded, and are recorded on a gross basis within underwriting costs in the Consolidated Statements of Operations as we are acting as a principal in the arrangement. Any expenses reimbursed by our clients are recognized as Investment banking revenues.

Asset Management Fees. We earn management and performance fees, recorded in Other revenues, in connection with investment advisory services provided to various funds and accounts, which are satisfied over time and measured using a time elapsed measure of progress as the customer receives the benefits of the services evenly throughout the term of the contract. Management and performance fees are considered variable as they are subject to fluctuation (e.g., changes in assets under management, market performance) and/or are contingent on a future event during the measurement period (e.g., meeting a specified benchmark) and are recognized only to the extent it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. Management fees are generally based on month-end assets under management or an agreed upon notional amount and are included in the transaction price at the end of each month when the assets under management or notional amount is known. Performance fees are received when the return on assets under management for a specified performance period exceed certain benchmark returns, "high-water marks" or other performance targets. The performance period related to our performance fees is annual or semi-annual. Accordingly, performance fee revenue will generally be recognized only at the end of the performance period to the extent that the benchmark return has been met.

Manufacturing Revenues. Idaho Timber's primary business consists of the sale of lumber that is manufactured or remanufactured at one of its locations. Agreements with customers for these sales specify the type, quantity and price of products to be delivered as well as the delivery date and payment terms. The transaction price is fixed at the time of sale and revenue is generally recognized when the customer takes control of the product.

Disaggregation of Revenue

The following presents our revenues from contracts with customers disaggregated by major business activity and primary geographic regions (in thousands):

	Reportable Segments					
	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Consolidation Adjustments	Total
Three months ended August 31, 2021						
Major Business Activity:						
Investment Banking - Advisory	$ 583,887	$ —	$ —	$ —	$ —	$ 583,887
Investment Banking - Underwriting	596,789	—	—	—	(56)	596,733
Equities (1)	210,109	—	—	—	(30)	210,079
Fixed Income (1)	4,284	—	—	—	—	4,284
Asset Management	—	2,853	—	—	—	2,853
Manufacturing revenues	—	—	118,918	—	—	118,918
Oil and gas revenues	—	—	49,814	—	—	49,814
Other revenues	—	—	67,501	—	—	67,501
Total revenues from contracts with customers	$ 1,395,069	$ 2,853	$ 236,233	$ —	$ (86)	$ 1,634,069
Primary Geographic Region:						
Americas	$ 1,114,885	$ 2,853	$ 235,450	$ —	$ (86)	$ 1,353,102
Europe	215,146	—	445	—	—	215,591
Asia Pacific	65,038	—	338	—	—	65,376
Total revenues from contracts with customers	$ 1,395,069	$ 2,853	$ 236,233	$ —	$ (86)	$ 1,634,069
Three months ended August 31, 2020						
Major Business Activity:						
Investment Banking - Advisory	$ 171,438	$ —	$ —	$ —	$ —	$ 171,438
Investment Banking - Underwriting	444,399	—	—	—	—	444,399
Equities (1)	201,157	—	—	—	(281)	200,876
Fixed Income (1)	3,156	—	—	—	—	3,156
Asset Management	—	3,127	—	—	—	3,127
Manufacturing revenues	—	—	119,751	—	—	119,751
Oil and gas revenues	—	—	20,946	—	—	20,946
Other revenues	—	—	11,048	—	—	11,048
Total revenues from contracts with customers	$ 820,150	$ 3,127	$ 151,745	$ —	$ (281)	$ 974,741
Primary Geographic Region:						
Americas	$ 684,441	$ 1,758	$ 151,085	$ —	$ (281)	$ 837,003
Europe	90,132	1,369	644	—	—	92,145
Asia Pacific	45,577	—	16	—	—	45,593
Total revenues from contracts with customers	$ 820,150	$ 3,127	$ 151,745	$ —	$ (281)	$ 974,741

	Investment Banking and Capital Markets		Asset Management		Merchant Banking		Corporate		Consolidation Adjustments		Total	
	Reportable Segments											
Nine months ended August 31, 2021												
Major Business Activity:												
Investment Banking - Advisory	$	1,285,834	$	—	$	—	$	—	$	—	$	1,285,834
Investment Banking - Underwriting		1,899,204		—		—		—		(106)		1,899,098
Equities (1)		663,503		—		—		—		(218)		663,285
Fixed Income (1)		10,471		—		—		—		—		10,471
Asset Management		—		12,594		—		—		—		12,594
Manufacturing revenues		—		—		440,857		—		—		440,857
Oil and gas revenues		—		—		126,855		—		—		126,855
Other revenues		—		—		120,071		—		—		120,071
Total revenues from contracts with customers	$	3,859,012	$	12,594	$	687,783	$	—	$	(324)	$	4,559,065
Primary Geographic Region:												
Americas	$	3,104,357	$	11,961	$	685,760	$	—	$	(324)	$	3,801,754
Europe		575,774		633		1,351		—		—		577,758
Asia Pacific		178,881		—		672		—		—		179,553
Total revenues from contracts with customers	$	3,859,012	$	12,594	$	687,783	$	—	$	(324)	$	4,559,065
Nine months ended August 31, 2020												
Major Business Activity:												
Investment Banking - Advisory	$	696,677	$	—	$	—	$	—	$	—	$	696,677
Investment Banking - Underwriting		898,653		—		—		—		—		898,653
Equities (1)		614,089		—		—		—		(681)		613,408
Fixed Income (1)		13,026		—		—		—		—		13,026
Asset Management		—		12,714		—		—		—		12,714
Manufacturing revenues		—		—		282,737		—		—		282,737
Oil and gas revenues		—		—		78,704		—		—		78,704
Other revenues		—		—		41,557		—		—		41,557
Total revenues from contracts with customers	$	2,222,445	$	12,714	$	402,998	$	—	$	(681)	$	2,637,476
Primary Geographic Region:												
Americas	$	1,858,137	$	6,250	$	401,484	$	—	$	(681)	$	2,265,190
Europe		237,652		6,464		1,303		—		—		245,419
Asia Pacific		126,656		—		211		—		—		126,867
Total revenues from contracts with customers	$	2,222,445	$	12,714	$	402,998	$	—	$	(681)	$	2,637,476

(1) Revenues from contracts with customers associated with the equities and fixed income businesses primarily represent commissions and other fee revenue.

Information on Remaining Performance Obligations and Revenue Recognized from Past Performance

We do not disclose information about remaining performance obligations pertaining to contracts that have an original expected duration of one year or less. The transaction price allocated to remaining unsatisfied or partially unsatisfied performance obligations with an original expected duration exceeding one year was not material at August 31, 2021. Investment banking advisory fees that are contingent upon completion of a specific milestone and fees associated with certain distribution services are also excluded as the fees are considered variable and not included in the transaction price at August 31, 2021.

We recognized $76.2 million and $15.6 million during the three months ended August 31, 2021 and 2020, respectively, and $49.4 million and $10.8 million during the nine months ended August 31, 2021 and 2020, respectively, of revenues related to performance obligations satisfied (or partially satisfied) in previous periods, mainly due to resolving uncertainties in variable consideration that was constrained in prior periods. In addition, we recognized $7.9 million and $4.3 million during the three months ended August 31, 2021 and 2020, respectively, and $16.4 million and $14.4 million during the nine months ended August 31, 2021 and 2020, respectively, of revenues primarily associated with distribution services, a portion of which relates to prior periods.

Contract Balances

The timing of our revenue recognition may differ from the timing of payment by customers. We record a receivable when revenue is recognized prior to payment and we have an unconditional right to payment, and we record a contract asset when we have transferred goods, services or assets to a customer, but payment is contingent upon additional performance obligations. Alternatively, when payment precedes the provision of the related services, we record deferred revenue until the performance obligations are satisfied.

We had receivables related to revenues from contracts with customers of $365.8 million and $332.5 million at August 31, 2021 and November 30, 2020, respectively, and we had contract assets related to revenues from contracts with customers of $24.6 million at August 31, 2021. We had no significant impairments related to these receivables or contract assets during the three and nine months ended August 31, 2021 and 2020.

Our deferred revenue primarily includes deferred revenue related to our real estate operations and retainer and milestone fees received in investment banking advisory engagements where the performance obligations have not yet been satisfied. Deferred revenues were $45.1 million and $14.8 million at August 31, 2021 and November 30, 2020, respectively, which are recorded as Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition. During the three months ended August 31, 2021, we recognized $8.0 million of deferred revenue from the balance at May 31, 2021. During the three months ended August 31, 2020, we recognized $19.1 million of deferred revenue from the balance at May 31, 2020. During the nine months ended August 31, 2021, we recognized $10.0 million of deferred revenue from the balance at November 30, 2020. During the nine months ended August 31, 2020, we recognized $9.3 million of deferred revenue from the balance at November 30, 2019.

Contract Costs

We capitalize costs to fulfill contracts associated with investment banking advisory engagements where the revenue is recognized at a point in time and the costs are determined to be recoverable. Capitalized costs to fulfill a contract are recognized at the point in time that the related revenue is recognized.

At August 31, 2021 and November 30, 2020, capitalized costs to fulfill a contract were $1.9 million and $1.8 million, respectively, which are recorded in Receivables in the Consolidated Statements of Financial Condition. We recognized expenses of $0.9 million and $0.8 million, during the three months ended August 31, 2021 and 2020, respectively, and $1.6 million and $3.6 million during the nine months ended August 31, 2021 and 2020, respectively, related to costs to fulfill a contract that were capitalized as of the beginning of the period. There were no significant impairment charges recognized in relation to these capitalized costs during the three and nine months ended August 31, 2021 and 2020.

Note 16. Income Taxes

The aggregate amount of gross unrecognized tax benefits related to uncertain tax positions was $473.9 million (including $102.2 million for interest) at August 31, 2021, of which $289.0 million related to Jefferies Group, and was $401.4 million (including $87.1 million for interest) at November 30, 2020, of which $234.0 million related to Jefferies Group. If recognized, such amounts would lower our effective tax rate. We recognize interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

The net deferred tax asset was $479.0 million and $393.7 million at August 31, 2021 and November 30, 2020, respectively. The deferred tax asset is predominately attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, the largest component of which relates to compensation and benefits.

The statute of limitations with respect to our federal income tax returns has expired for all years through 2016. We are currently under examination by various tax jurisdictions. Prior to becoming a wholly-owned subsidiary, Jefferies Group filed a consolidated U.S. federal income tax return with its qualifying subsidiaries and was subject to income tax in various states, municipalities and foreign jurisdictions and Jefferies Group is also currently under examination by various tax jurisdictions. We do not expect that resolution of these examinations will have a significant effect on the Consolidated Statements of Financial Condition, but could have a significant impact on the Consolidated Statements of Operations for the period in which resolution occurs.

Our provision for income taxes for the nine months ended August 31, 2021 was $484.8 million, representing an effective tax rate of 26.5%. Our provision for income taxes for the nine months ended August 31, 2020 was $185.1 million, representing an effective tax rate of 28.7%.

Note 17. Common Share and Earnings Per Common Share

Basic and diluted earnings per share amounts were calculated by dividing net income by the weighted average number of common shares outstanding. The numerators and denominators used to calculate basic and diluted earnings per share are as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Numerator for earnings per share:				
Net income attributable to Jefferies Financial Group Inc. common shareholders	$ 407,459	$ 304,409	$ 1,342,490	$ 462,338
Allocation of earnings to participating securities (1)	(2,490)	(1,945)	(7,974)	(2,921)
Net income attributable to Jefferies Financial Group Inc. common shareholders for basic earnings per share	404,969	302,464	1,334,516	459,417
Adjustment to allocation of earnings to participating securities related to diluted shares (1)	52	17	161	5
Mandatorily redeemable convertible preferred share dividends	1,849	1,404	5,101	4,230
Net income attributable to Jefferies Financial Group Inc. common shareholders for diluted earnings per share	$ 406,870	$ 303,885	$ 1,339,778	$ 463,652
Denominator for earnings per share:				
Weighted average common shares outstanding	246,624	263,062	247,638	273,035
Weighted average shares of restricted stock outstanding with future service required	(1,602)	(1,787)	(1,561)	(1,837)
Weighted average RSUs outstanding with no future service required	18,065	19,420	18,171	18,761
Denominator for basic earnings per share – weighted average shares	263,087	280,695	264,248	289,959
Stock options	1,485	—	905	—
Senior executive compensation plan awards	2,392	—	2,152	475
Mandatorily redeemable convertible preferred shares	4,441	4,441	4,441	4,441
Denominator for diluted earnings per share	271,405	285,136	271,746	294,875

(1) Represents dividends declared during the period on participating securities plus an allocation of undistributed earnings to participating securities. Net losses are not allocated to participating securities. Participating securities represent restricted stock and RSUs for which requisite service has not yet been rendered and amounted to weighted average shares of 1,621,000 and 1,807,800 for the three months ended August 31, 2021 and 2020, respectively, and 1,581,200 and 1,851,900

for the nine months ended August 31, 2021 and 2020, respectively. Dividends declared on participating securities were not material during the three and nine months ended August 31, 2021 and 2020. Undistributed earnings are allocated to participating securities based upon their right to share in earnings if all earnings for the period had been distributed.

Our Board of Directors from time to time has authorized the repurchase of our common shares. In January 2021, the Board of Directors increased the share repurchase authorization by $192.8 million and in March 2021, the Board of Directors increased the share repurchase authorization by $127.5 million. During the nine months ended August 31, 2021, we purchased a total of 6,500,000 of our common shares for an aggregate purchase price of $179.3 million, or an average price of $27.59 per share. At August 31, 2021, we had approximately $198.2 million available for future purchases. In September 2021, the Board of Directors increased the share repurchase authorization to $250.0 million, including the $198.2 million.

Note 18. Commitments, Contingencies and Guarantees

Commitments

The following table summarizes commitments associated with certain business activities at August 31, 2021 (in millions):

	Expected Maturity Date (Fiscal Years)					
	2021	**2022**	**2023 and 2024**	**2025 and 2026**	**2027 and Later**	**Maximum Payout**
Equity commitments (1)	$ 121.0	$ 230.3	$ 26.2	$ 11.1	$ 21.1	$ 409.7
Loan commitments (1)	—	250.0	25.8	60.0	—	335.8
Underwriting commitments	155.8	—	—	—	—	155.8
Forward starting reverse repos (2)	10,223.8	99.5	—	—	—	10,323.3
Forward starting repos (2)	6,296.3	—	—	—	—	6,296.3
Other unfunded commitments (1)	27.2	25.0	133.9	—	—	186.1
Total	$ 16,824.1	$ 604.8	$ 185.9	$ 71.1	$ 21.1	$ 17,707.0

(1) Equity commitments, loan commitments and other unfunded commitments are generally presented by contractual maturity date. The amounts, however, are mostly available on demand.
(2) At August 31, 2021, $10.32 billion within forward starting securities purchased under agreements to resell and $6.21 billion of the forward starting securities sold under agreements to repurchase settled within three business days.

Equity Commitments. Equity commitments include a commitment to invest in Jefferies Group's joint venture, Jefferies Finance, 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 our President and a Director. At August 31, 2021, Jefferies Group's outstanding commitments relating to Jefferies Capital Partners, LLC and its private equity funds were $10.7 million.

See Note 8 for additional information regarding Jefferies Group's investment in Jefferies Finance.

Additionally, at August 31, 2021, we had other outstanding equity commitments to invest up to $100.0 million to strategic affiliates and $230.2 million to various other investments.

Loan Commitments. From time to time we make commitments to extend credit to investment banking and other clients in loan syndication and acquisition finance, and to strategic affiliates. 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, 2021, we had $85.0 million of outstanding loan commitments to clients.

Loan commitments outstanding at August 31, 2021 also include Jefferies Group's portion of the outstanding secured revolving credit facility provided to Jefferies Finance to support loan underwritings by Jefferies Finance. At August 31, 2021, $0.0 million of Jefferies Group's $250.0 million commitment was funded.

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, warehouse financings and debt securities to provide financing to asset-backed and CLO vehicles. Upon advancing funds, drawn amounts are collateralized by the assets of an entity.

Contingencies

We and our subsidiaries are parties to legal and regulatory proceedings that are considered to be either ordinary, routine litigation incidental to their business or not significant to our consolidated financial position. We and our subsidiaries are also involved, from time to time, in other exams, investigations and similar reviews (both formal and informal) by governmental and self-regulatory agencies regarding our businesses, certain of which may result in judgments, settlements, fines, penalties or other injunctions. We do not believe that any of these actions will have a significant adverse effect on our consolidated financial position or liquidity, but any amounts paid could be significant to results of operations for the period.

Guarantees

Derivative Contracts. Our dealer activities cause us to 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 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 GAAP at August 31, 2021 (in millions):

	Expected Maturity Date (Fiscal Years)					
Guarantee Type	**2021**	**2022**	**2023 and 2024**	**2025 and 2026**	**2027 and Later**	**Notional/ Maximum Payout**
Derivative contracts – non-credit related	$ 8,635.2	$ 12,807.8	$ 9,503.1	$ 386.6	$ 50.0	$ 31,382.7
Written derivative contracts – credit related	—	—	19.0	—	—	19.0
Total derivative contracts	$ 8,635.2	$ 12,807.8	$ 9,522.1	$ 386.6	$ 50.0	$ 31,401.7

The derivative contracts deemed to meet the definition of a guarantee under 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, 2021, the fair value of derivative contracts meeting the definition of a guarantee is approximately $174.2 million.

Berkadia. We have agreed to reimburse Berkshire Hathaway for up to one-half of any losses incurred under a $1.5 billion surety policy securing outstanding commercial paper issued by an affiliate of Berkadia. At August 31, 2021, the aggregate amount of commercial paper outstanding was $1.47 billion.

HomeFed. For real estate development projects, HomeFed is generally required to obtain infrastructure improvement bonds at the beginning of construction work and warranty bonds upon completion of such improvements. These bonds are issued by surety companies to guarantee satisfactory completion of a project and provide funds primarily to a municipality in the event HomeFed is unable or unwilling to complete certain infrastructure improvements. As HomeFed develops the planned area and the municipality accepts the improvements, the bonds are released. Should the respective municipality or others draw on the bonds for any reason, certain of HomeFed's subsidiaries would be obligated to pay. At August 31, 2021, the aggregate amount of infrastructure improvement bonds outstanding was $74.5 million.

Other Guarantees. We are members of various exchanges and clearing houses. In the normal course of business, we provide guarantees to securities clearing houses 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 clearing house, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearing houses 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. Additionally, we provide certain indemnifications in connection with third-party clearing and execution arrangements whereby a third-party may clear and settle transactions on behalf of our clients. These indemnifications generally have standard contractual terms and are entered into in the ordinary course of business. Our obligations in respect of such transactions are secured by the assets in our client's account, as well as any proceeds received from the transactions cleared and settled on behalf of our client. However, we believe that it is unlikely we would have to make any material payments under these arrangements and no material liabilities related to these indemnifications have been recognized.

Standby Letters of Credit. At August 31, 2021, we provided guarantees to certain counterparties in the form of standby letters of credit totaling $8.6 million. 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. Primarily all letters of credit expire within one year.

Note 19. Net Capital Requirements

Jefferies LLC operates as a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC") and a member firm of the Financial Industry Regulatory Authority ("FINRA"). Jefferies LLC is subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and has elected to calculate minimum capital requirements using the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies LLC, as a dually-registered U.S. broker-dealer and futures commission merchant ("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.

Jefferies LLC's net capital and excess net capital at August 31, 2021 were $2.06 billion and $1.94 billion, respectively.

FINRA is the designated examining authority for Jefferies LLC and the National Futures Association is the designated self-regulatory organization for Jefferies LLC as an FCM.

Certain other U.S. and non-U.S. subsidiaries of Jefferies Group 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 United Kingdom. The Dodd-Frank Wall Street Reform and Consumer Protection Act (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. On October 6, 2021, Jefferies Financial Services, Inc. ("JFSI"), a registered swap dealer, became subject to the CFTC's regulatory capital requirements and holds regulatory capital in excess of the minimum regulatory requirement. Additionally, JFSI will be required to register as a securities based swap dealer with the SEC by November 1, 2021. Further, in September 2021, JFSI filed an application with the SEC to become an OTC derivatives dealer, which upon approval, would subject JFSI to the SEC's net capital requirements. JFSI is expected to be in compliance with these requirements upon final approval of its application by the SEC.

The regulatory capital requirements referred to above may restrict our ability to withdraw capital from Jefferies Group's regulated subsidiaries. Some of our other consolidated subsidiaries also have credit agreements which may restrict the payment of cash dividends, or the ability to make loans or advances to the parent company.

Note 20. Other Fair Value Information

The carrying amounts and estimated fair values of our principal financial instruments that are not recognized at fair value on a recurring basis are as follows (in thousands):

	August 31, 2021		November 30, 2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Receivables:				
Notes and loans receivable (1)	$ 825,406	$ 873,347	$ 727,492	$ 744,424
Financial Liabilities:				
Short-term borrowings (2)	$ 307,297	$ 307,297	$ 759,648	$ 759,648
Long-term debt (3)	6,880,083	7,744,654	6,639,794	7,495,642

(1) Notes and loans receivable: The fair values are estimated principally based on a discounted future cash flows model using market interest rates for similar instruments. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.
(2) Short-term borrowings: The fair values of short-term borrowings carried at cost are estimated to be the carrying amount due to their short maturities. If measured at fair value in the financial statements, these financial instruments would be classified as Level 3 in the fair value hierarchy.
(3) Long-term debt: The fair values are estimated using quoted prices, pricing information obtained from external data providers and, for certain variable rate debt, is estimated to be the carrying amount. If measured at fair value in the financial statements, these financial instruments would be classified as Level 2 and Level 3 in the fair value hierarchy.

Note 21. Related Party Transactions

Jefferies Capital Partners Related Funds. Jefferies Group has equity investments in the JCP Manager and in private equity funds (including JCP Fund V), which are managed by a team led by our President and a Director ("Private Equity Related Funds"). Reflected in the Consolidated Statements of Financial Condition at August 31, 2021 and November 30, 2020 are Jefferies Group's equity investments in Private Equity Related Funds of $28.1 million and $19.0 million, respectively. Net gains (losses) from Jefferies Group's investment in JCP Fund V aggregating $4.2 million and $2.0 million for the three months ended August 31, 2021 and 2020, respectively, and $8.7 million and $(3.5) million for the nine months ended August 31, 2021 and 2020, respectively, were recorded in Principal transactions revenues. Gains (losses) for other funds were not material. For further information regarding our commitments and funded amounts to the Private Equity Related Funds, see Notes 7 and 18.

Special Purpose Acquisition Companies. Jefferies Group earned investment banking revenues during the three and nine months ended August 31, 2021 of $21.4 million and $45.5 million, respectively, for services provided to special purpose acquisition companies we have co-sponsored.

Berkadia Commercial Mortgage, LLC. At August 31, 2021 and November 30, 2020, Jefferies Group has commitments to purchase $490.2 million and $401.0 million, respectively, in agency commercial mortgage-backed securities from Berkadia.

FXCM. Jefferies Group entered into a foreign exchange prime brokerage agreement with FXCM in 2017. In connection with the foreign exchange contracts entered into under this agreement, Jefferies Group had $0.9 million and $2.7 million at August 31, 2021 and November 30, 2020, respectively, included in Payables, expense accruals and other liabilities in the Consolidated Statements of Financial Condition.

Officers, Directors and Employees. We had $35.7 million and $38.9 million of loans outstanding to certain officers and employees (none of whom are an executive officer or director of the Company) at August 31, 2021 and November 30, 2020, respectively. 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.

Note 22. Segment Information

We are engaged in investment banking and capital markets, asset management and direct investing. The Investment Banking and Capital Markets segment includes investment banking, capital markets and other related services. Investment banking provides underwriting and financial advisory services to clients across most industry sectors in the Americas, Europe and Asia Pacific. Capital markets businesses operate across the spectrum of equities and fixed income products.

Our Asset Management segment comprises all asset management operations, including those within Jefferies Group. Within Asset Management, we manage, invest in and provide services to a diverse group of alternative asset management platforms across a spectrum of investment strategies and asset classes. Asset Management offers institutional clients an innovative range of investment strategies through its affiliated managers.

Merchant Banking consists of our various merchant banking businesses and investments, primarily including Linkem, Vitesse Energy Finance and JETX Energy, real estate, Idaho Timber and FXCM.

Corporate assets primarily consist of cash and cash equivalents. Corporate revenues primarily include interest income.

Certain information concerning our segments is presented in the following table (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Net revenues:				
Reportable Segments:				
Investment Banking and Capital Markets	$ 1,650,796	$ 1,274,115	$ 5,183,269	$ 3,451,776
Asset Management	12,604	118,558	293,892	146,278
Merchant Banking	271,608	220,887	887,939	532,608
Corporate	955	591	2,269	11,908
Total net revenues related to reportable segments	1,935,963	1,614,151	6,367,369	4,142,570
Consolidation adjustments	3,021	2,019	9,064	7,517
Total consolidated revenues	$ 1,938,984	$ 1,616,170	$ 6,376,433	$ 4,150,087
Income (loss) before income taxes:				
Reportable Segments:				
Investment Banking and Capital Markets	$ 589,992	$ 281,323	$ 1,559,833	$ 745,814
Asset Management	(18,615)	87,604	173,905	25,122
Merchant Banking	3,356	70,747	169,971	(57,592)
Corporate	(10,450)	(15,618)	(43,026)	(36,226)
Income before income taxes related to reportable segments	564,283	424,056	1,860,683	677,118
Parent Company interest	(13,774)	(14,114)	(41,505)	(39,773)
Consolidation adjustments	3,107	2,300	9,362	8,198
Total consolidated income before income taxes	$ 553,616	$ 412,242	$ 1,828,540	$ 645,543
Depreciation and amortization expenses:				
Reportable Segments:				
Investment Banking and Capital Markets	$ 21,035	$ 22,225	$ 62,497	$ 61,322
Asset Management	494	2,018	1,462	4,776
Merchant Banking	16,584	14,408	50,619	50,627
Corporate	564	869	2,306	2,631
Total consolidated depreciation and amortization expenses	$ 38,677	$ 39,520	$ 116,884	$ 119,356

	August 31, 2021	November 30, 2020
Identifiable Assets Employed:		
Reportable Segments:		
Investment Banking and Capital Markets	$ 49,598,771	$ 44,835,126
Asset Management	2,771,582	3,231,059
Merchant Banking	3,382,049	3,173,064
Corporate	2,572,196	2,178,699
Identifiable assets related to reportable segments	58,324,598	53,417,948
Consolidation adjustments	(287,199)	(299,596)
Total consolidated assets	$ 58,037,399	$ 53,118,352

Interest expense classified as a component of Net revenues relates to Jefferies Group. For the three months ended August 31, 2021 and 2020, interest expense classified as a component of Expenses was primarily comprised of parent company interest ($13.8 million and $14.1 million, respectively) and Merchant Banking ($5.7 million and $7.4 million, respectively). For the nine months ended August 31, 2021 and 2020, interest expense classified as a component of Expenses was primarily comprised of parent company interest ($41.5 million and $39.8 million, respectively) and Merchant Banking ($18.3 million and $24.5 million, respectively).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Statements included in this report may contain forward-looking statements. See "Cautionary Statement for Forward-Looking Information" below. The following should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations, Risk Factors and the description of our businesses included in our Annual Report on Form 10-K for the year ended November 30, 2020 (the "2020 10-K").

Results of Operations

We are engaged in investment banking and capital markets, asset management and direct investing. Jefferies Group, our largest subsidiary, is now the largest independent full-service global investment banking firm headquartered in the U.S. The following tables present a summary of our financial results.

A summary of results of operations for the third quarter of 2021 is as follows (in thousands):

	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Parent Company Interest	Consolidation Adjustments	Total
Net revenues	$ 1,650,796	$ 12,604	$ 271,608	$ 955	$ —	$ 3,021	$ 1,938,984
Expenses:							
Compensation and benefits	758,546	15,468	21,763	6,466	—	—	802,243
Cost of sales	64,441 (1)	4,541 (1)	151,510	—	—	—	220,492
Interest expense	—	—	5,744 (2)	—	13,774	—	19,518
Depreciation and amortization	21,035	494	16,584	564	—	—	38,677
Selling, general and other expenses	216,782	10,716	45,475	4,375	—	(86)	277,262
Total expenses	1,060,804	31,219	241,076	11,405	13,774	(86)	1,358,192
Income (loss) before income taxes and loss related to associated companies	589,992	(18,615)	30,532	(10,450)	(13,774)	3,107	580,792
Loss related to associated companies	—	—	(27,176)	—	—	—	(27,176)
Income (loss) before income taxes	$ 589,992	$ (18,615)	$ 3,356	$ (10,450)	$ (13,774)	$ 3,107	553,616
Income tax provision							145,700
Net income							$ 407,916

(1) Includes Floor brokerage and clearing fees.

(2) Interest expense within Merchant Banking of $5.7 million for the third quarter of 2021, primarily includes $5.0 million for Foursight Capital and $0.8 million for Vitesse Energy, LLC ("Vitesse Energy Finance").

A summary of results of operations for the first nine months of 2021 is as follows (in thousands):

	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Parent Company Interest	Consolidation Adjustments	Total
Net revenues	$ 5,183,269	$ 293,892	$ 887,939	$ 2,269	$ —	$ 9,064	$ 6,376,433
Expenses:							
Compensation and benefits	2,639,307	59,924	77,762	29,035	—	—	2,806,028
Cost of sales	197,226 (1)	24,982 (1)	390,916	—	—	—	613,124
Interest expense	—	—	18,323 (2)	—	41,505	—	59,828
Depreciation and amortization	62,497	1,462	50,619	2,306	—	—	116,884
Selling, general and other expenses	724,406	33,619	119,078	13,954	—	(298)	890,759
Total expenses	3,623,436	119,987	656,698	45,295	41,505	(298)	4,486,623
Income (loss) before income taxes and loss related to associated companies	1,559,833	173,905	231,241	(43,026)	(41,505)	9,362	1,889,810
Loss related to associated companies	—	—	(61,270)	—	—	—	(61,270)
Income (loss) before income taxes	$ 1,559,833	$ 173,905	$ 169,971	$ (43,026)	$ (41,505)	$ 9,362	1,828,540
Income tax provision							484,756
Net income							$ 1,343,784

(1) Includes Floor brokerage and clearing fees.
(2) Interest expense within Merchant Banking of $18.3 million for the first nine months of 2021, primarily includes $15.8 million for Foursight Capital and $2.5 million for Vitesse Energy Finance.

A summary of results for the third quarter of 2020 is as follows (in thousands):

	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Parent Company Interest	Consolidation Adjustments	Total
Net revenues	$ 1,274,115	$ 118,558	$ 220,887	$ 591	$ —	$ 2,019	$ 1,616,170
nses:							
Compensation and benefits	719,822	10,652	20,573	9,790	—	—	760,837
st of sales	60,640 (1)	6,103 (1)	82,657	—	—	—	149,400
terest expense	—	—	7,398 (2)	—	14,114	—	21,512
Depreciation and amortization	22,225	2,018	14,408	869	—	—	39,520
Selling, general and other expenses	190,105	12,181	30,157	5,550	—	(281)	237,712
Total expenses	992,792	30,954	155,193	16,209	14,114	(281)	1,208,981
Income (loss) before income taxes and income related to associated companies	281,323	87,604	65,694	(15,618)	(14,114)	2,300	407,189
Income related to associated companies	—	—	5,053	—	—	—	5,053
Income (loss) before income taxes	$ 281,323	$ 87,604	$ 70,747	$ (15,618)	$ (14,114)	$ 2,300	412,242
Income tax provision							107,403
Net income							$ 304,839

(1) Includes Floor brokerage and clearing fees.
(2) Interest expense within Merchant Banking of $7.4 million for the third quarter of 2020, primarily includes $6.4 million for Foursight Capital and $1.0 million for Vitesse Energy Finance.

A summary of results for the first nine months of 2020 is as follows (in thousands):

	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Parent Company Interest	Consolidation Adjustments	Total
Net revenues	$ 3,451,776	$ 146,278	$ 532,608	$ 11,908	$ —	$ 7,517	$ 4,150,087
nses:							
Compensation and benefits	1,892,567	59,375	51,736	25,819	—	—	2,029,497
ost of sales	181,115 (1)	20,288 (1)	235,871	—	—	—	437,274
terest expense	—	—	24,453 (2)	—	39,773	—	64,226
Depreciation and amortization	61,322	4,776	50,627	2,631	—	—	119,356
Selling, general and other expenses	570,958	36,717	157,990	19,684	—	(681)	784,668
Total expenses	2,705,962	121,156	520,677	48,134	39,773	(681)	3,435,021
Income (loss) before income taxes and loss related to associated companies	745,814	25,122	11,931	(36,226)	(39,773)	8,198	715,066
Loss related to associated companies	—	—	(69,523)	—	—	—	(69,523)
Income (loss) before income taxes	$ 745,814	$ 25,122	$ (57,592)	$ (36,226)	$ (39,773)	$ 8,198	645,543
Income tax provision							185,138
Net income							$ 460,405

(1) Includes Floor brokerage and clearing fees.

(2) Interest expense within Merchant Banking of $24.5 million for the first nine months of 2020, primarily includes $20.8 million for Foursight Capital and $3.6 million for Vitesse Energy Finance.

The composition of our financial results has varied over time and we expect will continue to evolve. Our strategy is designed to transform Jefferies into a pure financial services firm and, as such, we are focused on the development of our Investment Banking and Capital Markets, and Asset Management segments, while we continue to realize the value of or otherwise transform our investments in Merchant Banking. The following factors and events should be considered in evaluating our financial results as they impact comparisons:

Our financial results for the third quarter of 2021 were impacted by:

- All-time record quarterly investment banking net revenues of $1.18 billion, including all-time record quarterly advisory net revenues of $583.9 million, equity underwriting net revenues of $367.5 million and debt underwriting net revenues of $229.3 million, each a record for a third quarter;
- Quarterly combined capital markets net revenues of $442.3 million, including equities net revenues of $236.5 million and fixed income net revenues of $205.8 million;
- Asset Management revenues (before allocated net interest) of $23.8 million, down significantly from the robust prior year quarter; and
- Pre-tax income of $3.4 million related to our Merchant Banking businesses reflecting normalization of the results from Idaho Timber, as well as charges to adjust its inventory carrying value to substantially lower lumber prices.

Our financial results for the first nine months of 2021 were impacted by:

- Record nine month investment banking net revenues of $3.25 billion, including record advisory net revenues of $1.29 billion, record equity underwriting net revenues of $1.19 billion and record debt underwriting net revenues of $712.5 million;
- Nine month combined capital markets net revenues of $1.84 billion, including record equities net revenues of $1.01 billion and fixed income net revenues of $826.4 million;
- Record nine month Asset Management revenues (before allocated net interest) of $326.9 million; and
- Pre-tax income of $170.0 million related to our Merchant Banking businesses reflecting exceptionally strong results from Idaho Timber for the first six months of the nine month period and mark-to-market increases in the value of several of our investments in public and private companies.

Our financial results for the third quarter of 2020 were impacted by:

- Investment banking net revenues of $588.8 million, including equity underwriting net revenues of $305.4 million, advisory net revenues of $171.4 million and debt underwriting net revenues of $139.0 million;
- Combined capital markets net revenues of $655.2 million, including equities net revenues of $318.8 million and fixed income net revenues of $336.3 million;
- Asset Management revenues (before allocated net interest) of $131.6 million; and
- Pre-tax income of $70.7 million related to our Merchant Banking businesses reflecting solid results at Idaho Timber, $54.5 million of mark-to-market unrealized increases in the values of some of our investments in public companies and a decrease in the fair value of Vitesse Energy Finance's hedges, as oil prices appreciated during the quarter.

Our financial results for the first nine months of 2020 were impacted by:

- Investment banking net revenues of $1.48 billion, including advisory net revenues of $696.7 million, equity underwriting net revenues of $561.5 million and debt underwriting net revenues of $337.2 million;
- Combined capital markets net revenues of $1.88 billion, including equities net revenues of $801.6 million and fixed income net revenues of $1.08 billion;
- Asset Management revenues (before allocated net interest) of $183.0 million; and
- Pre-tax loss of $57.6 million related to our Merchant Banking businesses reflecting:
  - Positive contributions from Vitesse Energy Finance, Idaho Timber and FXCM;
  - A gain of $61.5 million from effective short-term hedges against mark-to-market and fair value decreases in some of our other investments within Merchant Banking;
  - A $44.2 million non-cash charge to write down the value of our investment in WeWork;
  - Non-cash charges of $67.8 million related to write-downs of real estate investments at HomeFed; and
  - Non-cash charges of $13.2 million to write down Vitesse Energy Finance's oil and gas assets in the DJ Basin and $33.0 million to write down the value of our investment in JETX Energy, LLC ("JETX Energy") to reflect the decline in oil prices.

Investment Banking and Capital Markets

A summary of results of operations for our Investment Banking and Capital Markets segment is as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Net revenues	$ 1,650,796	$ 1,274,115	$ 5,183,269	$ 3,451,776
Expenses:				
Compensation and benefits	758,546	719,822	2,639,307	1,892,567
Floor brokerage and clearing fees	64,441	60,640	197,226	181,115
Depreciation and amortization	21,035	22,225	62,497	61,322
Selling, general and other expenses	216,782	190,105	724,406	570,958
Total expenses	1,060,804	992,792	3,623,436	2,705,962
Income before income taxes	$ 589,992	$ 281,323	$ 1,559,833	$ 745,814

Our Investment Banking and Capital Markets segment comprises many business units, with many interactions and much integration among them. Business activities include the sales, trading, origination and advisory effort for various equity, fixed income, commodities, foreign exchange and advisory services. Our Investment Banking and Capital Markets segment business, by its nature, does not produce predictable or necessarily recurring revenues or 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.

Revenues by Source

Net revenues presented for our Investment Banking and Capital Markets segment 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, including the net interest cost of allocated long-term debt, which is a function of the mix of each business's associated assets and liabilities and the related funding costs. The following provides a summary of net revenues by source (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	**August 31, 2020**	**August 31, 2021**	**August 31, 2020**
Advisory	$ 583,887	$ 171,438	$ 1,285,834	$ 696,677
Equity underwriting	367,460	305,380	1,186,728	561,455
Debt underwriting	229,329	139,019	712,476	337,198
Total underwriting	596,789	444,399	1,899,204	898,653
Other investment banking	(360)	(27,013)	62,436	(112,776)
Total investment banking	1,180,316	588,824	3,247,474	1,482,554
Equities	236,532	318,824	1,010,497	801,596
Fixed income	205,795	336,347	826,351	1,077,673
Total capital markets	442,327	655,171	1,836,848	1,879,269
Other	28,153	30,120	98,947	89,953
Total Investment Banking and Capital Markets (1)	$ 1,650,796	$ 1,274,115	$ 5,183,269	$ 3,451,776

(1) Allocated net interest is not separately disaggregated in presenting our Investment Banking and Capital Markets reportable segment within our Net Revenues by Source. This presentation is aligned to our Investment Banking and Capital Markets internal performance measurement.

Investment Banking Revenues

Investment banking is comprised of revenues from:

- advisory services with respect to mergers and acquisitions and restructurings and recapitalizations;
- underwriting services, which include underwriting and placement services related to corporate debt, municipal bonds, mortgage-backed and asset-backed securities and equity and equity-linked securities and loan syndication;
- our 50% share of net earnings from Jefferies Group's corporate lending joint venture, Jefferies Finance LLC ("Jefferies Finance"); and
- securities and loans received or acquired in connection with our investment banking activities.

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

	Deals Completed				Aggregate Value			
	For the Three Months Ended		For the Nine Months Ended		For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Advisory transactions	88	48	217	149	$ 118.3	$ 29.3	$ 271.6	$ 110.3
Public and private equity and convertible offerings	96	99	316	205	$ 26.2	$ 34.5	$ 107.9	$ 71.7
Public and private debt financings	240	213	604	449	$ 93.4	$ 72.2	$ 276.0	$ 185.4

Investment banking revenues for the third quarter of 2021 were a record of $1.18 billion, compared with $588.8 million for the third quarter of 2020, reflecting all-time record revenues in investment banking advisory, as merger and acquisition activity remains strong and underwriting revenues were also strong. Our ongoing investment in our investment banking franchise and our strategy to lead with our investment banking platform has continued to deliver market share gains.

Our advisory revenues were a record $583.9 million, up $412.4 million, or 240.6% compared to the prior year comparable quarter, reflecting record performance in our mergers and acquisitions business as Jefferies Group gained market share and activity in the mergers and acquisitions markets remained strong in an environment of low interest rates and higher stock prices.

Our underwriting revenues for the third quarter of 2021 were $596.8 million, an increase of 34.3%, from $444.4 million in the prior year comparable quarter, with strong quarterly net revenues of $367.5 million in equity underwriting and $229.3 million in debt underwriting reflective of both the number and aggregate value of underwriting transactions completed as Jefferies Group's investment banking business extended its reach to a broader client base. Further, the low interest rate environment and strong equity markets have led to increased deal activity as clients looked to raise capital in most sectors.

Other investment banking results were a net loss of $0.4 million for the third quarter of 2021, compared with a net loss of $27.0 million for the third quarter of 2020. Other investment banking revenues during the third quarter of 2021 include net revenues of $4.4 million from Jefferies Group's share of the net earnings of the Jefferies Finance joint venture, compared with a net loss of $11.8 million in the third quarter of 2020. Results in the third quarter of 2021 reflect strong underlying revenues, partially offset by a $56.0 million one-time charge incurred by Jefferies Finance related to the refinancing of outstanding debt. Results in the prior year comparable quarter include losses related to reserves recorded on the loan portfolio during the prior year comparable quarter, primarily due to the impact of COVID-19 on the markets and economy. Our Other investment banking revenues in both periods are reduced by allocated interest expense and the amortization of costs related to the investment in the Jefferies Finance business.

At August 31, 2021, Jefferies Group's backlog of potential net revenues from future transactions was at a record level. As an indicator of net revenues in a given future period, backlog is subject to limitations. The time frame for the realization of revenues from these expected transactions varies and is influenced by factors we do not control. Transactions not included in the estimate may occur, and expected transactions may also be modified or cancelled.

Investment banking revenues for the first nine months of 2021 were a record of $3.25 billion, compared with $1.48 billion for the first nine months of 2020, reflecting record nine months advisory revenues and record underwriting revenues.

Our advisory revenues were a nine months record of $1.29 billion for the first nine months of 2021, up $589.1 million, or 84.6% higher than the prior year comparable period, primarily due to a significant increase in the number and values of transactions, across most sectors, as the mergers and acquisitions markets held strong with high levels of activity due to the low interest rate environment and the strong equity markets.

Our underwriting revenues for the first nine months of 2021 were a nine months record of $1.90 billion, an increase of 111.3%, from $898.7 million in the prior year comparable period, with record nine months net revenues in equity underwriting of $1.19 billion and record nine months net revenues of $712.5 million in debt underwriting, as clients took advantage of the strong equity environment to raise equity capital in almost all sectors and companies continued to take advantage of the low rate environment to access the debt capital markets with high levels of activity in the leveraged loan new issuance markets and record levels of high yield bond refinancing activity.

Other investment banking revenues were $62.4 million for the first nine months of 2021, compared with a net loss of $112.8 million for the first nine months of 2020. Other investment banking revenues during the first nine months of 2021 include net revenues of $76.7 million from our share of the net earnings of the Jefferies Finance joint venture, compared with a net loss of $51.1 million in the first nine months of 2020. Strong results in the first nine months of 2021 reflect high loan arrangement volumes due to continued strength in the leveraged finance markets, as well as a reduction in loan loss reserves, partially offset by a $56.0 million one-time charge incurred by Jefferies Finance related to the refinancing of outstanding debt. The results during the first nine months of 2020 included unrealized losses related to the write-down of commitments and loans held-for-sale, as well as reserves recorded on the loan portfolio during the first nine months of 2020, primarily due to the impact of COVID-19 on the markets and the economy. The first nine months of 2020 also included unrealized write-downs of private equity investments received or acquired in connection with our investment banking activities. Our Other investment banking revenues in both periods are reduced by allocated interest expense and the amortization of costs related to our investment in the Jefferies Finance business.

Equities Net Revenues

Equities are comprised of net revenues from:

- services provided to our clients from which we earn commissions or spread revenue by executing, settling and clearing transactions for clients;
- advisory services offered to clients;
- financing, securities lending and other prime brokerage services offered to clients, including capital introductions and outsourced trading; and
- wealth management services.

Total equities net revenues were $236.5 million for the third quarter of 2021, Jefferies Group's second highest third quarter and a decrease of 25.8%, compared with $318.8 million for the third quarter of 2020. Our equities franchise achieved solid results as our business continues to expand within the context of a more normalized trading environment compared to the record prior year comparable quarter.

Results in our global cash equities business reflected lower client activity and market volumes and reduced trading gains on certain strategic positions and activity related to Special Purpose Acquisition Companies ("SPACs") in the U.S. as compared to the prior year quarter, partially offset by continued growth of our international franchise, primarily across Asia Pacific. Our global electronic trading business and our global convertibles business had lower revenues primarily driven by lower trading volumes and volatility, as well as reduced primary issuance activity.

Results in our prime services franchise were higher driven by increased client balances and the continued growth of our outsourced trading business, as well as higher financing revenues in our securities finance business, partially offset by reduced money market revenue as a result of low short-term interest rates.

Total equities net revenues were $1.01 billion for the first nine months of 2021, an increase of 26.1%, compared with $801.6 million for the first nine months of 2020, driven by record results, primarily in the first quarter of 2021 in almost all our products and across each of our core regions. Our equities franchise continues to gain market share and achieve double-digit growth across the majority of our products. Strong results and momentum are being driven by our long-term globalization and product diversification strategies. Overall, our record results this year, primarily in the first quarter of the current year period, are a result of increased client activity, improved trading and the recognition by our clients of our advisory, differentiated distribution and execution capabilities globally.

Our cash equities business had record results globally and across each region in the U.S., Europe and across Asia Pacific. Overall, our cash equities results were driven by significant client activity and trading revenue, including SPAC-related activity, particularly in the first quarter of 2021. Our electronic trading business had record results globally, driven by continued expansion and momentum in our international franchise. Our derivatives business achieved record results and more than doubled their revenue as compared with the prior year comparable period, driven by strong client activity and trading revenues. Our prime services franchise had record results driven by higher balances and increased client activity, as well as higher financing revenues in our securities finance business.

Our execution franchise continues to be top-ranked by Greenwich Associates in electronic trading and convertibles. Each of our research franchises in the U.S., Europe, and across Asia Pacific are now ranked within the top 8 by Institutional Investor. Our global distribution platform has received several rankings around the world where we are ranked within the top 5 by Institutional Investor in sales and sector strategy, with several market-leading positions according to Institutional Investor and Asiamoney.

Fixed Income Net Revenues

Fixed income is comprised of net revenues from:

- executing transactions for clients and making markets in securitized products, investment grade, high-yield, distressed, emerging markets, municipal and sovereign securities and bank loans, as well as foreign exchange execution on behalf of clients;
- interest rate derivatives and credit derivatives; and
- financing services offered to clients.

Fixed income net revenues totaled $205.8 million for the third quarter of 2021, a decrease of 38.8% from net revenues of $336.3 million for the third quarter of 2020, as trading volumes and client activity were lower across most products and regions with a more normalized trading environment compared to the record prior year comparable quarter.

Results across our global trading businesses reflect lower revenues for the third quarter of 2021 due to a decline in trading opportunities on lower levels of client activity and liquidity in the market compared with the third quarter of 2020. In contrast, our distressed trading business had increased revenues as compared to the third quarter of 2020 and the securitization markets remain strong which drove solid results in our securitized markets group.

Emerging markets results declined from the third quarter of 2020 as government support of the credit markets had driven increased client trading activity and opportunities in the third quarter of 2020. Additionally, results in the municipal securities business declined compared with the third quarter of 2020 due to higher levels of activity in the municipal markets as spreads tightened.

Fixed income net revenues totaled $826.4 million for the first nine months of 2021, a decrease of 23.3% from net revenues of $1.08 billion for the first nine months of 2020, driven by reduced global trading volumes across several products in the second and third quarters of the current year period. While the first nine months of 2021 revenues decreased from that of the first nine months of 2020, our fixed income franchise produced solid overall trading results across most of our businesses. The first nine months of 2020 significantly benefited from strong trading volumes due to extremely active markets and high levels of volatility.

Net revenues in the first nine months of 2021 were higher in our securitized markets groups on increased client demand for these products, as compared with the first nine months of 2020. In addition, first nine months of 2021 results benefited from trading gains in our municipal securities business compared to the first nine months of 2020 when markets experienced a significant sell-off due to the impact of COVID-19. Our revenues also benefited from ongoing investments across our European credit franchise.

Our results also include lower revenues in our U.S. and International rates businesses due to a decline in trading opportunities, which were impacted by lower levels of volatility during the first nine months of 2021, as the first nine months of 2020 benefited from significant client activity and wider bid-offer spreads. Lower results across our Asian credit, investment grade corporates and emerging markets businesses, as well as our high yield and loan trading businesses, were driven by reduced client activity and lower levels of volatility in the first nine months of 2021 across regions and products compared to the first nine months of 2020.

Other

Other is comprised of revenues from:

- Berkadia Commercial Mortgage Holding LLC ("Berkadia") and other investments (other than Jefferies Finance, which is included in Other investment banking);
- principal investments in private equity and hedge funds managed by third-parties or related parties and are not part of our asset management platform; and
- investments held as part of employee benefit plans, including deferred compensation plans (for which we incur an equal and offsetting amount of compensation expense).

Our other net revenues totaled $28.2 million for the third quarter of 2021, a decrease of $1.9 million compared with net revenues of $30.1 million for the third quarter of 2020.

Results in the third quarter of 2021 include net revenues of $25.9 million due to our share of the net income of Berkadia compared with net revenues of $18.5 million from Berkadia in the third quarter of 2020, primarily due to higher mortgage origination.

Our other net revenues totaled $98.9 million for the first nine months of 2021, an increase of $8.9 million compared with net revenues of $90.0 million for the first nine months of 2020.

Results in the first nine months of 2021 include net revenues of $86.6 million due to our share of the net income of Berkadia compared with $40.4 million in the first nine months of 2020. The lower results in the first nine months of 2020 are due to the impairment of mortgage servicing rights as a result of lower interest rates, higher loan loss provisions and a decline in loan originations due to the impact of COVID-19.

The results for the first nine months of 2020 included gains of $61.5 million from macro hedges that were bought and sold in the first nine months of 2020 at the onset of the COVID-19 pandemic.

Compensation and Benefits

Compensation and benefits expense consists of salaries, benefits, commissions, annual cash compensation and share-based awards and the amortization of share-based and cash compensation awards to employees. Cash and 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 during the year of the award. Compensation and benefits expense includes amortization expense associated with these awards to the extent vesting is contingent on future service. In addition, the senior executive awards contain market and performance conditions and the awards are amortized over their service periods.

The following table provides a summary of compensation and benefits expense (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	**August 31, 2020**	**August 31, 2021**	**August 31, 2020**
Compensation expense without future service requirements	$ 708,520	$ 646,403	$ 2,494,999	$ 1,656,669
Amortization of share-based and cash-based awards	50,026	73,419	144,308	235,898
Total Compensation and benefits expense	$ 758,546	$ 719,822	$ 2,639,307	$ 1,892,567

Compensation and benefits expense increased in line with the significant increase in our net revenues in the third quarter and first nine months of 2021. A significant portion of compensation expense is highly variable with net revenues. Amortization of share-based and cash-based awards decreased in the third quarter and first nine months of 2021 as compared to the same periods in 2020 as a result of the accelerated amortization recognized in the year ended November 30, 2020 of certain cash-based awards that had been granted during previous years, which were amended to remove any service requirements for vesting in the awards.

Non-Compensation Expenses

Non-compensation expenses include floor brokerage and clearing fees, underwriting costs, technology and communications expense, occupancy and equipment rental expense, business development, professional services, bad debt provision, impairment charges, depreciation and amortization expense and other costs. All of these expenses, other than floor brokerage and clearing fees and depreciation and amortization expense, are included in Selling, general and other expenses in the Consolidated Statements of Operations.

Non-compensation expenses were $302.3 million for the third quarter of 2021, an increase of $29.3 million, compared with $273.0 million in the third quarter of 2020. Non-compensation expenses as a percentage of Investment Banking and Capital Markets net revenues were 18.3% and 21.4% for the third quarter of 2021 and 2020, respectively, demonstrating the operating leverage inherent in our business.

The increase in non-compensation expenses was primarily due to higher business development and professional services expenses consistent with the increase in our investment banking businesses, as well as higher consulting and legal fees. Technology and communication expenses were higher, primarily related to costs associated with the development of various trading systems and increased market data costs associated with business growth. Non-compensation expenses in the third quarter of 2021 also included our charitable donations of $5.4 million to 45 accredited charities that will use these funds to support critical needs for those in Afghanistan and Haiti, and to support our military veterans.

Non-compensation expenses were $984.1 million for the first nine months of 2021, an increase of $170.7 million, compared with $813.4 million in the first nine months of 2020. Non-compensation expenses as a percentage of Investment Banking and Capital Markets net revenues were 19.0% and 23.6% for the first nine months of 2021 and 2020, respectively, demonstrating the operating leverage inherent in our business.

The increase in non-compensation expenses was largely due to higher floor brokerage and clearing fees related to increased trading volumes and an increased volume of investment banking transactions driving higher underwriting costs. These increases correspond with our record equities net revenues and record investment banking net revenues. The increase also included higher technology and communication expenses primarily related to costs associated with the development of various trading systems and increased market data costs due to business growth, higher professional services expenses primarily due to an increase in legal and consulting fees due to the increase in activity in certain of our businesses and higher business development expenses primarily due to higher costs associated with the increase in our investment banking businesses, but lower as a percentage of net revenues versus the first nine months of 2020.

Results in the first nine months of 2021 also included higher non-compensation expenses, primarily due to an increase in bad debt expense mostly related to a specific default in our prime brokerage business. Non-compensation expenses in the first nine months of 2021 also included our charitable donations of $13.2 million to approximately 175 accredited charities that will use these funds to support critical needs for those in Afghanistan and Haiti, support our military veterans, promote diversity and inclusion, support COVID-19 relief efforts, help Texas relief and support, protect and sustain our environment and strive to help humanity in other meaningful ways. The first nine months of 2020 included our charitable donations of $8.6 million, in memory of Peg Broadbent, Jefferies Group's longstanding, esteemed CFO who tragically died from complications of COVID-19 in March 2020 and our $2.4 million donation made to various charities in support of the Australian wildfire relief effort.

Asset Management

Our asset management business is a diversified alternative asset management platform offering institutional clients an innovative range of investment strategies through us and our affiliated asset managers. We provide certain of our affiliated asset managers access to fully integrated global operational infrastructure and support. This may include strategy and product development, daily operations and finance-related activities, compliance, legal and human resources support, as well as all aspects of business development.

A summary of results of operations for our Asset Management segment is as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	**August 31, 2020**	**August 31, 2021**	**August 31, 2020**
Net revenues	$ 12,604	$ 118,558	$ 293,892	$ 146,278
Expenses:				
Compensation and benefits	15,468	10,652	59,924	59,375
Floor brokerage and clearing fees	4,541	6,103	24,982	20,288
Depreciation and amortization	494	2,018	1,462	4,776
Selling, general and other expenses	10,716	12,181	33,619	36,717
Total expenses	31,219	30,954	119,987	121,156
Income (loss) before income taxes	$ (18,615)	$ 87,604	$ 173,905	$ 25,122

Revenues

Asset management net revenues include the following:

- Total asset management fees: management and performance fees from funds and accounts managed by us;
- Revenue from arrangements with strategic affiliates: revenues from affiliated asset managers in which we hold interests that entitle us to portions of their revenues and/or profits, as well as earnings on our ownership interests in our affiliated asset managers; and
- Investment return: this includes investment income from capital invested in and managed by us and our affiliated asset managers.

The key components of asset management revenues are the level of assets under management and the performance return, for the most part on an absolute basis, and, in certain cases, 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. In some instances, performance fees and similar revenues are generally recognized once a year, when they become fixed and determinable and are not probable of being significantly reversed, typically in December. As a result, a significant portion of our performance fees and similar revenues generated from investment returns in a calendar year are recognized in our following fiscal year.

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

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	**August 31, 2020**	**August 31, 2021**	**August 31, 2020**
Asset management fees:				
Equities	$ 582	$ 1,215	$ 6,317	$ 5,226
Multi-asset	2,271	1,912	6,277	7,488
Total asset management fees	2,853	3,127	12,594	12,714
Revenues from arrangements with strategic affiliates (1)	16,016	4,258	95,074	6,889
Total asset management fees and revenues	18,869	7,385	107,668	19,603
Investment return (2)	4,890	124,172	219,217	163,351
Allocated net interest (2)	(11,155)	(12,999)	(32,993)	(36,676)
Total Asset Management	$ 12,604	$ 118,558	$ 293,892	$ 146,278

(1) The amounts include our share of fees received by affiliated asset management companies with which we have revenue and profit share arrangements, as well as earnings on our ownership interest in affiliated asset managers.

(2) Allocated net interest represents an allocation to Asset Management of long-term debt interest expense, net of interest income on our Cash and cash equivalents and other sources of liquidity. Allocated net interest has been disaggregated to increase transparency and to make clearer actual Investment return. We believe that aggregating Investment return and Allocated net interest would obscure the Investment return by including an amount that is unique to our credit spreads, debt maturity profile, capital structure, liquidity risks and allocation methods.

Asset management net revenues for the third quarter of 2021 were $12.6 million, significantly lower than $118.6 million recorded in the third quarter of 2020, primarily due to lower investment returns as a result of a difficult environment for multi-strategy funds, the liquidation of certain funds and lower performance by strategies that had very strong returns in the third quarter of 2020. This is partially offset by higher asset management fees and revenues earned directly or through our strategic affiliates, as a result of the continued growth of our asset management business.

Asset management net revenues for the first nine months of 2021 were a nine months record of $293.9 million, significantly higher than $146.3 million recorded in the first nine months of 2020, driven by meaningfully higher investment returns across most platforms, investments in new platforms and a substantial increase in asset management fees and revenues. Performance fees and similar revenues are recognized upon crystallization, which is generally once a year in the first quarter of our fiscal year and are attributable to performance realized in respect of the calendar year ending during our first fiscal quarter.

Expenses

The decrease in expenses in the first nine months of 2021 as compared with the same period in 2020 primarily reflects the wind down of one of our businesses in the second quarter of 2020, partially offset by an increase in Floor brokerage and clearing fees in 2021.

Assets under Management

The tables below include only third-party assets under management by us, excluding those of our affiliated asset managers.

Assets under management by predominant asset class were as follows (in millions):

	August 31, 2021	November 30, 2020
Assets under management (1):		
Equities	$ 347	$ 481
Multi-asset	503	293
Total	$ 850	$ 774

(1) Assets under management include third-party net assets actively managed by us, including hedge funds and certain managed accounts. We may consolidate certain funds and for such consolidated funds, assets under management include the pro-rata portion of third-party net assets in consolidated funds based on the percentage ownership of third-party investors in the consolidated fund. The above amounts do not include assets under management at non-consolidated strategic affiliates or investments.

Change in assets under management were as follows (in millions):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Balance, beginning of period	$ 768	$ 1,039	$ 774	$ 1,216
Net cash flow in (out)	77	(420)	47	(490)
Net market appreciation (depreciation)	5	3	29	(104)
Balance, end of period	$ 850	$ 622	$ 850	$ 622

The change in assets under management in our wholly-owned managers during the third quarter of 2021 is primarily due to new subscriptions and investments from third-parties and net market appreciation. The change in assets under management in our wholly-owned managers during the third quarter of 2020 is primarily due to liquidation and redemptions from certain funds. The change in assets under management in our wholly-owned managers during the first nine months of 2021 is primarily due to new subscriptions and investments from third-parties and net market appreciation, partially offset by redemptions from and liquidations of certain funds. The change in assets under management in our wholly-owned managers during the first nine months of 2020 is primarily due to the liquidation and redemptions from certain funds and market depreciation during the period.

Our definition of assets under management is not based on any definition contained in any of our investment management agreements and differs from the manner in which "Regulatory Assets Under Management" is reported to the SEC on Form ADV.

Asset Management Investments

Our asset management business makes seed and additional strategic investments directly in alternative asset management separately managed accounts and co-mingled funds where we act as the asset manager or in affiliated asset managers where we have strategic relationships and participate in the revenues or profits of the affiliated manager. Our asset management investments generated an investment return of $4.9 million and $124.2 million for the third quarter of 2021 and 2020, respectively, and $219.2 million and $163.4 million for the first nine months of 2021 and 2020, respectively. The following table reflects amounts invested by asset manager (in thousands):

	August 31, 2021	**November 30, 2020**
Jefferies Financial Group Inc., as manager:		
Fund investments (1)	$ 192,297	$ 258,893
Separately managed accounts (2)	256,641	352,084
Total	448,938	610,977
Third-party, as manager:		
Fund investments	825,636	650,585
Separately managed accounts (2)	342,412	323,943
Investments in asset managers	190,577	162,268
Total	1,358,625	1,136,796
Total asset management investments	$ 1,807,563	$ 1,747,773

1) Due to the level or nature of an investment in a fund, we may consolidate that fund, and accordingly, the assets and liabilities of the fund are included in the representative line items in the consolidated financial statements. At August 31, 2021 and November 30, 2020, $49.4 million and $0.1 million, respectively, represents net investments in funds that have been consolidated in our financial statements.
2) Where we have investments in a separately managed account, the assets and liabilities of such account are presented in the Consolidated Statements of Financial Condition within each respective line item.

Collectively, we and our affiliated asset managers have aggregate net asset values or net asset value equivalent assets under management of approximately $21.9 billion and $16.0 billion at August 31, 2021 and November 30, 2020, respectively. Net asset values or net asset value equivalent assets under management are comprised of the fair value of the net assets of a fund or the net capital invested in a separately managed account. (In the third quarter of 2021, we made changes to our aggregate assets under management to exclude the aggregate par value of collateralized loan obligations that are managed by Jefferies Finance, in order to better align the manner in which we evaluate our asset management businesses, and have presented the amount at November 30, 2020 on a comparable basis.) These include the following:

- $18.4 billion and $12.6 billion as of August 31, 2021 and November 30, 2020, respectively - This includes the assets under management raised by affiliated asset managers with whom we have an ongoing profit or revenue sharing arrangement. In some instances, due to the timing of payments and crystallization of profits or revenue, the majority of revenue related to these relationships will be realized at their calendar year-end (during our first fiscal quarter).
- $2.6 billion and $2.6 billion as of August 31, 2021 and November 30, 2020, respectively - Net asset values of investments made by us in funds or separately managed accounts. At times, we will incubate strategies using our own capital during the institutional build-out phase before opening investments to outside capital. This net asset value includes our seed capital of $1.6 billion and $1.5 billion as of August 31, 2021 and November 30, 2020, respectively, in addition to amounts financed of $1.0 billion and $1.1 billion as of August 31, 2021 and November 30, 2020, respectively, invested in funds and separately managed accounts that are managed by us and our affiliated asset managers.
- $0.9 billion and $0.8 billion as of August 31, 2021 and November 30, 2020, respectively - This includes third-party investments actively managed by wholly-owned divisions.

Merchant Banking

A summary of results for Merchant Banking is as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Net revenues	$ 271,608	$ 220,887	$ 887,939	$ 532,608
Expenses:				
Compensation and benefits	21,763	20,573	77,762	51,736
Cost of sales	151,510	82,657	390,916	235,871
Interest expense	5,744	7,398	18,323	24,453
Depreciation and amortization	16,584	14,408	50,619	50,627
Selling, general and other expenses	45,475	30,157	119,078	157,990
Total expenses	241,076	155,193	656,698	520,677
Income (loss) before income taxes and income (loss) related to associated companies	30,532	65,694	231,241	11,931
Income (loss) related to associated companies	(27,176)	5,053	(61,270)	(69,523)
Income (loss) before income taxes	$ 3,356	$ 70,747	$ 169,971	$ (57,592)

A summary of results for Merchant Banking by source is as follows (in thousands):

	Revenues	Expenses	Income (Loss) from Associated Companies	Total Pre-Tax Income (Loss)
For the three months ended August 31, 2021				
Oil and gas	$ 44,918	$ 35,479	$ —	$ 9,439
Idaho Timber	118,917	121,282	—	(2,365)
Real estate	66,617	47,947	169	18,839
Other	41,156	36,368	(27,345)	(22,557)
Total	$ 271,608	$ 241,076	$ (27,176)	$ 3,356
For the three months ended August 31, 2020				
Oil and gas	$ 3,658	$ 28,518	$ —	$ (24,860)
Idaho Timber	119,752	89,116	—	30,636
Real estate	8,169	10,243	2,532	458
Other	89,308	27,316	2,521	64,513
Total	$ 220,887	$ 155,193	$ 5,053	$ 70,747

	Revenues	Expenses	Income (Loss) from Associated Companies	Total Pre-Tax Income (Loss)
For the nine months ended August 31, 2021				
Oil and gas	$ 95,306	$ 103,852	$ —	$ (8,546)
Idaho Timber	440,920	351,138	—	89,782
Real estate	112,260	95,642	(2,948)	13,670
Other	239,453	106,066	(58,322)	75,065
Total	$ 887,939	$ 656,698	$ (61,270)	$ 169,971
For the nine months ended August 31, 2020				
Oil and gas	$ 118,208	$ 144,245	$ —	$ (26,037)
Idaho Timber	282,774	240,174	—	42,600
Real estate	31,364	40,857	(50,910)	(60,403)
Other	100,262	95,401	(18,613)	(13,752)
Total	$ 532,608	$ 520,677	$ (69,523)	$ (57,592)

Oil and Gas

Oil and gas results for the third quarter of 2021 were higher than the third quarter of 2020 primarily due to decreased unrealized losses related to oil hedge derivatives and increased production revenues, partially offset by increased operating expenses. Oil and gas net revenues totaled $44.9 million and $3.7 million during the third quarter of 2021 and 2020, respectively, and primarily consist of three components:

- Production revenues (including the impact of realized gains and losses related to oil hedges) were $45.3 million and $34.5 million during the third quarter of 2021 and 2020, respectively. The increase in production revenues related to increases in oil prices and higher volumes, partially offset by greater realized losses on oil hedges. Production revenues included realized gains (losses) on oil hedges of $(5.1) million and $13.0 million during the third quarter of 2021 and 2020, respectively.
- Net unrealized gains (losses) related to oil hedge derivatives were $(0.4) million and $(29.7) million in the third quarter of 2021 and 2020, respectively. As discussed further in Note 3 to the consolidated financial statements, Vitesse Energy Finance uses swaps and call and put options to reduce exposure to future oil price fluctuations. For the third quarter of 2021, approximately 45% of oil production was hedged at a weighted average price of approximately $52/barrel.
- Mark-to-market gains (losses) related to a financial instrument owned held at fair value were not material for the third quarter of 2021 and $(1.1) million during the third quarter of 2020.

Oil and gas results for the first nine months of 2021 were higher than the first nine months of 2020 primarily due to slightly increased production revenues during the first nine months of 2021 and impairment charges recorded during the first nine months of 2020 partially offset by increased unrealized losses related to oil hedge derivatives. Oil and gas net revenues totaled $95.3 million and $118.2 million during the first nine months of 2021 and 2020, respectively, and primarily consist of three components:

- Production revenues (including the impact of realized gains and losses related to oil hedges) were $123.2 million and $119.8 million during the first nine months of 2021 and 2020, respectively. The increase in production revenues related to higher oil and gas prices and slightly higher volumes due to fewer inactive wells, partially offset by greater realized losses on oil hedges due to the higher oil prices. Production revenues included realized gains (losses) on oil hedges of $(5.2) million and $39.7 million during the first nine months of 2021 and 2020, respectively.
- Net unrealized gains (losses) related to oil hedge derivatives were $(27.9) million and $5.2 million in the first nine months of 2021 and 2020, respectively. For the first nine months of 2021, approximately 54% of oil production was hedged at a weighted average price of approximately $55/barrel. For the remainder of 2021, approximately 36% of expected oil production is hedged at a weighted average price of approximately $52/barrel.
- Mark-to-market gains (losses) related to a financial instrument owned held at fair value were not material during the first nine months of 2021 and $(6.8) million during the first nine months of 2020.

Total expenses for oil and gas were $35.5 million during the third quarter of 2021 as compared to $28.5 million during the third quarter of 2020. The increase in expenses was primarily due to higher production volumes and higher oil and gas prices. Total expenses for oil and gas were $103.9 million during the first nine months of 2021 as compared to $144.2 million during the first nine months of 2020. The decrease in expenses was primarily due to non-cash charges in the first nine months of 2020 of $33.0 million to write down JETX Energy's oil and gas assets to reflect the impact of oil price declines during the period and $13.2 million to write down Vitesse Energy Finance's oil and gas assets in the DJ Basin.

Idaho Timber

During the third quarter of 2021, lumber prices have declined substantially from recently established all-time highs, resulting in a substantial decline in revenues during the third quarter of 2021. Net revenues decreased in the third quarter of 2021 as compared to the same period in 2020, primarily due to a decrease in weekly shipments by 22% partially offset by an increase in the average selling price of 28%. During the first nine months of 2021, high demand for wood for home improvement and construction led to favorable pricing and record results for Idaho Timber. Net revenues increased in the first nine months of 2021 as compared to the same period in 2020, primarily due to an increase in the average selling price of 78%.

The increase in total expenses for Idaho Timber in the third quarter and first nine months of 2021 as compared to the same periods in 2020 primarily reflects increased cost of sales, as well as charges to adjust its inventory carrying value to substantially lower lumber prices and, for the first nine months of 2020, increased compensation expense.

Real Estate

The increase in real estate revenues and expenses in the third quarter and first nine months of 2021 as compared to the same periods in 2020 primarily reflects increased revenues from sales of properties and the related cost of sales. During the third quarter of 2021, we sold a self-storage facility and recognized revenues of $26.4 million and cost of sales of $12.4 million related to this sale. Income (loss) related to real estate associated companies for the first nine months of 2020, includes a non-cash charge of $55.6 million to fully write off the value of HomeFed's RedSky JZ Fulton Investors joint venture investment due to the softening of the Brooklyn real estate market and a non-cash charge of $6.9 million to fully write off HomeFed's interest in the Brooklyn Renaissance Plaza hotel related to the significant impact of COVID-19.

Other

Other revenues reflect realized and unrealized gains (losses) on financial instruments owned, which are held at fair value, of $3.5 million and $60.4 million for the third quarter of 2021 and 2020, respectively, and $134.9 million and $30.1 million for the first nine months of 2021 and 2020, respectively. The gains (losses) on financial instruments owned include mark-to-market changes in the value of our investments in public companies of $7.7 million and $55.6 million for the third quarter of 2021 and 2020, respectively, and $104.9 million and $15.9 million for the first nine months of 2021 and 2020, respectively. The first nine months of 2020, also includes a gain of $61.5 million from effective short-term hedges against mark-to-market and fair value decreases in our portfolio investments.

Corporate

A summary of results of operations for Corporate is as follows (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	August 31, 2021	August 31, 2020	August 31, 2021	August 31, 2020
Net revenues	$ 955	$ 591	$ 2,269	$ 11,908
Expenses:				
Compensation and benefits	6,466	9,790	29,035	25,819
Depreciation and amortization	564	869	2,306	2,631
Selling, general and other expenses	4,375	5,550	13,954	19,684
Total expenses	11,405	16,209	45,295	48,134
Loss before income taxes	$ (10,450)	$ (15,618)	$ (43,026)	$ (36,226)

Corporate expenses include share-based compensation expense of $2.1 million and $3.2 million for the third quarter of 2021 and 2020, respectively, and $14.2 million and $10.5 million for the first nine months of 2021 and 2020, respectively. Share-based compensation expense is higher in the first nine months of 2021 as it reflects $7.0 million related to the full current fair value of certain share-based grants made during this period, which were fully vested upon grant.

Parent Company Interest

Parent company interest expense totaled $13.8 million and $14.1 million for the third quarter of 2021 and 2020, respectively, and $41.5 million and $39.8 million for the first nine months of 2021 and 2020, respectively. Total amounts of interest expense may fluctuate due to capitalization of interest.

Subsequent to quarter-end on October 8, 2021, we announced a tender offer for any and all of our $750.0 million outstanding 5.50% Senior Notes due October 18, 2023. Interest expense in future periods will be reduced based on the amount of debt that is tendered.

Income Taxes

Our provisions for income taxes were $145.7 million and $484.8 million, respectively, for the third quarter and first nine months of 2021, representing an effective tax rate of 26.3% and 26.5%, respectively. Our provisions for income taxes were $107.4 million and $185.1 million, respectively, for the third quarter and first nine months of 2020, representing an effective tax rate of 26.1% and 28.7%, respectively. The decrease in the effective tax rate for the first nine months of 2021, as compared to the first nine months of 2020, is primarily due to our substantially higher earnings before income taxes minimizing the impact of nondeductible expenses and interest.

Selected Statement of Financial Condition Data

The tables below reconcile the balance sheet for each of our segments to our consolidated balance sheet (in thousands):

	August 31, 2021					
	Investment Banking and Capital Markets	**Asset Management**	**Merchant Banking**	**Corporate**	**Consolidation Adjustments**	**Total**
Assets						
Cash and cash equivalents	$ 7,177,581	$ 9,052	$ 191,254	$ 2,103,027	$ —	$ 9,480,914
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	514,519	—	—	—	—	514,519
Financial instruments owned, at fair value	17,166,326	2,119,872	448,905	—	—	19,735,103
Loans to and investments in associated companies	1,131,749	161,518	451,698	—	—	1,744,965
Securities borrowed	6,212,491	—	—	—	—	6,212,491
Securities purchased under agreements to resell	8,011,550	—	—	—	—	8,011,550
Securities received as collateral, at fair value	9,853	—	—	—	—	9,853
Receivables	5,903,548	319,229	837,310	7,554	—	7,067,641
Property, equipment and leasehold improvements, net	863,302	5,863	35,849	9,523	—	914,537
Intangible assets, net and goodwill	1,714,872	143,312	46,979	—	—	1,905,163
Other assets	892,980	12,736	1,370,054	452,092	(287,199)	2,440,663
Total assets	49,598,771	2,771,582	3,382,049	2,572,196	(287,199)	58,037,399
Liabilities						
Long-term debt (1) (2)	6,231,782	1,122,563	322,619	993,764	—	8,670,728
Other liabilities	37,018,374	791,645	1,043,834	236,055	(287,199)	38,802,709
Total liabilities	43,250,156	1,914,208	1,366,453	1,229,819	(287,199)	47,473,437
Redeemable noncontrolling interests	—	—	38,249	—	—	38,249
Mandatorily redeemable convertible preferred shares	724	3,214	14,892	—	—	18,830
Noncontrolling interests	—	—	—	125,000	—	125,000
Total Jefferies Financial Group Inc. shareholders' equity	$ 6,347,891	$ 854,160	$ 1,962,455	$ 1,217,377	$ —	$ 10,381,883

(1) Jefferies Group long-term debt of $7.35 billion at August 31, 2021 is allocated to Investment Banking and Capital Markets, and Asset Management segments based on an internal management view only and may not be reflective of what long-term debt would be on a stand-alone segment basis.

(2) Long-term debt within Merchant Banking of $322.6 million at August 31, 2021, primarily includes $248.1 million for real estate businesses and $74.6 million for Vitesse Energy Finance. At August 31, 2021, Vitesse Energy Finance had $75.0 million drawn out of the maximum $120.0 million borrowing base on its credit facility. See Note 11 in our consolidated financial statements for additional information.

	November 30, 2020					
	Investment Banking and Capital Markets	Asset Management	Merchant Banking	Corporate	Consolidation Adjustments	Total
Assets						
Cash and cash equivalents	$ 7,102,004	$ 10,109	$ 212,668	$ 1,730,367	$ —	$ 9,055,148
Cash and securities segregated and on deposit for regulatory purposes or deposited with clearing and depository organizations	604,321	—	—	—	—	604,321
Financial instruments owned, at fair value	15,249,686	2,534,860	340,031	—	—	18,124,577
Loans to and investments in associated companies	995,730	148,005	542,828	—	—	1,686,563
Securities borrowed	6,934,762	—	—	—	—	6,934,762
Securities purchased under agreements to resell	5,096,769	—	—	—	—	5,096,769
Securities received as collateral, at fair value	7,517	—	—	—	—	7,517
Receivables	5,470,104	378,037	762,382	52	(1,808)	6,608,767
Property, equipment and leasehold improvements, net	847,108	8,121	30,670	11,305	—	897,204
Intangible assets, net and goodwill	1,721,277	143,310	48,880	—	—	1,913,467
Other assets	805,848	8,617	1,235,605	436,975	(297,788)	2,189,257
Total assets	44,835,126	3,231,059	3,173,064	2,178,699	(299,596)	53,118,352
Liabilities						
Long-term debt (1) (2)	6,218,797	676,883	463,648	992,711	—	8,352,039
Other liabilities	32,752,740	1,758,373	727,088	239,507	(299,596)	35,178,112
Total liabilities	38,971,537	2,435,256	1,190,736	1,232,218	(299,596)	43,530,151
Redeemable noncontrolling interests	—	—	24,676	—	—	24,676
Mandatorily redeemable convertible preferred shares	—	—	—	125,000	—	125,000
Noncontrolling interests	712	16,677	17,243	—	—	34,632
Total Jefferies Financial Group Inc. shareholders' equity	$ 5,862,877	$ 779,126	$ 1,940,409	$ 821,481	$ —	$ 9,403,893

(1) Jefferies Group long-term debt of $6.90 billion at November 30, 2020 is allocated to Investment Banking and Capital Markets, and Asset Management segments based on an internal management view only and may not be reflective of what long-term debt would be on a stand-alone segment basis.

(2) Long-term debt within Merchant Banking of $463.6 million at November 30, 2020, primarily includes $236.8 million for real estate businesses, $97.9 million for Vitesse Energy Finance and $129.0 million for Foursight Capital. At November 30, 2020, Vitesse Energy Finance had $98.5 million drawn out of the maximum $120.0 million borrowing base on its credit facility and Foursight Capital had $129.3 million drawn out of the maximum $175.0 million credit commitment on its credit facilities. See Note 11 in our consolidated financial statements for additional information.

The table below presents our capital by significant business and investment (in thousands):

	August 31, 2021	November 30, 2020
Jefferies Group	$ 6,956,195	$ 6,407,954
Assets held on behalf of Asset Management (excluding Jefferies Group)	245,856	234,049
Merchant Banking:		
Oil and gas	505,162	526,642
Real estate	492,334	531,553
Linkem	155,034	198,991
FXCM	109,448	133,375
Idaho Timber	94,067	85,595
Investments in public companies	307,207	192,363
Other	299,203	271,890
Total Merchant Banking	1,962,455	1,940,409
Corporate liquidity and other assets, net of Corporate liabilities including long-term debt	1,217,377	821,481
Total Capital	$ 10,381,883	$ 9,403,893

Below is a brief description of the captions in the table above:

- Investment Banking and Capital Markets includes investment banking, capital markets and other related services. Investment banking provides underwriting and financial advisory services to clients across most industry sectors in the Americas, Europe and Asia. Capital markets businesses operate across the spectrum of equities and fixed income products. Our Investment Banking and Capital Markets businesses are conducted by Jefferies Group, our largest subsidiary, and is now the largest independent full-service global investment banking firm headquartered in the U.S.

- Our Asset Management segment comprises all asset management operations, including those within Jefferies Group. Within Asset Management, we manage, invest in and provide services to a diverse group of alternative asset management platforms across a spectrum of investment strategies and asset classes. Asset Management offers institutional clients an innovative range of investment strategies through its affiliated managers.

- Merchant Banking:
  - Our oil and gas business primarily consists of Vitesse Energy Finance. Vitesse Energy Finance is our 97% owned consolidated subsidiary that acquires, invests and monetizes non-operated working interests and royalties predominantly in the Bakken Shale of the Williston Basin in North Dakota.
  - Our real estate assets primarily consist of our 100% ownership of HomeFed, a developer and owner of residential and mixed-use real estate properties in California, New York, Florida, Virginia and South Carolina. HomeFed's key assets include Otay Ranch, a master planned community that is under development in Chula Vista, CA, made up of approximately 4,450 acres of land entitled for 13,050 total units; and Renaissance Plaza, a mixed-use asset in Brooklyn, NY, comprised of an office building, garage and hotel.
  - We own approximately 42% of the common shares of Linkem, as well as convertible preferred shares and warrants. If all of our convertible preferred stock was converted and warrants were exercised, it would increase our ownership to approximately 56% of Linkem's common equity at August 31, 2021. Linkem provides residential broadband services in Italy using LTE technologies deployed over the 3.5 GHz spectrum band. Linkem deployed its first 5G towers in late 2020 and plans to rapidly increase its network coverage and service offerings over the coming years as it upgrades to 5G, adds subscribers and leverages its assets. Linkem is accounted for under the equity method.
  - Our investment in FXCM and associated companies consists of a senior secured term loan due February 15, 2022 ($71.6 million principal outstanding at August 31, 2021), a 50% voting interest in FXCM and rights to a majority of all distributions in respect of the equity in FXCM. FXCM is a provider of online foreign exchange trading, contract for difference trading, spread betting and related services.
  - Idaho Timber is our 100% owned consolidated subsidiary engaged in the manufacture and distribution of various wood products.

- Corporate liquidity and other assets, net of Corporate liabilities, primarily consist of cash and cash equivalents, net of long-term debt and payables, expense accruals and other liabilities, as well as our outstanding mandatorily redeemable convertible preferred shares.

Liquidity and Capital Resources

Parent Company Liquidity

Our strategy focuses on strengthening and expanding our core businesses of Investment Banking and Capital Markets and Asset Management, while continuing to simplify our structure and return capital to our shareholders. We are simplifying our structure through a managed transformation of Merchant Banking, which to date has included divestitures, special distributions to shareholders of assets, as well as transfers of financial assets out of our Merchant Banking portfolio and into Jefferies Group. We anticipate additional transactions as our transformation is completed. Some of these transactions have generated significant excess liquidity; some of these transactions have also reduced the future receipt of periodic distributions from subsidiaries to the parent company.

Parent company liquidity, which includes cash and investments that are easily convertible into cash within a relatively short period of time, total $2.35 billion at August 31, 2021 and are primarily comprised of cash, prime and government money market funds and other publicly traded securities. These are classified in the Consolidated Statement of Financial Condition as cash and cash equivalents and financial instruments owned, at fair value. At August 31, 2021, $1.93 billion of this amount is invested in U.S. government money funds that invest at least 99.5% of its total assets in cash, securities issued by the U.S. government and U.S. government-sponsored entities and repurchase agreements that are fully collateralized by cash or government securities.

During the first nine months of 2021, our parent company received cash distributions of $802.7 million from our subsidiary businesses, including $560.0 million from Jefferies Group. We also received $97.8 million from divestitures.

Our recurring cash requirements, including the payment of interest on our parent company debt, dividends and corporate cash overhead expenses, aggregate approximately $354.9 million on an annual basis. Dividends paid during the first nine months of 2021 of $161.3 million include quarterly dividends of $0.20 per share for each of the first two quarters of 2021 and $0.25 for the third quarter of 2021. The payment of dividends is subject to the discretion of our Board of Directors and depends upon general business conditions, legal and contractual restrictions on the payment of dividends and other factors that our Board of Directors may deem to be relevant.

For many years, we benefited from federal net operating loss carryovers ("NOLs") which substantially offset our federal cash tax requirements. As a result of full utilization of our federal NOLs and other tax attributes, we are incurring and paying federal taxes in 2021.

Our primary long-term parent company cash requirement is our $1.0 billion principal outstanding as of August 31, 2021 under our long-term debt, of which $750.0 million is due in 2023 and $250.0 million in 2043. Subsequent to quarter-end on October 8, 2021, we announced a tender offer for any and all of our $750.0 million outstanding 5.50% Senior Notes due October 18, 2023. Parent company liquidity will be reduced by the amount of debt that is tendered. As we generate excess liquidity, we evaluate the best use of the proceeds, which may include reductions to existing debt, share repurchases, special dividends, investments in our businesses, or any of a number of other options available to us.

Shares Outstanding

During the first nine months of 2021, we purchased a total of 6,500,000 of our common shares for $179.3 million, or an average price per share of $27.59. At August 31, 2021, we had approximately $198.2 million available for future repurchases. In September 2021, the Board of Directors increased the share repurchase authorization to $250.0 million, including the $198.2 million.

At August 31, 2021, we had outstanding 245,557,193 common shares, 21,095,000 share-based awards that do not require the holder to pay any exercise price and 5,132,000 stock options that require the holder to pay an average exercise price of $23.69 per share. The 21,095,000 share-based awards include the target number of shares under the senior executive award plan. Additionally, we have mandatorily redeemable convertible preferred shares that are currently convertible into 4,440,863 common shares, at an effective conversion price of $28.15 per share. At August 31, 2021, the maximum potential increase to common shares outstanding resulting from these outstanding awards and the preferred shares is 30,668,000 (potentially an aggregate of 276,225,193 outstanding common shares if all awards and preferred shares become outstanding common shares).

Concentration and Liquidity Targets

From time to time in the past, we have accessed public and private credit markets and raised capital in underwritten bond financings. The funds raised have been used by us for general corporate purposes, including for our existing businesses and new investment opportunities. In addition, the ratings of Jefferies are a factor considered by rating agencies that rate the debt of our subsidiary companies, including Jefferies Group, whose access to external financing is important to its day to day operations. Ratings issued by bond rating agencies, subject to change at any time, are as follows:

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

(1) On March 15, 2021, Moody's Investors Service affirmed our rating of Baa3 and revised our rating outlook from stable to positive.

We target specific concentration and liquidity principles although there is no legal requirement to do so.

Concentration Target: As a diversification measure, we limit cash investments such that our single largest investment does not exceed 20% of equity excluding Jefferies Group, and that our next largest investment does not exceed 10% of equity excluding Jefferies Group, in each case measured at the time the investment was made. On this basis, Linkem is our largest investment excluding Jefferies Group and Vitesse Energy Finance is our next largest investment excluding Jefferies Group. There were no investments made during the year that approached 10% of equity excluding Jefferies Group.

Liquidity Target: We hold a parent company liquidity reserve calculated as a minimum of twenty-four months of holding company expenses (excluding non-cash components), parent company interest, principal repayments and dividends.

Liquidity reserve (in thousands):	August 31, 2021
Minimum reserve under liquidity target	$ 709,700
Actual liquidity	$ 2,347,500

Consolidated Statements of Cash Flows

As discussed above, we have historically relied on our available liquidity to meet short-term and long-term needs, and to make acquisitions of new businesses and investments. Except as otherwise disclosed herein, our operating businesses do not generally require significant funds to support their operating activities. The mix of our operating businesses and investments can change frequently as a result of acquisitions or divestitures, the timing of which is impossible to predict but which often have a significant impact on the Consolidated Statements of Cash Flows in any one period. Further, the timing and amounts of distributions from investments in associated companies may be outside our control. As a result, reported cash flows from operating, investing and financing activities do not generally follow any particular pattern or trend, and reported results in the most recent period should not be expected to recur in any subsequent period.

The following table provides a summary of our cash flows (in thousands):

	Nine Months Ended August 31, 2021	Nine Months Ended August 31, 2020
Cash, cash equivalents and restricted cash at beginning of period	$ 9,664,972	$ 8,480,435
Net cash provided by operating activities	86,545	1,307,858
Net cash used for investing activities	(256,666)	(188,404)
Net cash provided by (used for) financing activities	575,848	(221,719)
Effect of foreign exchange rate changes on cash, cash equivalents and restricted cash	1,704	19,723
Cash, cash equivalents and restricted cash at end of period	$ 10,072,403	$ 9,397,893

During the first nine months of 2021, net cash provided by operating activities primarily reflects funds provided by Jefferies Group of $291.9 million, funds provided by our Merchant Banking operations of $234.3 million and Corporate tax payments $451.1 million.

During the first nine months of 2020, net cash provided by operating activities primarily relates to funds provided by Jefferies Group of $1.19 billion. Net losses related to property and equipment, and other assets include non-cash charges of $53.3 million to write down the value of certain of our investments during the first nine months of 2020.

During the first nine months of 2021, net cash used for investing activities principally reflects $2.29 billion of loans to and investments in associated companies and $2.31 billion of capital distributions and loan repayments from associated companies.

During the first nine months of 2020, net cash used for investing activities principally reflects $1.39 billion of loans to and investments in associated companies and $1.37 billion of capital distributions and loan repayments from associated companies.

During the first nine months of 2021, net cash provided by financing activities primarily relates to funds provided by Jefferies Group of $789.3 million, including funds provided by the issuance of debt of $1.23 billion and proceeds from other secured financings of $779.5 million, partially offset by funds used for the repayment of debt of $1.20 billion. Additionally, funds provided by financing activities includes the issuance of debt of $237.5 million and proceeds from other secured financings of $271.8 million in our Merchant Banking segment. This was partially offset by funds used to repurchase common shares for treasury of $181.9 million, funds used for the repayment of debt of $381.1 million in our Merchant Banking segment and funds used to pay dividends of $161.3 million.

During the first nine months of 2020, net cash used for financing activities primarily relates to funds used to repurchase common shares for treasury of $623.5 million and funds used to pay dividends of $122.9 million. This was partially offset by funds provided by Jefferies Group of $442.0 million, including funds provided by the issuance of debt of $2.09 billion and proceeds from other secured financings of $323.9 million, partially offset by funds used for the repayment of debt of $1.95 billion.

Jefferies Group Liquidity

General

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

The 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. Jefferies Group has historically maintained a balance sheet consisting of a large portion of total assets in cash and liquid marketable securities, arising principally from traditional securities brokerage and trading activity. The liquid nature of these assets provides flexibility in financing and managing our business.

Jefferies Group maintains modest leverage to support its investment grade ratings. The growth of its balance sheet is supported by its equity and we have quantitative metrics in place to monitor leverage and double leverage. Jefferies Group's capital plan is robust, in order to sustain its operating model through stressed conditions. We maintain adequate financial resources to support business activities in both normal and stressed market conditions, including a buffer in excess of regulatory, or other internal or external, requirements. Jefferies Group's access to funding and liquidity is stable and efficient to ensure that there is sufficient liquidity to meet its financial obligations in normal and stressed market conditions.

A business unit level balance sheet and cash capital analysis are 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 the 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 assets and liabilities. The overall securities inventory is continually monitored, including the inventory turnover rate, which confirms the liquidity of overall assets. Substantially all of Jefferies Group's financial instruments are valued on a daily basis and we monitor and employ balance sheet limits for its various businesses.

At August 31, 2021, the Consolidated Statement of Financial Condition includes Jefferies Group's Level 3 financial instruments owned, at fair value that are approximately 2% of total financial instruments owned, at fair value.

Securities financing assets and liabilities include financing for 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 following table presents 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 (in millions):

	Nine Months Ended August 31, 2021	Year Ended November 30, 2020
Securities purchased under agreements to resell:		
Period end	$ 8,012	$ 5,097
Month end average	9,455	8,040
Maximum month end	12,321	12,061
Securities sold under agreements to repurchase:		
Period end	$ 7,572	$ 8,316
Month end average	11,757	13,501
Maximum month end	19,207	18,979

Fluctuations in the balance of repurchase agreements from period to period and intraperiod are dependent on business activity in those periods. Additionally, the fluctuations in the balances of securities purchased under agreements to resell 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.

Liquidity Management

The key objectives of Jefferies Group's liquidity management framework are to support the successful execution of its business strategies while ensuring sufficient liquidity through the business cycle and during periods of financial distress. The liquidity management policies are designed to mitigate the potential risk that adequate financing may not be accessible to service financial obligations without material franchise or business impact.

The principal elements of Jefferies Group's liquidity management framework are the Contingency Funding Plan, the Cash Capital Policy and the assessment of Modeled Liquidity Outflow.

Contingency Funding Plan. Jefferies Group's 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 market or our idiosyncratic 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. A cash capital model is maintained that measures long-term funding sources against requirements. Sources of cash capital include 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 inventory does not need to be liquidated in the event of a funding stress, we seek to maintain surplus cash capital. Jefferies Group's total long-term capital of $13.57 billion at August 31, 2021 exceeded its cash capital requirements.

Modeled Liquidity Outflow. Jefferies Group's businesses are diverse, and 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 stress, 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 Jefferies Group's policy to ensure it has sufficient funds to cover estimates of what may be needed in a liquidity stress, Jefferies Group holds more cash and unencumbered securities and has greater long-term debt balances than the businesses would otherwise require. As part of this estimation process, we calculate a Modeled Liquidity Outflow that could be experienced in a liquidity stress. Modeled Liquidity Outflow is based on a scenario that includes both a market-wide stress and firm-specific stress.

Based on the sources and uses of liquidity calculated under the Modeled 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 Jefferies Group's inventory balances and cash holdings. At August 31, 2021, Jefferies Group had sufficient excess liquidity to meet all contingent cash outflows detailed in the Modeled Liquidity Outflow. Jefferies Group regularly refines its model to reflect changes in market or economic conditions and the firm's business mix.

Sources of Liquidity

Within Jefferies Group, 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, as reflected in the Consolidated Statements of Financial Condition (in thousands):

	August 31, 2021	Average Third Quarter 2021 (1)	November 30, 2020
Cash and cash equivalents:			
Cash in banks	$ 1,695,518	$ 3,245,491	$ 1,979,058
Money market investments (2)	5,490,874	3,240,367	5,132,871
Total cash and cash equivalents	7,186,392	6,485,858	7,111,929
Other sources of liquidity:			
Debt securities owned and securities purchased under agreements to resell (3)	1,646,881	1,427,446	1,180,410
Other (4)	367,747	424,326	312,511
Total other sources	2,014,628	1,851,772	1,492,921
Total cash and cash equivalents and other liquidity sources	$ 9,201,020	$ 8,337,630	$ 8,604,850

(1) Average balances are calculated based on weekly balances.
(2) At August 31, 2021 and November 30, 2020, $5.48 billion and $5.12 billion, respectively, was invested in U.S. government money funds that invest at least 99.5% of its total assets in cash, securities issued by the U.S. government and U.S. government-sponsored entities, and repurchase agreements that are fully collateralized by cash or government securities. The remaining $14.9 million at both August 31, 2021 and November 30, 2020 are invested in AAA rated prime money funds. The average balance of U.S. government money funds for the quarter ended August 31, 2021 was $3.23 billion.
(3) 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 the European Economic Area, Canada, Australia, Japan, Switzerland or the U.S.; and securities issued by a designated multilateral development bank and reverse repurchase agreements with underlying collateral comprised of these securities.

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

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, 2021, repurchase financing can be readily obtained for 70.6% of Jefferies Group's inventory at haircuts of 10% or less, which reflects the liquidity of the 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 Jefferies Group's financial instruments owned primarily consisting of bank loans, consumer loans and investments are predominantly funded by Jefferies Group's long-term capital. Under Jefferies Group's cash capital policy, capital allocation levels are modeled that are more stringent than the haircuts used in the market for secured funding; and surplus capital is maintained at these more stringent levels. We continually assess the liquidity of Jefferies Group's inventory based on the level at which Jefferies Group could obtain financing in the marketplace 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 Jefferies Group's financial instruments owned by asset class that are considered to be of a liquid nature and the amount of such assets that have not been pledged as collateral as reflected in the Consolidated Statements of Financial Condition (in thousands):

	August 31, 2021		November 30, 2020	
	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)	Liquid Financial Instruments	Unencumbered Liquid Financial Instruments (2)
Corporate equity securities	$ 2,762,673	$ 368,787	$ 2,191,536	$ 238,129
Corporate debt securities	2,301,518	30,670	2,298,591	50,217
U.S. government, agency and municipal securities	5,033,369	118,070	3,336,361	110,586
Other sovereign obligations	2,106,288	1,523,792	2,518,928	1,101,272
Agency mortgage-backed securities (1)	1,078,076	—	1,652,743	—
Loans and other receivables	267,519	—	564,112	—
Total	$ 13,549,443	$ 2,041,319	$ 12,562,271	$ 1,500,204

(1) Consists solely of agency mortgage-backed securities issued by Freddie Mac, Fannie Mae and Ginnie Mae.
(2) Unencumbered liquid balances represent assets that can be sold or used as collateral for a loan, but have not been.

In addition to being able to be readily financed at reasonable haircut levels, it is estimated 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

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

Secured Financing

Readily available secured funding is used to finance Jefferies Group's inventory of financial instruments. Jefferies Group's ability to support increases in total assets is largely a function of the ability to obtain short- and intermediate-term secured funding, primarily through securities financing transactions. Repurchase or reverse repurchase agreements (collectively "repos"), respectively, are used to finance a portion of long inventory and cover some of short inventory by pledging and borrowing securities. At August 31, 2021, approximately 60% of Jefferies Group's cash and noncash repurchase financing activities use collateral that is considered eligible collateral by central clearing corporations. During the first nine months of 2021, an average of approximately 70.7% of Jefferies Group's cash and noncash repurchase financing activities used collateral that was 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 Jefferies Group's total repo activity that is eligible for central clearing reflects the high quality and liquid composition of the inventory Jefferies Group carries in its trading books. For those asset classes not eligible for central clearing house financing, Jefferies Group seeks to execute its bi-lateral financings on an extended term basis and the tenor of Jefferies Group's repurchase and reverse repurchase agreements generally exceeds the expected holding period of the assets Jefferies Group is financing. The weighted average maturity of cash and noncash repurchase agreements for non-clearing corporation eligible funded inventory is approximately nine months at August 31, 2021.

Jefferies Group's ability to finance its inventory via central clearinghouses and bi-lateral arrangements is augmented by Jefferies Group's ability to draw bank loans on an uncommitted basis under its various banking arrangements. At August 31, 2021, short-term borrowings, which must be repaid within one year or less and include bank loans and overdrafts, borrowings under revolving credit facilities and floating rate puttable notes, totaled $307.3 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 for Jefferies Group were $429.0 million and $711.6 million for the third quarter and first nine months of 2021, respectively.

Jefferies Group's short-term borrowings include facilities that contain certain covenants that, among other things, require it to maintain a specified level of tangible net worth and impose certain restrictions on the future indebtedness of certain of its subsidiaries that are borrowers. At August 31, 2021, Jefferies Group was in compliance with all covenants under these facilities. Jefferies Group's facilities, which are with a bank and are included within short-term borrowings, were $300.0 million at August 31, 2021. Interest is based on a rate per annum at spreads over the Federal Funds Rate as defined in the credit agreements.

Jefferies Group's short-term borrowings at August 31, 2021 also include floating rate puttable notes of $6.8 million and other bank loans of $0.5 million.

In addition, a bank has agreed to make revolving intraday credit advances ("Jefferies Group Intraday Credit Facility") for an aggregate committed amount of $150.0 million. The Jefferies Group Intraday Credit Facility is structured so that advances are generally repaid before the end of each business day. However, if an advance is not repaid by the end of any business day, the advance is converted to an overnight loan. Intraday loans accrue interest at a rate of 0.12% based on the number of minutes in a day the advance is outstanding. Overnight loans are charged interest at the base rate plus 3% on a daily basis. The base rate is the higher of the federal funds rate plus 0.50% or the prime rate in effect at that time. The Jefferies Group Intraday Credit Facility contains financial covenants, which include a minimum regulatory net capital requirement for Jefferies Group's U.S. broker-dealer, Jefferies LLC. At August 31, 2021, Jefferies Group was in compliance with all debt covenants under the Jefferies Group Intraday Credit Facility.

In addition to the above financing arrangements, Jefferies Group issues notes backed by eligible collateral under a master repurchase agreement, which provides an additional financing source for its inventory ("repurchase agreement financing program"). The notes issued under the program are presented within Other secured financings in the Consolidated Statements of Financial Condition. At August 31, 2021, the outstanding notes were $3.55 billion, bear interest at a spread over London Interbank Offered Rate ("LIBOR") and mature from September 2021 to August 2023.

Long-Term Debt

Jefferies Group's long-term debt reflected in the Consolidated Statement of Financial Condition at August 31, 2021 is $7.35 billion. Jefferies Group's unsecured long-term debt, which excludes its revolving credit facility, secured credit facility and the secured bank loan, has a weighted average maturity of approximately 10.2 years.

During the nine months ended August 31, 2021, Jefferies Group's long-term debt increased $458.7 million, primarily due to an increase of $375.0 million from its borrowings under Jefferies Group's Secured Credit Facility, approximately $50.6 million of structured notes issuances, net of retirements, a $59.0 million net increase due to Jefferies Group's Revolving Credit Facility and changes in instrument specific credit risk on its structured notes, partially offset by decreases associated with interest rate swaps based on their designation as fair value hedges. At August 31, 2021, all of Jefferies Group's 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 Accumulated other comprehensive income (loss) and changes in fair value resulting from non-credit components recognized in Principal transactions revenue. The fair value of all of Jefferies Group's structured notes at August 31, 2021 was $1.79 billion.

Subsequent to quarter-end, on October 8, 2021, Jefferies Group issued 2.625% senior notes with a principal amount of $1.0 billion, due 2031. In addition, Jefferies Group gave notice to the trustee and debt holders of its 5.125% senior notes, due January 20, 2023, of its plan to redeem the outstanding aggregate principal amount (carrying value of $756.5 million at August 31, 2021) of these notes.

During April 2021, Jefferies Group entered into a Revolving Credit Facility ("Jefferies Group Revolving Credit Facility") with a group of commercial banks following the maturity of its previous revolving credit facility. At August 31, 2021, borrowings under the Jefferies Group Revolving Credit Facility amounted to $248.9 million. Interest is based on an adjusted LIBOR Rate, as defined in the credit agreement. The Jefferies Group Revolving Credit Facility contains certain covenants that, among other things, require Jefferies Group LLC to maintain specified levels of tangible net worth and liquidity amounts, and impose certain restrictions on future indebtedness of and require specified levels of regulated capital for certain of its subsidiaries. Throughout the period and at August 31, 2021, no instances of noncompliance with the Jefferies Group Revolving Credit Facility covenants occurred and Jefferies Group expects to remain in compliance given its current liquidity and anticipated funding requirements given its business plan and profitability expectations.

During May 2021, Jefferies Group entered into a Secured Credit Facility agreement ("Jefferies Group Secured Credit Facility") with a bank under which it has borrowed $375.0 million at August 31, 2021. Interest is based on a rate per annum at spreads over an Adjusted LIBOR Rate, as defined in the credit agreement. The Jefferies Group Secured Credit Facility contains certain covenants that, among other things, require Jefferies Group LLC to maintain a specified level of tangible net worth. The covenants also require a certain subsidiary of Jefferies Group to maintain specified leverage amounts and impose certain restrictions on its future indebtedness. At August 31, 2021, Jefferies Group was in compliance with all debt covenants under the Jefferies Group Secured Credit Facility.

During August 2021, Jefferies Group entered into a senior unsecured revolving credit facility ("Jefferies Group Unsecured Revolving Credit Facility") agreement with a bank for an aggregate committed amount of $350.0 million. Interest is based on a rate per annum at spreads over an Adjusted LIBOR Rate or a Base Rate, as defined in the credit agreement. The Jefferies Group Unsecured Revolving Credit Facility contains certain covenants that, among other things, require Jefferies Group LLC to maintain a specified level of tangible net worth, net cash capital and a minimum regulatory net capital requirement for Jefferies LLC. At August 31, 2021, Jefferies Group was in compliance with all covenants under the Jefferies Group Unsecured Revolving Credit Facility. At August 31, 2021, Jefferies Group did not have any borrowing outstanding under the Jefferies Group Unsecured Revolving Credit Facility.

One of Jefferies Group's subsidiaries had a Loan and Security Agreement with a bank for a term loan with a principal amount of $50.0 million ("Jefferies Group Secured Bank Loan"). This Jefferies Group Secured Bank Loan matured on September 27, 2021 and was collateralized by certain trading securities. Interest on the Jefferies Group Secured Bank Loan was 1.25% plus LIBOR. The agreement contained certain covenants that, among other things, restricted lien or encumbrance upon any of the pledged collateral. At August 31, 2021, Jefferies Group was in compliance with all covenants under the Jefferies Group Loan and Security Agreement.

Jefferies Group's long-term debt ratings are as follows:

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

(1) On March 15, 2021, Moody's Investors Service affirmed Jefferies Group's rating of Baa3 and revised its rating outlook from stable to positive.

Jefferies Group's access to external financing to finance its day to day operations, as well as the cost of that financing, is dependent upon various factors, including its debt ratings. Jefferies Group's 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, capital structure, overall risk management, business diversification and market share and competitive position in the markets in which it operates. Deterioration in any of these factors could impact Jefferies Group's credit ratings. While certain aspects of a credit rating downgrade are quantifiable pursuant to contractual provisions, the impact on 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.

In connection with certain over-the-counter derivative contract arrangements and certain other trading arrangements, Jefferies Group may be required to provide additional collateral to counterparties, exchanges and clearing organizations in the event of a credit rating downgrade. At August 31, 2021, 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 Jefferies Group's long-term credit rating below investment grade was $105.7 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 a credit rating downgrade. The impact of additional collateral requirements is considered in Jefferies Group's Contingency Funding Plan and calculation of Modeled Liquidity Outflow, as described above.

Ratings issued by credit rating agencies are subject to change at any time.

Net Capital

Jefferies Group operates a broker-dealer, Jefferies LLC, registered with the Securities and Exchange Commission ("SEC") and member firms of the Financial Industry Regulatory Authority ("FINRA"). Jefferies LLC is subject to the SEC Uniform Net Capital Rule ("Rule 15c3-1"), which requires the maintenance of minimum net capital and has elected to calculate minimum capital requirements using the alternative method permitted by Rule 15c3-1 in calculating net capital. Jefferies LLC, as a dually-registered U.S. broker-dealer and futures commission merchant ("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. Jefferies LLC's net capital and excess net capital at August 31, 2021 were $2.06 billion and $1.94 billion, respectively. FINRA is the designated examining authority for Jefferies LLC and the National Futures Association is the designated self-regulatory organization for Jefferies LLC as an FCM.

Certain other U.S. and non-U.S. subsidiaries of Jefferies Group 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 ("U.K."). The Dodd-Frank Wall Street Reform and Consumer Protection Act (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. On October 6, 2021, Jefferies Financial Services, Inc. ("JFSI"), a registered swap dealer, became subject to the CFTC's regulatory capital requirements and holds regulatory capital in excess of the minimum regulatory requirement. Additionally, JFSI will be required to register as a securities based swap dealer with the SEC by November 1, 2021. Further, in September 2021, JFSI filed an application with the SEC to become an OTC derivatives dealer, which upon approval, would subject JFSI to the SEC's net capital requirements. JFSI is expected to be in compliance with these requirements upon final approval of its application by the SEC.

The regulatory capital requirements referred to above may restrict Jefferies Group's ability to withdraw capital from its regulated subsidiaries.

Some of our other consolidated subsidiaries also have credit agreements which may restrict the payment of cash dividends, or the ability to make loans or advances to the parent company.

Other Developments

The U.K. left the European Union on January 31, 2020 and the current transition period ended on December 31, 2020. On January 1, 2021, Jefferies Group's U.K. broker-dealer, Jefferies International Limited, was no longer able to provide services to European clients under the passport regime. Jefferies Group has taken steps to ensure its ability to provide services to its European clients without interruption by establishing a wholly-owned subsidiary in Germany ("Jefferies GmbH"), which is authorized and regulated in Germany by the Federal Financial Services Authority ("BaFin"). As of January 1, 2021, all of Jefferies Group's European clients were migrated to Jefferies GmbH to conduct business across all of Jefferies Group's European investment banking, fixed income and equity platforms. There were no client disruptions or settlement issues experienced after this migration.

Central banks and regulators around the world have convened working groups to find, and implement the transition to, suitable replacements for IBORs. Jefferies Group has an active transition program that focuses on an orderly transition from IBORs to alternative reference rates, including internal operational readiness and risk management. Jefferies Group is identifying, assessing and monitoring risk associated with the expected discontinuation of IBORs, which includes taking steps to update operational processes and models and evaluating legacy contracts for any changes that may be required.

Off-Balance Sheet Risk

Jefferies Group has 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.

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 the Consolidated Statements of Financial Condition. Rather, the fair values of derivative contracts are reported in the Consolidated Statements of Financial Condition as Financial instruments owned, at fair value, or Financial instruments sold, not yet purchased, at fair value, 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.

Cautionary Statement for Forward-Looking Information

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 "will," "could," "estimates," "expects," "anticipates," "believes," "plans," "intends" and variations of such words 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 include statements pertaining to our strategies for future development of our businesses and products. Forward-looking statements represent only our belief regarding future events, many of which by their nature are inherently uncertain. Future events and actual results could 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 fiscal year ended November 30, 2020 and filed with the SEC on January 29, 2021 (the "2020 10-K");
- The discussion and analysis of financial condition and result of operations contained in this report under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein;
- The notes to the consolidated financial statements 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.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The following includes "forward-looking statements" that involve risk and uncertainties. See "Cautionary Statement for Forward-Looking Information" above. Actual results could differ materially from those projected in the forward-looking statements. The discussion of risk is presented separately for Jefferies Group and the balance of our company. Exclusive of Jefferies Group, our market risk arises principally from equity price risk. Information related thereto required under this Item is contained in Item 7A in our 2020 10-K, and is incorporated by reference herein.

Excluding Jefferies Group, Financial instruments owned, at fair value include corporate equity securities with an aggregate fair value of $413.1 million at August 31, 2021. Assuming a decline of 10% in market prices, the value of these investments could decrease by approximately $41.3 million.

Jefferies Group

Overview

Risk is an inherent part of our business and activities. The extent to which we properly and effectively identify, assess, monitor and manage each of the various types of risk involved in our activities is critical to our financial soundness, viability and profitability. Accordingly, we have a comprehensive risk management approach, with a formal governance structure and processes to identify, assess, monitor and manage risk. Principal risks involved in our business activities include market, credit, liquidity and capital, operational, legal and compliance, new business and reputational risk.

Risk management is a multifaceted process that requires communication, judgment and knowledge of financial products and markets. Our risk management process encompasses the active involvement of executive and senior management, and also many departments independent of the revenue-producing business units, including Jefferies Group's Risk Management, Operations, Compliance, Legal and Finance Departments. Our risk management policies, procedures and methodologies are flexible in nature and are subject to ongoing review and modification.

In achieving our strategic business objectives, our risk appetite incorporates keeping our clients' interests at the top of our priority list and ensuring we are in compliance with applicable laws, rules and regulations, as well as adhering to the highest ethical standards. We undertake prudent and conservative risk-taking that protects the capital base and franchise, utilizing risk limits and tolerances that avoid outsized risk-taking. We maintain a diversified business mix and avoid significant concentrations to any sector, product, geography, or activity and set quantitative concentration limits to manage this risk. We consider contagion, second order effects and correlation in our risk assessment process and actively seek out value opportunities of all sizes. We manage the risk of opportunities larger than our approved risk levels through risk sharing and risk distribution, sell-down and hedging, as appropriate. We have a limited appetite for illiquid assets and complex derivative financial instruments. We maintain the asset quality of our balance sheet through conducting trading activity in liquid markets and generally ensure high turnover of our inventory. We subject less liquid positions and derivative financial instruments to oversight and use a wide variety of specific metrics, limits, and constraints to manage these risks. We protect our reputation and franchise, as well as our standing within the market. We operate a federated approach to risk management with risk oversight responsibilities assigned to those areas of the business that have the appropriate knowledge.

For a discussion of liquidity and capital risk management, refer to the "Liquidity and Capital Resources" section herein.

Risk Considerations

We apply a comprehensive framework of limits on a variety of key metrics to constrain the risk profile of our business activities. The size of the limits reflects our risk tolerance for a certain activity under normal business conditions. Key metrics included in our risk management framework include inventory position and exposure limits on a gross and net basis, scenario analysis and stress tests, Value-at-Risk ("VaR"), sensitivities, exposure concentrations, aged inventory, amount of Level 3 assets, counterparty exposure, leverage and cash capital.

Market Risk

Market risk is defined as the risk of loss due to fluctuations in the market value of financial assets and liabilities attributable to changes in market variables.

Our market risk principally arises from interest rate risk, from exposure to changes in the yield curve, the volatility of interest rates, and credit spreads, and from equity price risks from exposure to changes in prices and volatilities of individual equities, equity baskets and equity indices. In addition, commodity price risk results from exposure to the changes in prices and volatilities of individual commodities, commodity baskets and commodity indices, and foreign exchange risk results from changes in foreign currency rates.

Market risk is present in our market-making, proprietary trading, underwriting, and investing activities, including our investments in Asset Management separately managed accounts, and is principally managed by diversifying exposures, controlling position sizes, and establishing economic hedges in related securities or derivatives. Due to imperfections in correlations, gains and losses can occur even for positions that are economically hedged. Position limits in trading and inventory accounts are established and monitored on an ongoing basis. Each day, consolidated position and exposure reports are prepared and distributed to various levels of management, which enable management to monitor inventory levels and the results of its trading businesses.

Value-at-Risk

VaR is a statistical estimate of the potential loss from adverse market movements over a specified time horizon within a specified probability (confidence level). It provides a common risk measure across financial instruments, markets and asset classes. We estimate VaR using a model that simulates revenue and loss distributions on Jefferies Group's trading portfolios by applying historical market changes to the current portfolio. We calculate a one day VaR using a one year look-back period measured at a 95% confidence level.

As with all measures of VaR, the estimate has inherent limitations due to the assumption that historical changes in market conditions are representative of the future. Furthermore, the VaR model measures the risk of a current static position over a one day horizon and might not capture the market risk over a longer time horizon where moves may be more extreme. Previous changes in market risk factors may not generate accurate predictions of future market movements. While we believe the assumptions and inputs in our risk model are reasonable, we could incur losses greater than the reported VaR. Consequently, this VaR estimate is only one of a number of tools we use in our daily risk management activities.

There was a decrease in Jefferies Group's average daily VaR to $12.69 million for the third quarter of 2021 from $15.77 million for the second quarter of 2021. The decrease was primarily driven by lower equity price and interest rate and credit spreads VaR following position reductions. Furthermore, a number of volatile days from 2020 dropped out of Jefferies Group's times series which further reduced overall VaR. The decrease was partially offset by a lower diversification benefit across asset classes and business divisions.

The following table illustrates each separate component of VaR for each component of market risk by interest rate and credit spreads, equity, currency and commodity products, as well as for Jefferies Group's overall trading positions using the past 365 days of historical data (in millions):

Daily VaR (1) Value-at-Risk in Trading Portfolios

Risk Categories	VaR at August 31, 2021	Daily VaR for the Three Months Ended August 31, 2021			VaR at May 31, 2021	Daily VaR for the Three Months Ended May 31, 2021		
		Average	High	Low		Average	High	Low
Interest Rates and Credit Spreads	$ 3.74	$ 4.11	$ 5.63	$ 3.28	$ 4.06	$ 5.08	$ 10.77	$ 3.21
Equity Prices	8.91	11.59	18.51	7.04	15.53	14.83	18.98	10.57
Currency Rates	0.04	0.09	0.22	0.04	0.06	0.14	0.31	0.06
Commodity Prices	0.20	0.35	0.56	0.17	0.43	0.55	0.77	0.37
Diversification Effect (2)	(2.35)	(3.45)	N/A	N/A	(3.60)	(4.83)	N/A	N/A
Firmwide	$ 10.54	$ 12.69	$ 19.45	$ 8.36	$ 16.48	$ 15.77	$ 20.30	$ 12.37

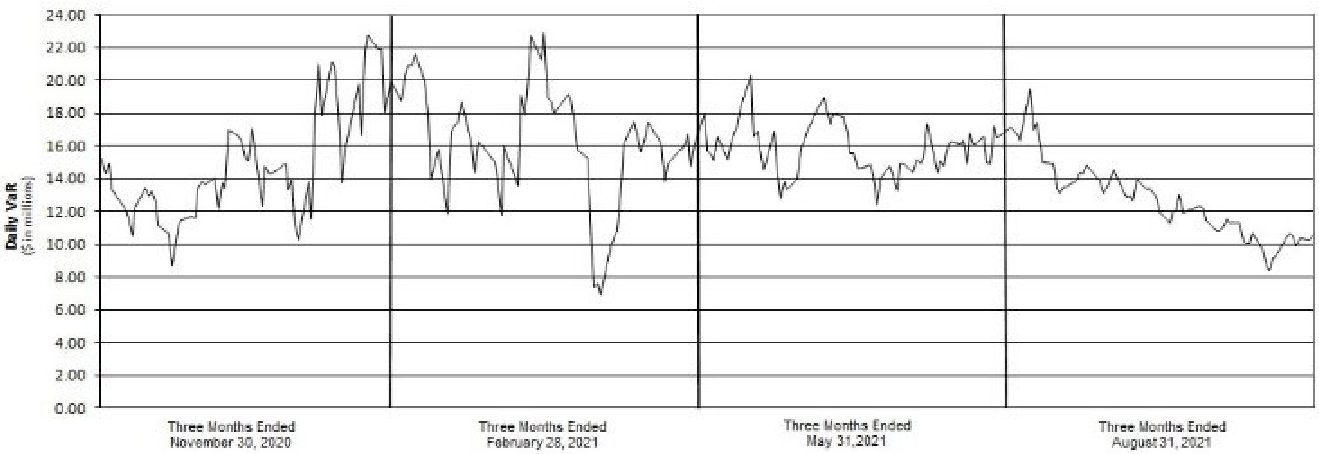
(1) For the VaR numbers reported above, a one day time horizon, with a one year look-back period, and a 95% confidence level were used.
(2) The diversification effect is not applicable for the maximum and minimum VaR values as Jefferies Group's firmwide VaR and VaR values for the four risk categories might have occurred on different days during the period.

The aggregated VaR presented here is less than the sum of the individual components (i.e., interest rate risk, foreign exchange rate risk, equity risk and commodity price risk) due to the benefit of diversification among the four risk categories. Diversification benefit equals the difference between aggregated VaR and the sum of VaRs for the four risk categories and arises because the market risk categories are not perfectly correlated.

The primary method used to test the efficacy of the VaR model is to compare actual daily net revenue for those positions included in the VaR calculation with the daily VaR estimate. This evaluation is performed at various levels of the trading portfolio, from the overall level down to specific business lines. For the VaR model, trading related revenue is defined as principal transactions revenues, trading related commissions, revenue from securitization activities and net interest income.

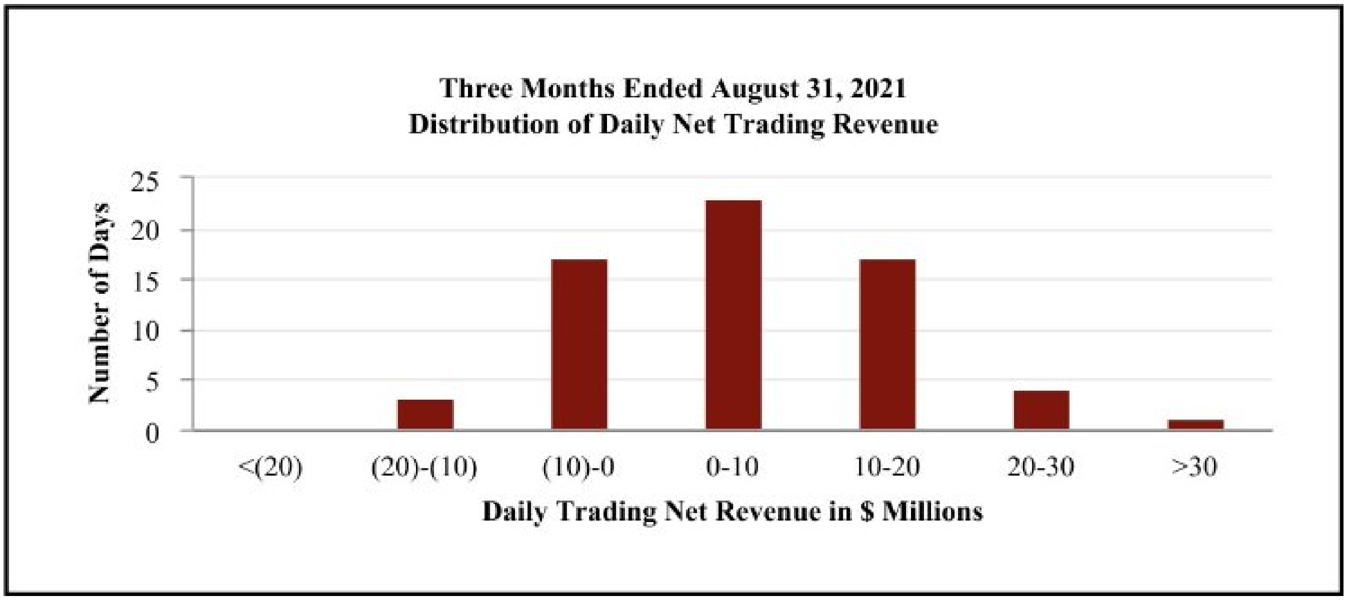
For a 95% confidence one day VaR model (i.e., no intra-day trading), assuming current changes in market value are consistent with the historical changes used in the calculation, net trading losses would not be expected to exceed the VaR estimates more than twelve times on an annual basis (i.e., once in every 20 days). During the third quarter of 2021, results of the evaluation at the aggregate level demonstrated two days when the net trading loss exceeded the 95% one day VaR.

The chart below reflects our daily VaR over the last four quarters. The increases from October 2020 through mid-January 2021 were driven by the high historical volatility observed throughout the initial period in 2020 driven by the impact of COVID-19. The lower trend from January 2021 to the end of February 2021 was driven by exposure reductions, while equity exposure increased at various points from March 2021 through early June 2021. VaR trended lower in the current quarter due to position reductions and as a number of volatile days from 2020 dropped out of the time series.



Daily Net Trading Revenue

There were 20 days with trading losses out of a total of 65 trading days in the third quarter of 2021. The loss days during the third quarter of 2021 were primarily driven by certain equity funds in Jefferies Group's Asset Management business, combined with idiosyncratic positions in Jefferies Group's equity trading that prior to quarter-end were substantially liquidated. The histogram below presents the distribution of Jefferies Group's actual daily net trading revenue for substantially all of its trading activities for the third quarter of 2021 (in millions).



Other Risk Measures

Certain positions within financial instruments are not included in the VaR model because VaR is not the most appropriate measure of risk. Accordingly, Jefferies Group's Risk Management has additional procedures in place to assure that the level of potential loss that would arise from market movements are within acceptable levels. Such procedures include performing stress tests, monitoring concentration risk and tracking price target/stop loss levels. The table below presents the potential reduction in net income associated with a 10% stress of the fair value of the positions that are not included in the VaR model at August 31, 2021 (in thousands):

	10% Sensitivity
Investment in funds (1)	$ 101,441
Private investments	15,850
Corporate debt securities in default	8,668
Trade claims	4,243

(1) Includes investments in hedge funds, fund of funds and private equity funds. For additional information on these investments, see Note 3 in our consolidated financial statements.

VaR also excludes the impact of changes in Jefferies Group's own credit spreads on its structured notes for which the fair value option was elected. The estimated credit spread risk sensitivity for each one basis point widening in Jefferies Group's own credit spreads on financial liabilities for which the fair value option was elected was an increase in value of approximately $1.6 million at August 31, 2021, which is included in Accumulated other comprehensive income (loss).

Stress Tests and Scenario Analysis

Stress tests are used to analyze the potential impact of specific events or extreme market moves on the current portfolio both firm wide and within business segments. Stress testing is an important part of our risk management approach because it allows us to quantify our exposure to tail risks, highlight potential loss concentrations, undertake risk/reward analysis, set risk controls and overall assess and mitigate its risk.

We employ a range of stress scenarios, which comprise both historical market price and rate changes and hypothetical market environments, and generally involve simultaneous changes of many risk factors. Indicative market changes in our scenarios include, but are not limited to, a large widening of credit spreads, a substantial decline in equities markets, significant moves in selected emerging markets, large moves in interest rates and changes in the shape of the yield curve.

Unlike VaR, which measures potential losses within a given confidence interval, stress scenarios do not have an associated implied probability. Rather, stress testing is used to estimate the potential loss from market moves that tend to be larger than those embedded in the VaR calculation. Stress testing complements VaR to cover for potential limitations of VaR such as the breakdown in correlations, non-linear risks, tail risk and extreme events and capturing market moves beyond the confidence levels assumed in the VaR calculations.

Stress testing is performed and reported at least weekly as part of our risk management process and on an ad hoc basis in response to market events or concerns. Current stress tests provide estimated revenue and loss of the current portfolio through a range of both historical and hypothetical events. The stress scenarios are reviewed and assessed at least annually so that they remain relevant and up to date with market developments. Additional hypothetical scenarios are also conducted on a sub-portfolio basis to assess the impact of any relevant idiosyncratic stress events as needed.

Counterparty Credit Risk

Credit risk is the risk of loss due to adverse changes in a counterparty's credit worthiness or its ability or willingness to meet its financial obligations in accordance with the terms and conditions of a financial contract.

We are exposed to credit risk as a trading counterparty to other broker-dealers and customers, as a counterparty to derivative contracts, as a direct lender and through extending loan commitments and providing securities-based lending and as a member of exchanges and clearing organizations. Credit exposure exists across a wide-range of products, including cash and cash equivalents, loans, securities finance transactions and over-the-counter derivative contracts. The main sources of our credit risk are:

- Loans and lending arising in connection with our investment banking and capital markets activities, which reflects our exposure at risk on a default event with no recovery of loans. Current exposure represents loans that have been drawn by the borrower and lending commitments that are outstanding. In addition, credit exposures on forward settling traded loans are included within our loans and lending exposures for consistency with the balance sheet categorization of these items. Loans and lending also arise in connection with our portion of Jefferies Group's Secured Revolving Credit Facility that is with Jefferies Group and Massachusetts Mutual Life Insurance Company, to be funded equally, to support loan underwritings by Jefferies Finance. See Note 8 for additional information on this facility. In addition, Jefferies Group has loans outstanding to certain of its officers and employees (none of whom are executive officers or directors). See Note 21 for additional information on these employee loans.
- Securities and margin financing transactions, which reflect our credit exposure arising from reverse repurchase agreements, repurchase agreements and securities lending agreements to the extent the fair value of the underlying collateral differs from the contractual agreement amount and from margin provided to customers.
- Over-the-counter derivatives, which are reported net by counterparty when a legal right of setoff exists under an enforceable master netting agreement. Over-the-counter derivative exposure is based on a contract at fair value, net of cash collateral received or posted under credit support agreements. In addition, credit exposures on forward settling trades are included within our derivative credit exposures.
- Cash and cash equivalents, which include both interest-bearing and non-interest-bearing deposits at banks.

Credit is extended to counterparties in a controlled manner and in order to generate acceptable returns, whether such credit is granted directly or is incidental to a transaction. All extensions of credit are monitored and managed as a whole to limit exposure to loss related to credit risk. Credit risk is managed according to the Credit Risk Policy, which sets out the process for identifying counterparty credit risk, establishing counterparty limits, and managing and monitoring credit limits. The policy includes our approach for:

- Client on-boarding and approving counterparty credit limits;
- Negotiating, approving and monitoring credit terms in legal and master documentation;
- Determining the analytical standards and risk parameters for ongoing management and monitoring credit risk books;
- Actively managing daily exposure, exceptions and breaches; and
- Monitoring daily margin call activity and counterparty performance.

Counterparty credit exposure limits are granted within our credit ratings framework, as detailed in the Credit Risk Policy. Jefferies Group's Credit Risk Department assesses counterparty credit risk and sets credit limits at the counterparty master agreement level. Limits must be approved by appropriate credit officers and initiated in our credit and trading systems before trading commences. All credit exposures are reviewed against approved limits on a daily basis.

Jefferies Group's Secured Revolving Credit Facility, which supports loan underwritings by Jefferies Finance, is governed under separate policies other than the Credit Risk Policy and is approved by Jefferies Group's Board of Directors. The loans outstanding to certain of Jefferies Group's officers and employees are extended pursuant to a review by its most senior management.

Current counterparty credit exposures are summarized in the tables below and provided by credit quality, region and industry. Credit exposures presented take netting and collateral into consideration by counterparty and master agreement. Collateral taken into consideration includes both collateral received as cash as well as collateral received in the form of securities or other arrangements. Current exposure is the loss that would be incurred on a particular set of positions in the event of default by the counterparty, assuming no recovery. Current exposure equals the fair value of the positions less collateral. Issuer risk is the credit risk arising from inventory positions (for example, corporate debt securities and secondary bank loans). Issuer risk is included in our country risk exposure tables below.

The amounts in the tables below are for amounts included in the Consolidated Statements of Financial Condition at August 31, 2021 and November 30, 2020 (in millions).

Counterparty Credit Exposure by Credit Rating

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020
AAA Range	$ —	$ —	$ —	$ 1.1	$ —	$ 0.1	$ —	$ 1.2	$ 5,490.9	$ 5,132.9	$ 5,490.9	$ 5,134.1
AA Range	60.2	45.2	109.0	111.7	23.5	9.8	192.7	166.7	9.4	7.8	202.1	174.5
A Range	0.5	0.2	570.5	542.2	227.8	147.2	798.8	689.6	1,678.2	1,967.9	2,477.0	2,657.5
BBB Range	250.2	250.5	140.2	110.2	12.0	18.1	402.4	378.8	1.8	2.2	404.2	381.0
BB or Lower	40.0	50.0	1.6	8.3	106.2	201.6	147.8	259.9	0.1	0.1	147.9	260.0
Unrated	116.6	142.0	—	—	—	0.2	116.6	142.2	6.0	1.0	122.6	143.2
Total	$ 467.5	$ 487.9	$ 821.3	$ 773.5	$ 369.5	$ 377.0	$ 1,658.3	$ 1,638.4	$ 7,186.4	$ 7,111.9	$ 8,844.7	$ 8,750.3

Counterparty Credit Exposure by Region

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020
Asia/Latin America/Other	$ 15.0	$ 15.0	$ 91.9	$ 72.6	$ 6.9	$ 6.9	$ 113.8	$ 94.5	$ 271.7	$ 248.4	$ 385.5	$ 342.9
Europe	0.2	0.1	285.2	313.0	24.1	42.5	309.5	355.6	98.0	96.4	407.5	452.0
North America	452.3	472.8	444.2	387.9	338.5	327.6	1,235.0	1,188.3	6,816.7	6,767.1	8,051.7	7,955.4
Total	$ 467.5	$ 487.9	$ 821.3	$ 773.5	$ 369.5	$ 377.0	$ 1,658.3	$ 1,638.4	$ 7,186.4	$ 7,111.9	$ 8,844.7	$ 8,750.3

Counterparty Credit Exposure by Industry

	Loans and Lending		Securities and Margin Finance		OTC Derivatives		Total		Cash and Cash Equivalents		Total with Cash and Cash Equivalents	
	At		At		At		At		At		At	
	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020	August 31, 2021	November 30, 2020
Asset Managers	$ 0.2	$ 0.2	$ —	$ —	$ 1.5	$ —	$ 1.7	$ 0.2	$ 5,490.9	$ 5,132.9	$ 5,492.6	$ 5,133.1
Banks, Broker-dealers	250.7	250.7	637.9	558.6	262.8	178.8	1,151.4	988.1	1,695.5	1,979.0	2,846.9	2,967.1
Corporates	123.8	132.7	—	—	100.8	183.9	224.6	316.6	—	—	224.6	316.6
As Agent Banks	—	—	160.4	190.0	—	—	160.4	190.0	—	—	160.4	190.0
Other	92.8	104.3	23.0	24.9	4.4	14.3	120.2	143.5	—	—	120.2	143.5
Total	$ 467.5	$ 487.9	$ 821.3	$ 773.5	$ 369.5	$ 377.0	$ 1,658.3	$ 1,638.4	$ 7,186.4	$ 7,111.9	$ 8,844.7	$ 8,750.3

For additional information regarding credit exposure to over-the-counter derivative contracts, see Note 4 in the consolidated financial statements.

Country Risk Exposure

Country risk is the risk that events or developments that occur in the general environment of a country or countries due to economic, political, social, regulatory, legal or other factors, will affect the ability of obligors of the country to honor their obligations. We define the country of risk as the country of jurisdiction or domicile of the obligor, and monitor country risk resulting from both trading positions and counterparty exposure, which may not include the offsetting benefit of any financial instruments utilized to manage market risk.

The following tables reflect our top exposure to the sovereign governments, corporations and financial institutions in those non-U.S. countries in which we have a net long issuer and counterparty exposure, as reflected in the Consolidated Statements of Financial Condition (in millions):

	August 31, 2021								
	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
United Kingdom	$ 681.3	$ (342.9)	$ (57.5)	$ 0.2	$ 54.5	$ 12.0	$ 71.3	$ 347.6	$ 418.9
Canada	123.8	(187.7)	101.8	—	69.3	191.3	7.1	298.5	305.6
Hong Kong	37.7	(17.2)	—	—	0.5	—	167.5	21.0	188.5
Germany	380.6	(415.9)	119.7	—	53.4	2.3	23.8	140.1	163.9
Austria	187.4	(69.9)	—	—	—	—	—	117.5	117.5
China	437.6	(330.9)	0.8	—	—	—	—	107.5	107.5
Switzerland	77.1	(46.8)	6.3	—	35.7	1.5	2.1	73.8	75.9
Australia	113.9	(92.5)	(19.1)	—	40.2	—	25.0	42.5	67.5
Ireland	78.7	(17.6)	2.9	—	—	—	—	64.0	64.0
Singapore	45.1	(26.0)	—	—	15.1	—	17.6	34.2	51.8
Total	$ 2,163.2	$ (1,547.4)	$ 154.9	$ 0.2	$ 268.7	$ 207.1	$ 314.4	$ 1,246.7	$ 1,561.1

	November 30, 2020								
	Issuer Risk			Counterparty Risk				Issuer and Counterparty Risk	
	Fair Value of Long Debt Securities	Fair Value of Short Debt Securities	Net Derivative Notional Exposure	Loans and Lending	Securities and Margin Finance	OTC Derivatives	Cash and Cash Equivalents	Excluding Cash and Cash Equivalents	Including Cash and Cash Equivalents
Italy	$ 1,929.5	$ (921.6)	$ (618.9)	$ —	$ —	$ 0.1	$ —	$ 389.1	$ 389.1
United Kingdom	464.0	(235.8)	(46.7)	0.1	67.4	5.2	64.8	254.2	319.0
France	357.3	(290.9)	48.3	—	140.8	24.3	—	279.8	279.8
Germany	470.7	(352.7)	40.2	—	63.1	11.3	26.7	232.6	259.3
Australia	32.7	(17.8)	173.9	—	24.9	—	12.8	213.7	226.5
Hong Kong	35.2	(11.8)	0.7	—	0.1	—	157.4	24.2	181.6
Canada	417.3	(326.8)	1.3	—	20.4	64.3	2.1	176.5	178.6
Austria	151.2	(73.6)	—	—	—	—	—	77.6	77.6
India	50.9	(6.7)	—	—	—	—	24.3	44.2	68.5
Switzerland	104.0	(72.2)	2.9	—	31.6	1.3	0.4	67.6	68.0
Total	$ 4,012.8	$ (2,309.9)	$ (398.3)	$ 0.1	$ 348.3	$ 106.5	$ 288.5	$ 1,759.5	$ 2,048.0

Operational Risk

Operational risk refers to the risk of loss resulting from operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, business disruptions and inadequacies or breaches in internal control processes. Our businesses are highly dependent on our ability to process, on a daily basis, a large number of transactions across numerous and diverse markets in many currencies. In addition, the transactions we process have become increasingly complex. If our financial, accounting or other data processing systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes, people or systems, we could suffer an impairment to our liquidity, financial loss, a disruption of our businesses, liability to clients, regulatory intervention or reputational damage.

These systems may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communications services or the inability to occupy one or more of our buildings. The inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses.

We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries we use to facilitate our securities transactions. Any such failure or termination could adversely affect our ability to effect transactions and manage exposure to risk. In addition, despite the contingency plans we have in place, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the communities in which they are located.

This may include a disruption involving electrical, communications, transportation or other services used by us or third-parties with which we conduct business.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code, and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our or our clients' or counterparties' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our, our clients', our counterparties' or third-parties' operations. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us.

Our Operational Risk framework includes governance, collection of operational risk incidents, proactive operational risk management, and periodic review and analysis of business metrics to identify and recommend controls and process-related enhancements. Each revenue producing and support department is responsible for the management and reporting of operational risks and the implementation of the Operational Risk policy and processes within the department. Operational Risk policy, framework, infrastructure, methodology, processes, guidance and oversight of the operational risk processes are centralized and consistent firm wide and also subject to regional operational risk governance.

Our leadership is continuously monitoring circumstances around COVID-19, as well as economic and capital market conditions, and providing frequent communications to both our clients and our employees. We have adopted enhanced cleaning practices across our offices, have established protocols for office access, travel, meetings and entertainment to ensure the safety of our people and clients, and continue to work actively with our employees to navigate the changing environment. Our Business Continuity Plan is operating effectively across a largely remote working environment across all functions without any significant disruptions to our business or control processes. Additionally, we are working continuously with all of our critical vendors regarding their own pandemic responses to ensure there is minimal impact on our business operations.

Model Risk

Model risk refers to the risk of losses resulting from decisions that are based on the output of models, due to errors or weaknesses in the design and development, implementation, or improper use of models. We use quantitative models primarily to value certain financial assets and liabilities and to monitor and manage our risk. Model risk is a function of the model materiality, frequency of use, complexity and uncertainty around inputs and assumptions used in a given model. Robust model risk management is a core part of our risk management approach and is overseen through our risk governance structure and risk management controls.

Legal and Compliance Risk

Legal and compliance risk includes the risk of noncompliance with applicable legal and regulatory requirements. We are subject to extensive regulation in the different jurisdictions in which we conduct our business. We have various procedures addressing issues such as regulatory capital requirements, sales and trading practices, use of and safekeeping of customer funds, credit granting, collection activities, anti-money laundering and record keeping. These risks also reflect the potential impact that changes in local and international laws and tax statutes have on the economics and viability of current or future transactions. In an effort to mitigate these risks, we continuously review new and pending regulations and legislation and participate in various industry interest groups. We also maintain an anonymous hotline for employees or others to report suspected inappropriate actions by us or by our employees or agents.

New Business Risk

New business risk refers to the risks of entering into a new line of business or offering a new product. By entering a new line of business or offering a new product, we may face risks that we are unaccustomed to dealing with and may increase the magnitude of the risks we currently face. The New Business Committee reviews proposals for new businesses and new products to determine if we are prepared to handle the additional or increased risks associated with entering into such activities.

Reputational Risk

We recognize that maintaining our reputation among clients, investors, regulators and the general public is an important aspect of minimizing legal and operational risks. Maintaining our reputation depends on a large number of factors, including the selection of our clients and the conduct of our business activities. We seek to maintain our reputation by screening potential clients and by conducting our business activities in accordance with high ethical standards. Our reputation and business activity can be affected by statements and actions of third-parties, even false or misleading statements by them. We actively monitor public comment concerning us and are vigilant in seeking to assure accurate information and perception prevails.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of August 31, 2021. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures were effective as of August 31, 2021.

Changes in internal control over financial reporting

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended August 31, 2021, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The information set forth in response to this Item 1 is incorporated by reference from the "Contingencies" section in Note 18, Commitments, Contingencies and Guarantees, in the Notes to Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report, which is incorporated herein by reference.

Item 1A. Risk Factors.

Information regarding our risk factors appears in Item 1A. of our Annual Report on Form 10-K for the fiscal year ended November 30, 2020. These risk factors describe some of the assumptions, risks, uncertainties and other factors that could adversely affect our business or that could otherwise result in changes that differ materially from our expectations.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds.

(c) Issuer Purchases of Equity Securities

The following table presents information on our purchases of our common shares during the third quarter of 2021 (dollars in thousands, except per share amounts):

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
June 1, 2021 to June 30, 2021	—	$ —	—	$ 250,000
July 1, 2021 to July 31, 2021	100,000	$ 31.91	100,000	$ 246,809
August 1, 2021 to August 31, 2021	1,400,000	$ 34.70	1,400,000	$ 198,230
Total	1,500,000		1,500,000	

(1) At August 31, 2021, $198.2 million remains available for future purchases. In September 2021, the Board of Directors increased the share repurchase authorization to $250.0 million, including the $198.2 million.

Item 6. Exhibits.

See Exhibit Index.

Exhibit Index

31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the Quarterly Report on Form 10-Q of Jefferies Financial Group Inc. for the quarter ended August 31, 2021, formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Statements of Financial Condition, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (Loss), (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Changes in Equity and (vi) the Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File, formatted in iXBRL (included in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		JEFFERIES FINANCIAL GROUP INC.	
		(Registrant)	
Date: October 8, 2021	By:	/s/	John M. Dalton
		Name:	John M. Dalton
		Title:	Vice President and Controller
			(Duly Authorized Officer and Chief Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Richard B. Handler, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jefferies Financial Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 8, 2021

By: /s/ Richard B. Handler

Richard B. Handler

Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Teresa S. Gendron, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Jefferies Financial Group Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 8, 2021

By: /s/ Teresa S. Gendron
Teresa S. Gendron
Chief Financial Officer

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Richard B. Handler, as Chief Executive Officer of Jefferies Financial Group Inc. (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the accompanying Form 10-Q report for the period ending August 31, 2021 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 8, 2021

By: /s/ Richard B. Handler
Richard B. Handler
Chief Executive Officer

Exhibit 32.2

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED BY SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Teresa S. Gendron, as Chief Financial Officer of Jefferies Financial Group Inc. (the "Company") certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the accompanying Form 10-Q report for the period ending August 31, 2021 as filed with the U.S. Securities and Exchange Commission (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: October 8, 2021

By: /s/ Teresa S. Gendron
Teresa S. Gendron
Chief Financial Officer