RAYMOND JAMES FINANCIAL INC
Form 10-Q
August 08, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark one)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2016
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: 1-9109

RAYMOND JAMES FINANCIAL, INC.
(Exact name of registrant as specified in its charter)

Florida	No. 59-1517485
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

880 Carillon Parkway, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)
(727) 567-1000
(Registrant's telephone number, including area code)
None
(Former name, former address and former fiscal year, if changed since last report)
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 x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer x Accelerated filer o

Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x
Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

141,684,168 shares of common stock as of August 4, 2016

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended June 30, 2016

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PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

	June 30, 2016	September 30, 2015
	(in thousands)	
Assets:		
Cash and cash equivalents	$1,978,057	$2,601,006
Assets segregated pursuant to regulations and other segregated assets	3,668,989	2,905,324
Securities purchased under agreements to resell and other collateralized financings	444,812	474,144
Financial instruments, at fair value:		
Trading instruments	844,948	690,551
Available for sale securities	543,784	513,730
Private equity investments	210,510	209,088
Other investments	249,216	248,751
Derivative instruments associated with offsetting matched book positions	430,766	389,457
Receivables:		
Brokerage clients, net	2,120,244	2,185,296
Stock borrowed	87,924	124,373
Bank loans, net	14,799,516	12,988,021
Brokers-dealers and clearing organizations	193,868	134,890
Loans to financial advisors, net	576,103	488,760
Other	574,701	514,000
Deposits with clearing organizations	256,633	207,488
Prepaid expenses and other assets	726,030	705,391
Investments in real estate partnerships held by consolidated variable interest entities	160,824	199,678
Property and equipment, net	294,994	255,875
Deferred income taxes, net	296,619	266,899
Goodwill and identifiable intangible assets, net	384,893	376,962
Total assets	$28,843,431	$26,479,684

(continued on next page)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)
(continued from previous page)

	June 30, 2016	September 30, 2015
	($ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	$285,299	$287,993
Securities sold under agreements to repurchase	266,158	332,536
Derivative instruments associated with offsetting matched book positions, at fair value	430,766	389,457
Payables:		
Brokerage clients	4,950,549	4,671,073
Stock loaned	586,683	478,573
Bank deposits	13,732,194	11,919,881
Brokers-dealers and clearing organizations	486,481	164,054
Trade and other	613,994	729,245
Other borrowings	847,578	703,065
Accrued compensation, commissions and benefits	737,848	842,527
Loans payable of consolidated variable interest entities	12,409	25,960
Senior notes payable	899,342	1,149,222
Total liabilities	23,849,301	21,693,586
Commitments and contingencies (see Note 17)		
Equity		
Preferred stock; $.10 par value; 10,000,000 shares authorized; -0- shares issued and outstanding	—	—
Common stock; $.01 par value; 350,000,000 shares authorized; 151,213,530 and 149,283,682 shares issued as of June 30, 2016 and September 30, 2015, respectively, and 141,298,720 and 142,750,653 shares outstanding as of June 30, 2016 and September 30, 2015, respectively	1,511	1,491
Additional paid-in capital	1,476,323	1,344,779
Retained earnings	3,689,244	3,419,719
Treasury stock, at cost; 9,797,230 and 6,364,706 common shares as of June 30, 2016 and September 30, 2015, respectively	(363,744)	(203,455)
Accumulated other comprehensive loss	(55,875)	(40,503)
Total equity attributable to Raymond James Financial, Inc.	4,747,459	4,522,031
Noncontrolling interests	246,671	264,067
Total equity	4,994,130	4,786,098
Total liabilities and equity	$28,843,431	$26,479,684

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
	2016	2015	2016	2015
	(in thousands, except per share amounts)			
Revenues:				
Securities commissions and fees	$871,764	$874,606	$2,574,756	$2,568,829
Investment banking	72,714	76,988	198,971	228,766
Investment advisory and related administrative fees	96,156	96,235	288,574	286,012
Interest	163,810	137,147	467,848	403,669
Account and service fees	129,334	113,866	373,685	336,990
Net trading profit	29,795	16,216	66,379	42,157
Other	23,120	33,655	58,924	74,758
Total revenues	1,386,693	1,348,713	4,029,137	3,941,181
Interest expense	(28,211)	(27,724)	(84,644)	(81,954)
Net revenues	1,358,482	1,320,989	3,944,493	3,859,227
Non-interest expenses:				
Compensation, commissions and benefits	908,899	901,342	2,663,254	2,621,830
Communications and information processing	71,717	69,267	212,337	196,014
Occupancy and equipment costs	40,825	40,269	123,505	121,100
Clearance and floor brokerage	10,214	9,648	30,727	32,734
Business development	36,488	40,127	112,529	119,607
Investment sub-advisory fees	15,030	15,293	43,866	44,535
Bank loan loss provision (benefit)	3,452	(3,009)	26,991	10,293
Acquisition-related expenses	13,445	—	21,332	—
Other	66,962	46,757	166,123	137,537
Total non-interest expenses	1,167,032	1,119,694	3,400,664	3,283,650
Income including noncontrolling interests and before provision for income taxes	191,450	201,295	543,829	575,577
Provision for income taxes	72,261	74,935	206,541	218,404
Net income including noncontrolling interests	119,189	126,360	337,288	357,173
Net loss attributable to noncontrolling interests	(6,315)	(6,835)	(20,392)	(15,781)
Net income attributable to Raymond James Financial, Inc.	$125,504	$133,195	$357,680	$372,954
Net income per common share – basic	$0.89	$0.93	$2.51	$2.61
Net income per common share – diluted	$0.87	$0.91	$2.47	$2.55
Weighted-average common shares outstanding – basic	141,165	143,252	141,902	142,303
Weighted-average common and common equivalent shares outstanding – diluted	143,952	146,493	144,618	145,870
Net income attributable to Raymond James Financial, Inc.	$125,504	$133,195	$357,680	$372,954
Other comprehensive income (loss), net of tax:[1]				
Unrealized loss on available for sale securities and non-credit portion of other-than-temporary impairment losses	(955)	(5,381)	(6,647)	(3,068)
Unrealized gain (loss) on currency translations, net of the impact of net investment hedges	2,302	1,295	6,401	(20,424)
Unrealized (loss) gain on cash flow hedges	(6,922)	3,589	(15,126)	2,088
Total comprehensive income	$119,929	$132,698	$342,308	$351,550

Other-than-temporary impairment:				
Total other-than-temporary impairment, net	$423	$1,228	$444	$2,352
Portion of recoveries recognized in other comprehensive income	(423)	(1,228)	(444)	(2,352)
Net impairment losses recognized in other revenue	$—	$—	$—	$—

(1) All components of other comprehensive income (loss), net of tax, are attributable to Raymond James Financial, Inc.

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Nine months ended June 30,	
	2016	2015
	(in thousands, except per share amounts)	
Common stock, par value $.01 per share:		
Balance, beginning of year	$1,491	$1,444
Share issuances	20	45
Balance, end of period	1,511	1,489
Additional paid-in capital:		
Balance, beginning of year	1,344,779	1,239,046
Employee stock purchases	23,861	16,810
Exercise of stock options and vesting of restricted stock units, net of forfeitures	15,337	23,958
Restricted stock, stock option and restricted stock unit expense	57,176	54,366
Excess tax benefit (reduction of prior tax benefit) from share-based payments	34,791	(6,948)
Other	379	335
Balance, end of period	1,476,323	1,327,567
Retained earnings:		
Balance, beginning of year	3,419,719	3,023,845
Net income attributable to Raymond James Financial, Inc.	357,680	372,954
Cash dividends declared	(88,155)	(80,404)
Other	—	5
Balance, end of period	3,689,244	3,316,400
Treasury stock:		
Balance, beginning of year	(203,455)	(121,211)
Purchases/surrenders	(152,598)	(7,818)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(7,691)	(20,470)
Balance, end of period	(363,744)	(149,499)
Accumulated other comprehensive loss:[1]		
Balance, beginning of year	(40,503)	(1,888)
Net change in unrealized gain/loss on available for sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	(6,647)	(3,068)
Net change in currency translations and net investment hedges, net of tax	6,401	(20,424)
Net change in cash flow hedges, net of tax	(15,126)	2,088
Balance, end of period	(55,875)	(23,292)
Total equity attributable to Raymond James Financial, Inc.	$4,747,459	$4,472,665
Noncontrolling interests:		
Balance, beginning of year	$264,067	$292,020
Net loss attributable to noncontrolling interests	(20,392)	(15,781)
Capital contributions	14,958	19,531

Distributions	(10,367)	(20,085)
Other	(1,595)	(2,061)
Balance, end of period	246,671	273,624
Total equity	$4,994,130	$4,746,289

(1) All components of other comprehensive (loss) income, net of tax, are attributable to Raymond James Financial, Inc.

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended June 30,	
	2016	2015
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$357,680	$372,954
Net loss attributable to noncontrolling interests	(20,392)	(15,781)
Net income including noncontrolling interests	337,288	357,173
Adjustments to reconcile net income including noncontrolling interests to net cash (used in) provided by operating activities:		
Depreciation and amortization	53,964	51,051
Deferred income taxes	(33,857)	(24,027)
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(18,284)	(42,644)
Provisions for loan losses, legal proceedings, bad debts and other accruals	31,022	19,921
Share-based compensation expense	60,777	57,352
Other	34,736	21,913
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	(763,665)	(23,822)
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	(37,046)	36,774
Stock loaned, net of stock borrowed	144,559	13,910
Loans provided to financial advisors, net of repayments	(100,186)	(69,227)
Brokerage client receivables and other accounts receivable, net	(54,626)	(3,090)
Trading instruments, net	(98,318)	46,111
Prepaid expenses and other assets	(40,667)	(341)
Brokerage client payables and other accounts payable	598,116	126,702
Accrued compensation, commissions and benefits	(104,664)	(67,994)
Purchases and originations of loans held for sale, net of proceeds from sales of securitizations and loans held for sale	(61,580)	(41,924)
(Excess tax benefit) reduction of prior tax benefit from share-based payment arrangements	(34,791)	6,948
Net cash (used in) provided by operating activities	(87,222)	464,786
Cash flows from investing activities:		
Additions to property and equipment	(86,518)	(51,665)
Increase in bank loans, net	(1,980,193)	(1,096,051)
Purchases of Federal Home Loan Bank/Federal Reserve Bank stock	(3,231)	(4,446)
Proceeds from sales of loans held for investment	116,736	64,173
Purchases, or contributions, to private equity or other investments, net of proceeds from sales of, or distributions received from, private equity and other investments	(37,427)	17,526
Purchases of available for sale securities	(108,931)	(4,201)
Available for sale securities maturations, repayments and redemptions	65,723	51,909
Proceeds from sales of available for sale securities	1,530	84,784
Other investing activities, net of proceeds received	(6,835)	3,566

Net cash used in investing activities	$(2,039,146)	$(934,405)

(continued on next page)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(continued from previous page)

	Nine months ended June 30,	
	2016	2015
	(in thousands)	
Cash flows from financing activities:		
Proceeds from (repayments of) short-term borrowings, net	$122,800	$(20,900)
Proceeds from Federal Home Loan Bank advances	25,000	300,198
Repayments of Federal Home Loan Bank advances and other borrowed funds	(3,287)	(258,042)
Repayment of senior notes payable	(250,000)	—
Repayments of borrowings by consolidated variable interest entities which are real estate partnerships	(14,263)	(19,703)
Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships	—	110
Exercise of stock options and employee stock purchases	36,850	40,893
Increase in bank deposits	1,812,313	981,692
Purchases of treasury stock	(161,501)	(30,890)
Dividends on common stock	(84,997)	(77,115)
Excess tax benefit (reduction of prior tax benefit) from share-based payments	34,791	(6,948)
Net cash provided by financing activities	1,517,706	909,295
Currency adjustment:		
Effect of exchange rate changes on cash	(14,287)	(56,658)
Net (decrease) increase in cash and cash equivalents	(622,949)	383,018
Cash and cash equivalents at beginning of year	2,601,006	2,199,063
Cash and cash equivalents at end of period	$1,978,057	$2,582,081
Supplemental disclosures of cash flow information:		
Cash paid for interest	$85,751	$80,387
Cash paid for income taxes	$210,789	$311,931
Non-cash transfers of loans to other real estate owned	$2,910	$4,546

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

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RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2016

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

Raymond James Financial, Inc. ("RJF" or the "Company") is a financial holding company whose broker-dealer subsidiaries are engaged in various financial services businesses, including the underwriting, distribution, trading and brokerage of equity and debt securities and the sale of mutual funds and other investment products. In addition, other subsidiaries of RJF provide investment management services for retail and institutional clients, corporate and retail banking, and trust services. As used herein, the terms "we," "our" or "us" refer to RJF and/or one or more of its subsidiaries.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of RJF and its consolidated subsidiaries that are generally controlled through a majority voting interest. We consolidate all of our 100% owned subsidiaries. In addition we consolidate any variable interest entity ("VIE") in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 2 on pages 118 - 121 in the section titled, "Evaluation of VIEs to determine whether consolidation is required" as presented in our Annual Report on Form 10-K for the year ended September 30, 2015, as filed with the United States ("U.S.") Securities and Exchange Commission (the "2015 Form 10-K") and in Note 9 herein. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting estimates and assumptions

Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") but not required for interim reporting purposes has been condensed or omitted. These unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position and results of operations for the interim periods presented.

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis and the consolidated financial statements and notes thereto included in our 2015 Form 10-K. To prepare condensed consolidated financial statements in conformity with GAAP, we must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

Significant subsidiaries

As of June 30, 2016, our significant subsidiaries, all wholly owned, include: Raymond James & Associates, Inc. ("RJ&A") a domestic broker-dealer carrying client accounts, Raymond James Financial Services, Inc. ("RJFS") an introducing domestic broker-dealer, Raymond James Financial Services Advisors, Inc. ("RJFSA") a registered investment advisor, Raymond James Ltd. (“RJ Ltd.”) a broker-dealer headquartered in Canada, Eagle Asset Management, Inc. (“Eagle”) a registered investment advisor, and Raymond James Bank, N.A. (“RJ Bank”) a national bank.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period’s presentation.

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 on pages 103 - 121 of our 2015 Form 10-K. There have been no significant changes in our significant accounting policies since September 30, 2015.

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Brokerage client receivables, loans to financial advisors and allowance for doubtful accounts

As more fully described in Note 2 on page 110 - 111 of our 2015 Form 10-K, we have certain financing receivables that arise from businesses other than our banking business. Specifically, we offer loans to financial advisors and certain key revenue producers, primarily for recruiting, transitional cost assistance, and retention purposes. We present the outstanding balance of loans to financial advisors on our Condensed Consolidated Statements of Financial Condition, net of their applicable allowances for doubtful accounts. Of such balance, the portion associated with financial advisors who are no longer affiliated with us is approximately $14 million and $10 million at June 30, 2016 and September 30, 2015, respectively, and our allowance for doubtful accounts associated with such loans is approximately $5 million and $4 million in each respective period.

NOTE 3 – ACQUISITIONS

Mummert & Company Corporate Finance GmbH

On June 1, 2016, we acquired Mummert & Company Corporate Finance GmbH (“Mummert”). Mummert is a middle market M&A advisory firm, headquartered in Munich, Germany, that is focused primarily on the technology, industrial, healthcare, consumer and business services sectors. Mummert expands our investment banking capabilities in Europe, and will operate within the corporate finance division of RJ&A included in our Capital Markets segment. For purposes of certain acquisition related financial reporting requirements, the Mummert acquisition is not considered a material acquisition. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of Mummert recorded as of the acquisition date at their respective fair value and consolidated in our financial statements. Mummert’s results of operations have been included in our results prospectively from June 1, 2016.

See Note 10 for information regarding the identifiable intangible assets and Note 17 for additional information regarding certain commitments associated with the Mummert acquisition.

Acquisition announcements

MacDougall, MacDougall & MacTier Inc.

On May 26, 2016 (“3Macs Announcement Date”), we announced that RJ Ltd. entered into an agreement to acquire all of the outstanding shares of MacDougall, MacDougall & MacTier Inc. (“3Macs”), an independent investment firm founded in 1849 and headquartered in Montreal, Quebec, Canada. As of the 3Macs Announcement Date, 3Macs had approximately 70 financial advisors with approximately $6 billion (Canadian) of client assets under administration. Shortly after the closing date of the acquisition, which we expect to occur during the fourth quarter of this fiscal year, we plan for the 3Macs financial advisors to operate within a newly formed “3Macs” division of RJ Ltd.

See Note 17 for additional information regarding certain commitments associated with this acquisition.

U.S. Private Client Services unit of Deutsche Bank Wealth Management

On December 3, 2015 (the “DB Announcement Date”), we announced that we entered into a definitive asset purchase agreement to acquire the U.S. Private Client Services unit of Deutsche Bank Wealth Management (“Deutsche WM”). As of the DB Announcement Date, Deutsche WM had approximately 200 financial advisors with approximately $50 billion of client assets under administration which generate approximately $300 million in total annual revenues. The Deutsche WM financial advisors are focused primarily on high net worth clients. Upon completion of the acquisition, which we expect to occur during the fourth quarter of this fiscal year, we plan for the Deutsche WM financial advisors to operate within a newly formed “Alex. Brown” division of RJ&A.

See Note 17 for additional information regarding the commitments we have made that are associated with this acquisition.

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The acquisition-related expenses presented on our Condensed Consolidated Statements of Income and Comprehensive income for the three and nine months ended June 30, 2016 pertain to certain incremental expenses incurred in connection with the acquisitions described above. In the three and nine months ended June 30, 2016 we incurred the following acquisition-related expenses:

	Three months ended June 30, 2016	Nine Months Ended June 30, 2016
	(in thousands)	
Unrealized loss in fair value of equity securities purchased to satisfy certain deferred compensation obligations to be assumed at closing	$2,468	$5,787
Legal	2,309	4,232
Information systems integration costs	7,610	9,265
Travel and all other	1,058	2,048
Total acquisition-related expenses	$13,445	$21,332

Acquisitions completed in the prior fiscal year

Cougar Global Investments Limited

On April 30, 2015, we completed our acquisition of Cougar Global Investments Limited (“Cougar”), an asset management firm based in Toronto, Canada. Cougar’s global asset allocation strategies are now offered to our asset management clients worldwide through our Eagle subsidiary. Cougar’s results of operations have been included in our results prospectively since April 30, 2015. See Note 3 on pages 121 - 122 of our 2015 Form 10-K for additional information regarding the Cougar acquisition.

The Producers Choice LLC

On July 31, 2015 (the “TPC Closing Date”), we completed our acquisition of The Producers Choice LLC (“TPC”), a Troy, Michigan based private insurance and annuity marketing organization. TPC brings additional life insurance and annuity specialists to our existing insurance product offerings. TPC’s results of operations have been included in our results prospectively since July 31, 2015. See Note 3 on pages 121 - 122 of our 2015 Form 10-K for additional information regarding the TPC acquisition.

See Note 17 for information regarding the contingent consideration associated with this acquisition.

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NOTE 4 – CASH AND CASH EQUIVALENTS, ASSETS SEGREGATED PURSUANT TO REGULATIONS, AND DEPOSITS WITH CLEARING ORGANIZATIONS

Our cash equivalents include money market funds or highly liquid investments with original maturities of 90 days or less, other than those used for trading purposes. For discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 2 on page 104 of our 2015 Form 10-K.

Our cash and cash equivalents, assets segregated pursuant to regulations or other segregated assets, and deposits with clearing organization balances are as follows:

	June 30, 2016	September 30, 2015
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	$1,975,107	$ 2,597,568
Money market fund investments	2,950	3,438
Total cash and cash equivalents (1)	$1,978,057	$ 2,601,006
Assets segregated pursuant to federal regulations and other segregated assets (2)	$3,668,989	$ 2,905,324
Deposits with clearing organizations:		
Cash and cash equivalents	$227,053	$ 177,787
Government and agency obligations	29,580	29,701
Total deposits with clearing organizations	$256,633	$ 207,488

(1) The total amounts presented include cash and cash equivalents of $951 million and $1.22 billion as of June 30, 2016 and September 30, 2015, respectively, which are either held directly by RJF in depository accounts at third party financial institutions, held in a depository account at RJ Bank (computed as the lesser of RJ Bank's cash balance or the amount of RJF's depository account balance), or are otherwise invested by one of our subsidiaries on behalf of RJF, all of which are available without restrictions.

(2) Consists of cash maintained in accordance with Rule 15c3-3 under the Securities Exchange Act of 1934. RJ&A, as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in segregated reserve accounts for the exclusive benefit of its' clients. Additionally, RJ Ltd. is required to hold client Registered Retirement Savings Plan funds in trust.

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NOTE 5 – FAIR VALUE

For a discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 2 on pages 105 - 110 of our 2015 Form 10-K. There have been no material changes to our valuation methodologies since our year ended September 30, 2015.

Assets and liabilities measured at fair value on a recurring and nonrecurring basis are presented below:

June 30, 2016	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of June 30, 2016
	(in thousands)				
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$215	$276,522	$ —	$—	$276,737
Corporate obligations	3,192	83,098	—	—	86,290
Government and agency obligations	6,417	102,565	—	—	108,982
Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”)	247	166,675	—	—	166,922
Non-agency CMOs and asset-backed securities (“ABS”)	—	40,851	7	—	40,858
Total debt securities	10,071	669,711	7	—	679,789
Derivative contracts	—	170,951	—	(112,162)	58,789
Equity securities	51,852	3,980	—	—	55,832
Brokered certificates of deposit	—	44,863	—	—	44,863
Other	542	2	5,131	—	5,675
Total trading instruments	62,465	889,507	5,138	(112,162)	844,948
Available for sale securities:					
Agency MBS and CMOs	—	355,646	—	—	355,646
Non-agency CMOs	—	61,585	—	—	61,585
Other securities	1,514	—	—	—	1,514
Auction rate securities (“ARS”):					
Municipals	—	—	24,893	—	24,893
Preferred securities	—	—	100,146	—	100,146
Total available for sale securities	1,514	417,231	125,039	—	543,784
Private equity investments	—	—	210,510 (3)	—	210,510
Other investments (4)	242,979	5,812	425	—	249,216
Derivative instruments associated with offsetting matched book positions	—	430,766	—	—	430,766
Deposits with clearing organizations:					
Government and agency obligations	29,580	—	—	—	29,580
Other assets	—	—	4,900 (5)	—	4,900
Total assets at fair value on a recurring basis	$336,538	$1,743,316	$ 346,012	$(112,162)	$2,313,704

Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$24,783	$ 52,998	$—	$77,781
Loans held for sale[6]	—	61,651	—	—	61,651
Total bank loans, net	—	86,434	52,998	—	139,432
Other real estate owned (“OREO”)[7]	—	238	—	—	238
Total assets at fair value on a nonrecurring basis	$—	$86,672	$ 52,998	$—	$139,670

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June 30, 2016	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of June 30, 2016
	(in thousands) (continued from previous page)				
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$431	$408	$ —	$—	$839
Corporate obligations	1,905	16,483	—	—	18,388
Government obligations	233,302	—	—	—	233,302
Agency MBS and CMOs	6,575	—	—	—	6,575
Non-agency MBS & CMOs	—	13,368	—	—	13,368
Total debt securities	242,213	30,259	—	—	272,472
Derivative contracts	—	159,049	—	(147,751)	11,298
Equity securities	1,503	26	—	—	1,529
Total trading instruments sold but not yet purchased	243,716	189,334	—	(147,751)	285,299
Derivative instruments associated with offsetting matched book positions	—	430,766	—	—	430,766
Trade and other payables:					
Derivative contracts(8)	—	44,678	—	—	44,678
Other liabilities	—	—	67	—	67
Total trade and other payables	—	44,678	67	—	44,745
Total liabilities at fair value on a recurring basis	$243,716	$664,778	$ 67	$(147,751)	$760,810

(1) We had $1.4 million and $2.6 million in transfers of financial instruments from Level 1 to Level 2 during the three and nine months ended June 30, 2016, respectively. These transfers were a result of a decrease in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had $161 thousand and $892 thousand in transfers of financial instruments from Level 2 to Level 1 during the three and nine months ended June 30, 2016. These transfers were a result of an increase in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) For derivative transactions not cleared through an exchange, and where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists (see Note 15 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through an exchange are included in deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition.

(3) The portion of these investments we do not own is approximately $54 million as of June 30, 2016 and are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The weighted average portion we own is approximately $157 million or 75% of the total private equity investments of $211 million included in our Condensed Consolidated Statements of Financial Condition.

(4) Other investments include $75 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 on pages 117 - 118, and Note 24 on page 176, of our 2015 Form 10-K for further information regarding these plans).

(5) Includes the fair value of forward commitments to purchase GNMA or FNMA (as hereinafter defined) MBS arising from our fixed income public finance operations. See Note 2 on page 107, and Note 21 on page 170 of our 2015 Form 10-K, as well as Note 17 in this report, for additional information regarding the GNMA or FNMA MBS commitments.

(6) Includes individual loans classified as held for sale, which were recorded at a fair value lower than cost.

(7) Represents the fair value of foreclosed properties which were measured at a fair value subsequent to their initial classification as OREO. The recorded value in the Condensed Consolidated Statements of Financial Condition is net of the estimated selling costs.

(8) Consists of derivatives arising from RJ Bank’s business operations, see Note 14 for additional information.

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September 30, 2015	Quoted prices in active markets for identical assets (Level 1) (1)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2015
	(in thousands)				
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$17,318	$188,745	$ —	$ —	$206,063
Corporate obligations	2,254	92,907	156	—	95,317
Government and agency obligations	7,781	108,166	—	—	115,947
Agency MBS and CMOs	253	117,317	—	—	117,570
Non-agency CMOs and ABS	—	46,931	9	—	46,940
Total debt securities	27,606	554,066	165	—	581,837
Derivative contracts	—	132,707	—	(90,621)	42,086
Equity securities	24,859	3,485	—	—	28,344
Brokered certificates of deposit	—	30,803	—	—	30,803
Other	679	4,816	1,986	—	7,481
Total trading instruments	53,144	725,877	2,151	(90,621)	690,551
Available for sale securities:					
Agency MBS and CMOs	—	302,195	—	—	302,195
Non-agency CMOs	—	71,369	—	—	71,369
Other securities	1,402	—	—	—	1,402
ARS:					
Municipals	—	—	28,015	—	28,015
Preferred securities	—	—	110,749	—	110,749
Total available for sale securities	1,402	373,564	138,764	—	513,730
Private equity investments	—	—	209,088 (3)	—	209,088
Other investments (4)	230,839	17,347	565	—	248,751
Derivative instruments associated with offsetting matched book positions	—	389,457	—	—	389,457
Deposits with clearing organizations: (5)					
Government and agency obligations	29,701	—	—	—	29,701
Other assets:					
Derivative contracts (6)	—	917	—	—	917
Other assets	—	—	4,975 (7)	—	4,975
Total other assets	—	917	4,975	—	5,892
Total assets at fair value on a recurring basis	$315,086	$1,507,162	$ 355,543	$ (90,621)	$2,087,170
Assets at fair value on a nonrecurring basis:					
Bank loans, net:					
Impaired loans	$—	$28,082	$ 37,830	$ —	$65,912
Loans held for sale (8)	—	14,334	—	—	14,334
Total bank loans, net	—	42,416	37,830	—	80,246

OREO [9]	—	671	—	—	671
Total assets at fair value on a nonrecurring basis	$—	$43,087	$ 37,830	$ —	$80,917

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September 30, 2015	Quoted prices in active markets for identical assets (Level 1) [1]	Significant other observable inputs (Level 2) [1]	Significant unobservable inputs (Level 3)	Netting adjustments [2]	Balance as of September 30, 2015
	(in thousands) (continued from previous page)				
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$ 17,966	$ 347	$ —	$ —	$ 18,313
Corporate obligations	167	33,017	—	—	33,184
Government obligations	205,658	—	—	—	205,658
Agency MBS and CMOs	5,007	—	—	—	5,007
Total debt securities	228,798	33,364	—	—	262,162
Derivative contracts	—	109,120	—	(88,881)	20,239
Equity securities	3,098	—	—	—	3,098
Other securities	—	2,494	—	—	2,494
Total trading instruments sold but not yet purchased	231,896	144,978	—	(88,881)	287,993
Derivative instruments associated with offsetting matched book positions	—	389,457	—	—	389,457
Trade and other payables:					
Derivative contracts [6]	—	7,545	—	—	7,545
Other liabilities	—	—	58	—	58
Total trade and other payables	—	7,545	58	—	7,603
Total liabilities at fair value on a recurring basis	$ 231,896	$ 541,980	$ 58	$ (88,881)	$ 685,053

(1) We had $1.1 million in transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2015. These transfers were a result of a decrease in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had $1.8 million in transfers of financial instruments from Level 2 to Level 1 during the year ended September 30, 2015. These transfers were a result of an increase in the availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) For derivative transactions not cleared through an exchange, and where permitted, we have elected to net derivative receivables and derivative payables and the related cash collateral received and paid when a legally enforceable master netting agreement exists (see Note 15 for additional information regarding offsetting financial instruments). Deposits associated with derivative transactions cleared through an exchange are included in deposits with clearing organizations on our Condensed Consolidated Statements of Financial Condition.

(3) The portion of these investments we do not own is approximately $52 million as of September 30, 2015 and are included as a component of noncontrolling interest in our Condensed Consolidated Statements of Financial Condition. The weighted average portion we own is approximately $157 million or 75% of the total private equity investments of $209 million included in our Condensed Consolidated Statements of Financial Condition.

(4) Other investments include $106 million of financial instruments that are related to obligations to perform under certain deferred compensation plans (see Note 2 on pages 117 - 118, and Note 24 on page 176, of our 2015 Form 10-K for further information regarding these plans).

(5) Consists of deposits we provide to clearing organizations or exchanges that are in the form of marketable securities.

(6) Consists of derivatives arising from RJ Bank's business operations, see Note 14 for additional information.

(7) Includes the fair value of forward commitments to purchase GNMA or FNMA (as hereinafter defined) MBS arising from our fixed income public finance operations. See Note 2 on page 107, and Note 21 on page 170 of our 2015 Form 10-K for additional information.

(8) Includes individual loans classified as held for sale, which were recorded at a fair value lower than cost.

(9) Represents the fair value of foreclosed properties which were measured at a fair value subsequent to their initial classification as OREO. The recorded value in the Condensed Consolidated Statements of Financial Condition is net of the estimated selling costs.

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The adjustment to fair value of the nonrecurring fair value measures for the nine months ended June 30, 2016 resulted in a $7 million additional provision for loan losses relating to impaired loans and $300 thousand in other losses relating to loans held for sale and OREO. The adjustment to fair value of the nonrecurring fair value measures for the nine months ended June 30, 2015 resulted in a $400 thousand additional provision for loan losses relating to impaired loans and $100 thousand in other losses relating to loans held for sale and OREO.

Changes in Level 3 recurring fair value measurements

The realized and unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

Additional information about Level 3 assets and liabilities measured at fair value on a recurring basis is presented below:

Three months ended June 30, 2016 Level 3 assets at fair value
(in thousands)

	Financial assets							Financial liabilities
	Trading instruments		Available for sale securities		Private equity, other investments and other assets			Payables-trade and other
	Non-agency CMOs & ABS	Other	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value March 31, 2016	$8	$14,296	$25,422	$102,599	$204,398	$ 439	$3,112	$ (67)
Total gains (losses) for the period:								
Included in earnings	—	(48)	—	—	12,865 (1)	(10)	1,788	—
Included in other comprehensive income	—	—	(529)	(2,453)	—	—	—	—
Purchases and contributions	—	5,598	—	—	2,819	—	—	—
Sales	—	(14,715)	—	—	(864)	—	—	—
Redemptions by issuer	—	—	—	—	—	(4)	—	—
Distributions	(1)	—	—	—	(8,708)	—	—	—
Transfers: (2)								
Into Level 3	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—
Fair value June 30, 2016	$7	$5,131	$24,893	$100,146	$210,510	$ 425	$4,900	$ (67)
Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	$1	$(34)	$—	$—	$13,350	$ (9)	$1,788	$ —

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $5.4 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately $7.5 million.

(2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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Nine months ended June 30, 2016 Level 3 assets at fair value
(in thousands)

	Financial assets								Financial liabilities
	Trading instruments			Available for sale securities		Private equity, other investments and other assets			Payables-trade and other
	Corporate obligations	Non-agency CMOs & ABS	Other	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value September 30, 2015	$156	$ 9	$1,986	$28,015	$110,749	$209,088	$ 565	$4,975	$ (58)
Total gains (losses) for the period:									
Included in earnings	(137)	—	(397)	133	—	17,305 [1]	1	(75)	—
Included in other comprehensive income	—	—	—	(1,647)	(10,603)	—	—	—	—
Purchases and contributions	75	—	44,085	—	—	9,780	—	—	(9)
Sales	(94)	—	(40,543)	(1,583)	—	(882)	—	—	—
Redemptions by issuer	—	—	—	(25)	—	—	(18)	—	—
Distributions	—	(2)	—	—	—	(24,781)	(123)	—	—
Transfers: [2]									
Into Level 3	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	—	—	—
Fair value June 30, 2016	$—	$ 7	$5,131	$24,893	$100,146	$210,510	$ 425	$4,900	$ (67)
Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	$(40)	$ 2	$(105)	$—	$—	$17,790	$ 2	$(75)	$ —

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $9.5 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately $7.8 million.

(2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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Three months ended June 30, 2015 Level 3 assets at fair value
(in thousands)

	Financial assets										Financial liabilities
	Trading instruments				Available for sale securities		Private equity, other investments and other assets				Payables-trade and other
	Corporate Obligations	Non-agency CMOs & ABS	Equity securities	Other	ARS – municipals	ARS - preferred securities	Private equity investments		Other investments	Other assets	Other liabilities
Fair value March 31, 2015	$ —	$10	$ 14	$780	$89,614	$112,448	$220,944		$ 916	$2,196	$(58)
Total gains (losses) for the period:											
Included in earnings	—	—	—	(26)	11,040	—	12,700	(1)	16	(2,196)	(1,687)
Included in other comprehensive income	—	—	—	—	(9,051)	(334)	—		—	—	—
Purchases and contributions	—	—	—	1,458	—	—	1,022		—	—	—
Sales	—	—	—	(578)	(63,566)	—	(1,696)		—	—	—
Redemptions by issuer	—	—	—	—	—	—	—		(8)	—	—
Distributions	—	—	—	—	—	—	(23,428)		(187)	—	—
Transfers: (2)											
Into Level 3	209	—	—	—	—	—	—		—	—	—
Out of Level 3	—	—	—	—	—	—	—		—	—	—
Fair value June 30, 2015	$ 209	$10	$ 14	$1,634	$28,037	$112,114	$209,542		$ 737	$—	$(1,745)
Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	$ —	$—	$ —	$—	$—	$—	$12,954		$ 16	$—	$(3,868)

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $9 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests’ share of the net valuation adjustments was a gain of approximately $3.7 million.

(2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

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Nine months ended June 30, 2015 Level 3 assets at fair value
(in thousands)

	Financial assets									Financial liabilities
	Trading instruments				Available for sale securities		Private equity, other investments and other assets			Payables-trade and other
	Corporate obligations	Non-agency CMOs & ABS	Equity securities	Other	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value September 30, 2014	$ —	$ 11	$ 44	$ 2,309	$ 86,696	$ 114,039	$ 211,666	$ 1,731	$ 787	$ (58)
Total gains (losses) for the period:										
Included in earnings	—	—	5	(66)	11,042	25	29,760 (1)	97	(787)	(1,687)
Included in other comprehensive income	—	—	—	—	(6,090)	(1,700)	—	—	—	—
Purchases and contributions	—	—	20	24,791	—	—	7,365	—	—	—
Sales	—	—	—	(25,400)	(63,611)	—	(1,696)	—	—	—
Redemptions by issuer	—	—	—	—	—	(250)	—	(681)	—	—
Distributions	—	(1)	—	—	—	—	(37,553)	(410)	—	—
Transfers: (2)										
Into Level 3	209	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	(55)	—	—	—	—	—	—	—
Fair value June 30, 2015	$ 209	$ 10	$ 14	$ 1,634	$ 28,037	$ 112,114	$ 209,542	$ 737	$ —	$ (1,745)
Change in unrealized gains (losses) for the period included in earnings (or changes in net assets) for assets held at the end of the reporting period	$ —	$ —	$ 5	$ —	$ —	$ —	$ 30,015	$ 97	$ —	$ (2,459)

(1) Primarily results from valuation adjustments of certain private equity investments. Since we only own a portion of these investments, our share of the net valuation adjustments resulted in a gain of $21.2 million which is included in net income attributable to RJF (after noncontrolling interests). The noncontrolling interests' share of the net valuation adjustments was a gain of approximately $8.6 million.

(2) Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

As of June 30, 2016, 8% of our assets and 3.2% of our liabilities are instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of June 30, 2016 represent 15.0% of our assets measured at fair value. In comparison, as of June 30, 2015, 7.6% and 3% of our assets and liabilities, respectively, represented instruments measured at fair value on a recurring basis. Instruments measured at fair value on a recurring basis categorized as Level 3 as of June 30, 2015 represented 19% of our assets measured at fair value. Level 3 instruments as a percentage of total financial instruments decreased by 4% as compared to June 30, 2015, primarily as a result of the decrease in fair value of our ARS portfolio since June 30, 2015. The ARS decrease is due to a decline in fair values and to a lesser extent, sales or redemptions.

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Gains and losses related to Level 3 recurring fair value measurements included in earnings are presented in net trading profit, other revenues and other comprehensive income in our Condensed Consolidated Statements of Income and Comprehensive Income as follows:

	Net trading profit	Other revenues	Other comprehensive income
	(in thousands)		
For the three months ended June 30, 2016			
Total (losses) gains included in revenues	$(48)	$ 14,643	$ —
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(33)	$ 15,129	$ (2,982)
For the nine months ended June 30, 2016			
Total (losses) gains included in revenues	$(534)	$ 17,364	$ —
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(143)	$ 17,717	$ (12,250)
For the three months ended June 30, 2015			
Total (losses) gains included in revenues	$(26)	$ 19,873	—
Change in unrealized gains (losses) for assets held at the end of the reporting period	$—	$ 9,102	$ (9,385)
For the nine months ended June 30, 2015			
Total (losses) gains included in revenues	$(61)	$ 38,450	$ —
Change in unrealized gains (losses) for assets held at the end of the reporting period	$5	$ 27,653	$ (7,790)

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Quantitative information about level 3 fair value measurements

The significant assumptions used in the valuation of level 3 financial instruments are as follows (the table that follows includes the significant majority of the financial instruments we hold that are classified as level 3 measures):

Level 3 financial instrument	Fair value at June 30, 2016 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements:				
Available for sale securities:				
ARS:				
Municipals - issuer is a municipality	$ 10,238	Discounted cash flow	Average discount rate[(a)]	5.37% - 6.44% (5.91%)
			Average interest rates applicable to future interest income on the securities[(b)]	0.90% - 1.73% (1.32%)
			Prepayment year[(c)]	2018 - 2025 (2022)
Municipals - tax-exempt preferred securities	$ 14,655	Discounted cash flow	Average discount rate[(a)]	4.56% - 5.56% (5.06%)
			Average interest rates applicable to future interest income on the securities[(b)]	0.75% - 0.75% (0.75%)
			Prepayment year[(c)]	2016 - 2021 (2021)
Preferred securities - taxable	$ 100,146	Discounted cash flow	Average discount rate[(a)]	4.79% - 6.30% (5.50%)
			Average interest rates applicable to future interest income on the securities[(b)]	1.02% - 2.17% (1.11%)
			Prepayment year[(c)]	2016 - 2021 (2021)
Private equity investments:	$ 61,466	Income or market approach:		
		Scenario 1 - income approach - discounted cash flow	Discount rate[(a)]	13% - 20% (17.8%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2017 - 2021 (2020)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple[(d)]	4.75 - 7.5 (6.1)
			Weighting assigned to outcome of scenario 1/scenario 2	80%/20%
	$ 149,044		Not meaningful[(e)]	Not meaningful[(e)]

		Transaction price or other investment-specific events[e]		
Nonrecurring measurements:				
Impaired loans: residential	$ 22,813	Discounted cash flow	Prepayment rate	7 yrs. - 12 yrs. (10.21 yrs.)
Impaired loans: corporate	$ 30,185	Appraisal or discounted cash flow value[f]	Not meaningful[f]	Not meaningful[f]

(a) Represents discount rates used when we have determined that market participants would take these discounts into account when pricing the investments.

(b) Future interest rates are projected based upon a forward interest rate path, plus a spread over such projected base rate that is applicable to each future period for each security within this portfolio segment. The interest rates presented represent the average interest rate over all projected periods for securities within the portfolio segment.

(c) Assumed year of at least a partial redemption of the outstanding security by the issuer.

(d) Represents amounts used when we have determined that market participants would use such multiples when pricing the investments.

(e) Certain private equity investments are valued initially at the transaction price until either our annual review, significant transactions occur, new developments become known, or we receive information from the fund manager that allows us to update our proportionate share of net assets, when any of which indicate that a change in the carrying values of these investments is appropriate.

(f) The valuation techniques used for the impaired corporate loan portfolio are appraisals less selling costs for the collateral dependent loans and discounted cash flows for the remaining impaired loans that are not collateral dependent.

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Qualitative disclosure about unobservable inputs

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

Auction rate securities:

One of the significant unobservable inputs used in the fair value measurement of auction rate securities presented within our available for sale securities portfolio relates to judgments regarding whether the level of observable trading activity is sufficient to conclude markets are active. Where insufficient levels of trading activity are determined to exist as of the reporting date, then management's assessment of how much weight to apply to trading prices in inactive markets versus management's own valuation models could significantly impact the valuation conclusion. The valuation of the securities impacted by changes in management's assessment of market activity levels could be either higher or lower, depending upon the relationship of the inactive trading prices compared to the outcome of management's internal valuation models.

The future interest rate and maturity assumptions impacting the valuation of the auction rate securities are directly related. As short-term interest rates rise, due to the variable nature of the penalty interest rate provisions embedded in most of these securities in the event auctions fail to set the security's interest rate, then a penalty rate that is specified in the security increases. These penalty rates are based upon a stated interest rate spread over what is typically a short-term base interest rate index. Management estimates that at some level of increase in short-term interest rates, issuers of the securities will have the economic incentive to refinance (and thus prepay) the securities. Therefore, the short-term interest rate assumption directly impacts the input related to the timing of any projected prepayment. The faster and steeper short-term interest rates rise, the earlier prepayments will likely occur and the higher the fair value of the security.

Private equity investments:

The significant unobservable inputs used in the fair value measurement of private equity investments relate to the financial performance of the investment entity and the market's required return on investments from entities in industries in which we hold investments. Significant increases (or decreases) in our investment entities' future economic performance will have a directly proportional impact on the valuation results. The value of our investment moves inversely with the market's expectation of returns from such investments. Should the market require higher returns from industries in which we are invested, all other factors held constant, our investments will decrease in value. Should the market accept lower returns from industries in which we are invested, all other factors held constant, our investments will increase in value.

Fair value option

The fair value option is an accounting election that allows the reporting entity to apply fair value accounting for certain financial assets and liabilities on an instrument by instrument basis. As of June 30, 2016, we have elected not to choose the fair value option for any of our financial assets or liabilities not already recorded at fair value.

Other fair value disclosures

Many, but not all, of the financial instruments we hold are recorded at fair value in the Condensed Consolidated Statements of Financial Condition. Refer to Note 5 on pages 132 - 133 of our 2015 Form 10-K for discussion of the methods and assumptions we apply to the determination of fair value of our financial instruments that are not otherwise recorded at fair value.

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The estimated fair values by level within the fair value hierarchy and the carrying amounts of our financial instruments that are not carried at fair value are as follows:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
	(in thousands)				
June 30, 2016					
Financial assets:					
Bank loans, net (1)	$—	$105,436	$14,640,658	$14,746,094	$14,660,084
Financial liabilities:					
Bank deposits	$—	$13,397,658	$339,816	$13,737,474	$13,732,194
Other borrowings (2)	$—	$35,696	$—	$35,696	$34,495
Senior notes payable	$369,600	$636,388	$—	$1,005,988	$899,342
September 30, 2015					
Financial assets:					
Bank loans, net (1)	$—	$105,199	$12,799,065	$12,904,264	$12,907,776
Financial liabilities:					
Bank deposits	$—	$11,564,963	$358,981	$11,923,944	$11,919,881
Other borrowings (2)	$—	$38,455	$—	$38,455	$37,716
Senior notes payable	$368,760	$892,963	$—	$1,261,723	$1,149,222

(1) Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Condensed Consolidated Statements of Financial Condition at June 30, 2016 and September 30, 2015.

(2) Excludes the components of other borrowings that are recorded at amounts that approximate their fair value in the Condensed Consolidated Statements of Financial Condition at June 30, 2016 and September 30, 2015.

NOTE 6 – TRADING INSTRUMENTS AND TRADING INSTRUMENTS SOLD BUT NOT YET PURCHASED

	June 30, 2016		September 30, 2015	
	Trading instruments	Instruments sold but not yet purchased	Trading instruments	Instruments sold but not yet purchased
	(in thousands)			
Municipal and provincial obligations	$276,737	$ 839	$206,063	$ 18,313
Corporate obligations	86,290	18,388	95,317	33,184
Government and agency obligations	108,982	233,302	115,947	205,658
Agency MBS and CMOs	166,922	6,575	117,570	5,007
Non-agency CMOs and ABS	40,858	13,368	46,940	—
Total debt securities	679,789	272,472	581,837	262,162

Derivative contracts [1]	58,789	11,298	42,086	20,239
Equity securities	55,832	1,529	28,344	3,098
Brokered certificates of deposit	44,863	—	30,803	—
Other	5,675	—	7,481	2,494
Total	$844,948	$ 285,299	$690,551	$ 287,993

(1) Represents the derivative contracts held for trading purposes. These balances do not include all derivative instruments. See Note 14 for further information regarding all of our derivative transactions, and see Note 15 for additional information regarding offsetting financial instruments.

See Note 5 for additional information regarding the fair value of trading instruments and trading instruments sold but not yet purchased.

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NOTE 7 – AVAILABLE FOR SALE SECURITIES

Available for sale securities are comprised of MBS and CMOs owned by RJ Bank and ARS owned by one of our non-broker-dealer subsidiaries. Refer to the discussion of our available for sale securities accounting policies, including the fair value determination process, in Note 2 on pages 107 - 108 of our 2015 Form 10-K.

There were no proceeds from the sale of available for sale securities held by RJ Bank during the three and nine months ended June 30, 2016. There were $12.2 million of proceeds, and a loss which is included in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income in the amount of $600 thousand, arising from the sale of available for sale securities held by RJ Bank in the three and nine months ended June 30, 2015.

There were no proceeds from the sale or redemption of ARS during the three months ended June 30, 2016. There were $1.6 million of proceeds, and a gain in the amount of $100 thousand which is included in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income arising from the sale or redemption of ARS in the nine months ended June 30, 2016. Sale or redemption activities within the ARS portion of the portfolio during the three and nine months ended June 30, 2015 resulted in aggregate proceeds of $63.6 million and $63.9 million, respectively, and gains which are included in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income in the amount of $11 million and $11.1 million, respectively. Nearly all of the ARS proceeds, as well as the gain arising during the three and nine months ended June 30, 2015, resulted from the sale of all of our Jefferson County, Alabama Limited Obligation School Warrants ARS.

The amortized cost and fair values of available for sale securities are as follows:

	Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
	(in thousands)			
June 30, 2016				
Available for sale securities:				
Agency MBS and CMOs	$353,275	$ 2,719	$(348)	$355,646
Non-agency CMOs [(1)]	65,487	4	(3,906)	61,585
Other securities	1,575	—	(61)	1,514
Total RJ Bank available for sale securities	420,337	2,723	(4,315)	418,745
Auction rate securities:				
Municipal obligations	27,491	14	(2,612)	24,893
Preferred securities	104,302	—	(4,156)	100,146
Total auction rate securities	131,793	14	(6,768)	125,039
Total available for sale securities	$552,130	$ 2,737	$(11,083)	$543,784
September 30, 2015				
Available for sale securities:				
Agency MBS and CMOs	$301,001	$ 1,538	$(344)	$302,195
Non-agency CMOs [(2)]	75,678	18	(4,327)	71,369
Other securities	1,575	—	(173)	1,402
Total RJ Bank available for sale securities	378,254	1,556	(4,844)	374,966
Auction rate securities:				
Municipal obligations	28,966	576	(1,527)	28,015

Preferred securities	104,302	6,447	—	110,749
Total auction rate securities	133,268	7,023	(1,527)	138,764
Total available for sale securities	$511,522	$ 8,579	$(6,371)	$513,730

(1) As of June 30, 2016, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in accumulated other comprehensive income (loss) (“AOCI”) was $3.1 million (before taxes). See Note 18 for additional information.

(2) As of September 30, 2015, the non-credit portion of OTTI recorded in AOCI was $3.6 million (before taxes).

See Note 5 for additional information regarding the fair value of available for sale securities.

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The contractual maturities, amortized cost, carrying values and current yields for our available for sale securities are as presented below. Since RJ Bank's available for sale securities (MBS & CMOs) are backed by mortgages, actual maturities will differ from contractual maturities because borrowers may have the right to prepay obligations without prepayment penalties. Expected maturities of ARS may differ significantly from contractual maturities, as issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	June 30, 2016				
	Within one year	After one but within five years	After five but within ten years	After ten years	Total
	($ in thousands)				
Agency MBS & CMOs:					
Amortized cost	$2	$23,590	$84,220	$245,463	$353,275
Carrying value	2	24,001	84,963	246,680	355,646
Weighted-average yield	0.88%	1.61 %	1.50 %	1.41 %	1.44 %
Non-agency CMOs:					
Amortized cost	$—	$—	$—	$65,487	$65,487
Carrying value	—	—	—	61,585	61,585
Weighted-average yield	—	—			