

Jefferies Group Inc. Rating Affirmed; Outlook Revised To Positive From Stable

Rationale

On Aug. 4, 2005, Standard & Poor's Ratings Services changed its outlook on the long-term counterparty credit rating on Jefferies Group Inc. to positive from stable. Simultaneously, the 'BBB' long-term counterparty credit rating was affirmed.

The outlook change is based on Jefferies' relatively strong performance during the past few years as well as the successful execution of the expansion of its investment banking segment.

Standard & Poor's also noted Jefferies' conservative balance sheet leverage and low trading risk appetite. Jefferies' niche strategy of focusing on middle-market and small-cap companies is paying off well. The firm has built franchise strength in equity and high-yield sales and trading and investment banking around this focus.

Jefferies Group Inc. is a broker-dealer holding company whose primary operating subsidiary, Jefferies & Co. Inc., provides brokerage services for institutional investors and investment banking focused on middle-market clients.

Outlook

The rating could be raised in two to three years if positive results continue. The outlook could be changed back to stable, however, if the industry goes into a downturn that results in lower earnings in Jefferies' businesses. Jefferies' investment banking and high-yield trading businesses could have much lower revenues in an economic downturn.

Ratings List

Jefferies Group Inc.

	To	From
Counterparty credit rating	BBB/Positive/—	BBB/Stable/—

Credit Rating:
BBB/Positive/—

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