

RAYMOND JAMES FINANCIAL INC  
Form 10-Q  
August 09, 2011

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

FORM 10-Q

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2011

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  
(State or other jurisdiction of incorporation or  
organization)

No. 59-1517485  
(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  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)

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes  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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

126,613,096 shares of Common Stock as of August 4, 2011

---

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the Quarter ended June 30, 2011

INDEX

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Statements of Financial Condition as of June 30, 2011 and September 30, 2010 (Unaudited)	3
Condensed Consolidated Statements of Income and Comprehensive Income for the three and nine month periods ended June 30, 2011 and June 30, 2010 (Unaudited)	4
Condensed Consolidated Statements of Changes in Shareholders' Equity for the nine months ended June 30, 2011 and June 30, 2010 (Unaudited)	5
Condensed Consolidated Statements of Cash Flows for the nine months ended June 30, 2011 and June 30, 2010 (Unaudited)	6
Notes to Condensed Consolidated Financial Statements (Unaudited)	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	48
Item 3. Quantitative and Qualitative Disclosures about Market Risk	82
Item 4. Controls and Procedures	90
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	91
Item 1A. Risk Factors	92
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	92
Item 3. Defaults upon Senior Securities	93
Item 5. Other Information	93
Item 6. Exhibits	94
Signatures	95



## PART I FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

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

	June 30, 2011	September 30, 2010
	(\$ in thousands)	
Assets:		
Cash and cash equivalents	\$ 1,598,688	\$ 2,943,239
Assets segregated pursuant to regulations and other segregated assets	2,498,212	3,430,715
Securities purchased under agreements to resell and other collateralized financings	470,407	344,652
Financial instruments, at fair value:		
Trading instruments	575,077	591,447
Available for sale securities	324,129	424,461
Private equity and other investments	321,800	321,079
Receivables:		
Brokerage clients, net	1,812,010	1,675,535
Stock borrowed	307,281	262,888
Bank loans, net	6,252,094	6,094,929
Brokers-dealers and clearing organizations	176,187	143,994
Other	524,489	442,856
Deposits with clearing organizations	76,639	76,488
Prepaid expenses and other assets	408,636	451,357
Investments in real estate partnerships - held by variable interest entities	320,480	280,890
Property and equipment, net	172,346	170,768
Deferred income taxes, net	206,710	165,208
Goodwill	71,924	62,575
<b>Total assets</b>	<b>\$ 16,117,109</b>	<b>\$ 17,883,081</b>
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	\$ 195,793	\$ 131,038
Securities sold under agreements to repurchase	64,988	233,346
Payables:		
Brokerage clients	3,728,946	3,308,115
Stock loaned	707,802	698,668
Bank deposits	6,944,458	7,079,718
Brokers-dealers and clearing organizations	100,178	137,041
Trade and other	361,547	290,268
Other borrowings	-	2,557,000
Accrued compensation, commissions and benefits	436,948	418,591

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

Loans payable related to investments by variable interest entities in real estate partnerships	98,562	76,464
Corporate debt	612,648	355,964
<b>Total liabilities</b>	<b>13,251,870</b>	<b>15,286,213</b>
<b>Commitments and contingencies (See Note 13)</b>		
<b>Equity</b>		
Preferred stock; \$.10 par value; authorized 10,000,000 shares; issued and outstanding -0- shares	-	-
Common stock; \$.01 par value; authorized 350,000,000 shares; issued 130,370,735 at June 30, 2011 and 128,620,429 at September 30, 2010	1,267	1,244
Shares exchangeable into common stock; -0- at June 30, 2011 and 243,048 at September 30, 2010	-	3,119
Additional paid-in capital	553,920	476,359
Retained earnings	2,074,315	1,909,865
Treasury stock, at cost; 3,798,214 common shares at June 30, 2011 and 3,918,492 common shares at September 30, 2010	(81,741 )	(81,574 )
Accumulated other comprehensive income	10,903	(6,197 )
<b>Total equity attributable to Raymond James Financial, Inc.</b>	<b>2,558,664</b>	<b>2,302,816</b>
Noncontrolling interests	306,575	294,052
<b>Total equity</b>	<b>2,865,239</b>	<b>2,596,868</b>
<b>Total liabilities and equity</b>	<b>\$ 16,117,109</b>	<b>\$ 17,883,081</b>

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		Nine months ended June 30,	
	2011	2010	2011	2010
(\$ in thousands, except per share amounts)				
Revenues:				
Securities commissions and fees	\$551,337	\$505,246	\$ 1,649,186	\$ 1,453,699
Investment banking	64,518	41,914	186,618	112,471
Investment advisory fees	55,016	44,512	160,069	131,066
Interest	95,832	92,780	297,029	277,427
Net trading profits	7,529	3,047	29,097	24,854
Financial service fees	38,954	41,524	121,637	117,231
Other	55,026	34,589	121,653	99,520
<b>Total revenues</b>	<b>868,212</b>	<b>763,612</b>	<b>2,565,289</b>	<b>2,216,268</b>
Interest expense	17,825	16,239	49,016	47,489
Net revenues	850,387	747,373	2,516,273	2,168,779
Non-interest expenses:				
Compensation, commissions and benefits	575,726	513,676	1,707,197	1,482,174
Communications and information processing	36,156	29,995	103,681	90,514
Occupancy and equipment costs	27,140	26,679	80,142	79,286
Clearance and floor brokerage	10,277	9,480	29,641	26,810
Business development	24,800	18,878	71,565	59,373
Investment sub-advisory fees	7,703	6,988	22,474	20,373
Bank loan loss provision	8,363	17,098	28,232	59,870
Loss provision for auction rate securities	45,000	-	45,000	-
Other	34,143	29,232	96,278	93,711
<b>Total non-interest expenses</b>	<b>769,308</b>	<b>652,026</b>	<b>2,184,210</b>	<b>1,912,111</b>
Income including noncontrolling interests and before provision for income taxes	81,079	95,347	332,063	256,668
Provision for income taxes	31,881	36,824	125,992	97,337
Net income including noncontrolling interests	49,198	58,523	206,071	159,331
Net income (loss) attributable to noncontrolling interests	2,412	(2,164 )	(3,355 )	113
Net income attributable to Raymond James Financial, Inc.	\$46,786	\$60,687	\$ 209,426	\$ 159,218
Net income per common share-basic	\$0.37	\$0.49	\$ 1.66	\$ 1.28
Net income per common share-diluted	\$0.37	\$0.48	\$ 1.65	\$ 1.28
Weighted-average common shares outstanding-basic	123,238	119,622	122,200	119,180
Weighted-average common and common equivalent shares outstanding-diluted	123,958	120,019	122,689	119,456

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

Net income attributable to Raymond James Financial, Inc.	\$46,786	\$60,687	\$209,426	\$159,218
Other comprehensive income, net of tax: (1)				
Change in unrealized (loss) gain on available for sale securities and non-credit portion of other-than-temporary impairment losses	(26 )	5,965	6,895	24,259
Change in currency translations	998	(7,516 )	10,205	(21 )
Total comprehensive income	\$47,758	\$59,136	\$226,526	\$183,456
Other-than-temporary impairment:				
Total other-than-temporary impairment, net	\$(2,680 )	\$(2,264 )	\$(4,064 )	\$(19,642 )
Portion of losses (recoveries) recognized in other comprehensive income (before taxes)	425	(251 )	(3,589 )	11,689
Net impairment losses recognized in other revenue	\$(2,255 )	\$(2,515 )	\$(7,653 )	\$(7,953 )

(1) The components of other comprehensive income, net of tax are attributable to Raymond James Financial, Inc. None of the components of other comprehensive income are attributable to noncontrolling interests.

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

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

	Nine months ended June 30,	
	2011	2010
	(\$ in thousands)	
Common stock, par value \$.01 per share:		
Balance, beginning of year	\$ 1,244	\$ 1,227
Issued (1)	23	7
Balance, end of period	1,267	1,234
Shares exchangeable into common stock:		
Balance, beginning of year	3,119	3,198
Exchanged (1)	(3,119 )	(18 )
Balance, end of period	-	3,180
Additional paid-in capital:		
Balance, beginning of year	476,359	416,662
Employee stock purchases	7,116	7,292
Exercise of stock options and vesting of restricted stock units, net of forfeitures	32,281	10,760
Restricted stock, stock option and restricted stock unit expense	30,412	30,489
Excess tax benefit from share-based payments	460	(137 )
Issuance of stock as consideration for acquisition	4,011	-
Other (1)	3,281	1,909
Balance, end of period	553,920	466,975
Retained earnings:		
Balance, beginning of year	1,909,865	1,737,591
Net income attributable to Raymond James Financial, Inc.	209,426	159,218
Cash dividends	(49,346 )	(42,200 )
Other	4,370	1
Balance, end of period	2,074,315	1,854,610
Treasury stock:		
Balance, beginning of year	(81,574 )	(84,412 )
Purchases/Surrenders	(6,662 )	(3,362 )
Exercise of stock options and vesting of restricted stock units, net of forfeitures	1,991	(1,268 )
Issuance of stock as consideration for acquisition	4,504	-
Balance, end of period	(81,741 )	(89,042 )
Accumulated other comprehensive income: (2)		
Balance, beginning of year	(6,197 )	(41,803 )
Net unrealized gain on available for sale securities and non-credit portion of other-than-temporary impairment losses (3)	6,895	24,259
Net change in currency transactions	10,205	(21 )
Balance, end of period	10,903	(17,565 )
Total equity attributable to Raymond James Financial, Inc.	\$ 2,558,664	\$ 2,219,392

## Noncontrolling interests:

Balance, beginning of year	\$ 294,052	\$ 200,676
Net (loss) income attributable to noncontrolling interests	(3,355 )	113
Capital contributions	33,576	48,153
Distributions	(9,541 )	(2,276 )
Other	(8,157 )	(138 )
Balance, end of period	306,575	246,528
Total Equity	\$ 2,865,239	\$ 2,465,920

- (1) During the nine months ended June 30, 2011, 243,000 exchangeable shares were exchanged for common stock on a one-for-one basis.
- (2) The components of other comprehensive income are attributable to Raymond James Financial, Inc. None of the components of other comprehensive income are attributable to noncontrolling interests.
- (3) Net of tax.

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

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

	Nine months ended June 30,	
	2011	2010
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	\$ 209,426	\$ 159,218
Net (loss) income attributable to noncontrolling interests	(3,355 )	113
Net income including noncontrolling interests	206,071	159,331
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	30,330	29,354
Deferred income taxes	(43,242 )	(35,565 )
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(11,758 )	(13,205 )
Provisions for loan losses, legal proceedings, bad debts and other accruals	44,125	84,283
Stock-based compensation expense	32,969	32,042
Loss provision for auction rate securities	45,000	-
Other	20,017	24,172
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	934,240	72,128
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	(294,113 )	55,163
Stock loaned, net of stock borrowed	(35,259 )	419,494
Brokerage client receivables and other accounts receivable, net	(244,615 )	(111,902 )
Trading instruments, net	99,634	(150,936 )
Prepaid expenses and other assets	(17,522 )	(25,886 )
Brokerage client payables and other accounts payable	383,015	(595,073 )
Accrued compensation, commissions and benefits	17,034	8,841
Purchase and origination of loans held for sale, net of proceeds from sale of securitizations and loans held for sale	(73,999 )	66,846
Excess tax benefits from stock-based payment arrangements	(1,772 )	(683 )
Net cash provided by operating activities	1,090,155	18,404
Cash flows from investing activities:		
Additions to property and equipment	(28,170 )	(17,979 )
(Increase) decrease in loans, net	(114,152 )	351,926
Redemption of Federal Home Loan Bank stock, net	42,811	-
Sales (purchases) of private equity and other investments, net	10,503	(19,294 )
Decrease in securities purchased under agreements to resell	-	2,000,000
Acquisition of controlling interest in subsidiary	(6,354 )	-
Purchases of available for sale securities	(2,328 )	-
Available for sale securities maturations and repayments	92,049	115,215
Sales of available for sale securities	13,767	-
Investments in real estate partnerships held by variable interest entities, net of other investing activity	(12,048 )	(12,318 )
Net cash (used in) provided by investing activities	(3,922 )	2,417,550
Cash flows from financing activities:		

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

Proceeds from borrowed funds, net	249,498	14,808
Repayments of borrowings, net	(2,560,493 )	(932,290 )
Repayments of borrowings by variable interest entities which are real estate partnerships	(23,679 )	(16,995 )
Proceeds from capital contributed to variable interest entities which are real estate partnerships	32,912	39,809
Exercise of stock options and employee stock purchases	40,643	15,698
Decrease in bank deposits	(135,260 )	(2,953,660 )
Purchase of treasury stock	(6,998 )	(3,362 )
Dividends on common stock	(49,346 )	(42,200 )
Excess tax benefits from stock-based payment arrangements	1,772	683
Net cash used in financing activities	(2,450,951 )	(3,877,509 )
Currency adjustment:		
Effect of exchange rate changes on cash	1,801	1,666
Net decrease in cash and cash equivalents	(1,362,917 )	(1,439,889 )
Increase in cash resulting from the consolidation of an acquired entity and the acquisition of a controlling interest in a subsidiary	18,366	-
Cash and cash equivalents at beginning of year	2,943,239	2,306,085
Cash and cash equivalents at end of period	\$ 1,598,688	\$ 866,196
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 36,187	\$ 34,492
Cash paid for income taxes	\$ 154,275	\$ 121,118
Non-cash transfers of loans to other real estate owned	\$ 12,157	\$ 32,947

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

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
June 30, 2011

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements include the accounts of Raymond James Financial, Inc. (“RJF”) and its consolidated subsidiaries that are generally controlled through a majority voting interest. RJF is a holding company headquartered in Florida whose subsidiaries are engaged in various financial service businesses; as used herein, the terms “our,” “we” or “us” refer to RJF and/or one or more of its 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 7 of these Notes to Condensed Consolidated Financial Statements. 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.

Effective April 1, 2011, we completed our acquisition of Howe Barnes, Hoefler & Arnett (“Howe Barnes”). The Howe Barnes stockholders received 217,088 shares of our common stock valued at \$8.3 million in exchange for all of the outstanding Howe Barnes shares. We accounted for this acquisition under the acquisition method of accounting with the assets and liabilities of Howe Barnes recorded as of the acquisition date at their respective fair value and consolidated in our financial statements. We recorded goodwill in the amount of \$2.4 million from this transaction as the excess of the purchase price consideration over the fair value of the net assets acquired. This goodwill has been allocated to the private client group segment. Proforma information is not presented in these financial statements because the acquisition is not considered to be material. Howe Barnes results of operations have been included in our results prospectively from April 1, 2011.

Effective April 4, 2011, one of our wholly owned subsidiaries increased its pre-existing share of ownership in Raymond James European Securities, S.A.S. (“RJES”), by contributing \$6.4 million in cash in exchange for additional RJES shares. As a result of this acquisition of incremental RJES shares, effective with this transaction we hold a controlling interest in RJES. Accordingly, we applied the acquisition method of accounting to our interest in RJES as of the date we acquired the controlling interest with the assets and liabilities of RJES recorded at their respective fair value and consolidated in our financial statements and the portion we do not own included in noncontrolling interests. We recorded goodwill in the amount of \$6.9 million as the excess of the consideration paid for the additional shares and the acquisition date fair value of our previously held interests and the noncontrolling interests, over the fair value of the net assets of RJES. This goodwill has been allocated to the capital markets segment. Proforma information is not presented in these financial statements because the acquisition is not considered to be material.

Certain financial information that is normally included in annual financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“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 Annual Report on Form 10-K for the year ended September 30, 2010, as filed with the United States of America (“U.S.”) Securities and Exchange Commission (the “2010 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.

7

---

### Update of Significant Accounting Policies

A summary of our significant accounting policies is included in Note 1 on pages 79 - 90 of our 2010 Form 10-K. Other than as discussed below, there have been no significant changes in our significant accounting policies since September 30, 2010.

As of October 1, 2010, we implemented new Financial Accounting Standards Board (“FASB”) guidance regarding the consolidation of VIEs. This new guidance changes the approach to determine a VIE’s primary beneficiary from a quantitative assessment to a qualitative assessment designed to identify a controlling financial interest. This new guidance also increases the frequency of required assessments to determine whether we are the primary beneficiary of any VIEs to which we are a party. Upon adoption of this new guidance, we deconsolidated two low-income housing tax credit (“LIHTC”) funds where we determined we are no longer the primary beneficiary, and consolidated two other LIHTC funds where we determined we are the primary beneficiary under the new guidance. See Note 7 for further discussion.

At December 31, 2010, we implemented new FASB guidance which requires enhanced disclosures about our allowance for loan losses and credit quality of our financing receivables. See Note 6 which contains the additional disclosures required under this new guidance specifically pertaining to the financing receivables arising from our bank subsidiary, Raymond James Bank, FSB (“RJ Bank”), including certain additional accounting policy information regarding such balances not previously included in Note 1 - Summary of Significant Accounting Policies on pages 79 - 90 of our 2010 Form 10-K.

We also have certain financing receivables that arise from businesses other than our banking business, which are within the scope of the new accounting guidance. Specifically, we make loans to financial advisors and certain key revenue producers, primarily for recruiting and/or retention purposes. Our accounting policies governing this activity, including our policies for determining the allowance for doubtful accounts, are described in Note 1, page 85, of our 2010 Form 10-K. As of June 30, 2011, the outstanding balance of these loans is \$228 million, with a related allowance for doubtful accounts of \$9.3 million, which are included within other receivables on our Condensed Consolidated Statements of Financial Condition. Based upon the nature of these financing receivables, we do not analyze this asset on a portfolio segment or class basis. Further, the aging of this receivable balance is not a determinative factor in computing our allowance for doubtful accounts, as concerns regarding the recoverability of these loans primarily arises in the event that the financial advisor becomes no longer affiliated with us. Of the loan balance referred to above, the portion of the balance associated with financial advisors who are no longer affiliated with us, after consideration of the allowance for doubtful accounts, is approximately \$1.9 million.

### Reclassifications

Certain other prior period amounts, none of which are material, have been reclassified to conform to the current presentation.

**NOTE 2 – 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 not held for resale with original maturities of 90 days or less. For further discussion of our accounting policies regarding assets segregated pursuant to regulations and other segregated assets, see Note 1 on page 80 of our 2010 Form 10-K.

The following are financial instruments that are cash and cash equivalents or other investment balances which are readily convertible into cash:

	June 30, 2011	September 30, 2010	
(in thousands)			
Cash and cash equivalents:			
Cash in banks	\$1,595,797	\$ 2,939,963	(1)
Money market investments	2,891	3,276	
Total cash and cash equivalents (2)	1,598,688	2,943,239	
Cash and securities segregated pursuant to federal regulations and other segregated assets (3)			
	2,498,212	3,430,715	(1)
Deposits with clearing organizations (4)	76,639	76,488	
	\$4,173,539	\$ 6,450,442	

- (1) At September 30, 2010, cash and other segregated assets included additional amounts in order for RJ Bank to meet point-in-time regulatory balance sheet composition requirements related to its qualifying as a thrift institution. The cash in banks and other segregated assets balances at September 30, 2010 included an additional \$1.8 billion and \$1.3 billion, respectively, resulting from the September 30, 2010 point-in-time requirement. See Note 22 on page 130 of our 2010 Form 10-K for discussion of the September 30, 2010 point-in-time requirement.
- (2) Of the total, includes \$655 million of RJF parent company cash and cash equivalents (nearly all of which is invested on behalf of the RJF parent company by one of its subsidiaries) as of June 30, 2011. At September 30, 2010, the RJF parent company had \$287 million in cash and cash equivalents (see Note 26 on page 135 of the 2010 Form 10-K for further information).
- (3) Consists of cash or qualified securities maintained in accordance with Rule 15c3-3 of the Securities Exchange Act of 1934. Raymond James & Associates, Inc. (“RJ&A”), as a broker-dealer carrying client accounts, is subject to requirements related to maintaining cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. Additionally, Raymond James Ltd. (“RJ Ltd.”) is required to hold client Registered Retirement Savings Plan funds in trust. The \$1.3 billion in other segregated assets at September 30, 2010 related to the point-in-time regulatory balance sheet composition requirements mentioned above was held as collateral by the Federal Home Loan Bank of Atlanta (“FHLB”) securing an overnight advance. On October 1, 2010, the advance was repaid.
- (4) Consists of deposits of cash and cash equivalents or other short-term securities held by other clearing organizations or exchanges.

NOTE 3 – FAIR VALUE

For a further discussion of our valuation methodologies for assets, liabilities measured at fair value, and the fair value hierarchy, see Note 1, pages 81 – 84, in our 2010 Form 10-K.

There have been no material changes to our valuation methodologies since our year ended September 30, 2010.

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

June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1) (1)	Significant Other Observable Inputs (Level 2) (1)	Significant Unobservable Inputs (Level 3) (in thousands)	Netting Adjustments (2)	Balance as of June 30, 2011
Assets:					
Trading instruments:					
Municipal and provincial obligations	\$6	\$ 177,781	\$ 6,310	\$ -	\$ 184,097
Corporate obligations	8,666	28,485	-	-	37,151
Government and agency obligations	15,052	26,314	-	-	41,366
Agency mortgage-backed securities ("MBS") and collateralized mortgage obligations ("CMOs")	234	231,983	-	-	232,217
Non-agency CMOs and asset-backed securities ("ABS")	-	12,748	58	-	12,806
Total debt securities	23,958	477,311	6,368	-	507,637
Derivative contracts	-	84,171	-	(62,301 )	21,870
Equity securities	29,831	2,953	1,347	-	34,131
Other securities	2,534	8,905	-	-	11,439
Total trading instruments	56,323	573,340	7,715	(62,301 )	575,077
Available for sale securities:					
Agency MBS and CMOs	-	160,512	-	-	160,512
Non-agency CMOs	-	162,691	915	-	163,606
Other securities	11	-	-	-	11
Total available for sale securities	11	323,203	915	-	324,129
Private equity and other investments:					
Private equity investments	-	-	167,774 (3)	-	167,774
Other investments	153,888	93	45	-	154,026
Total private equity and other investments	153,888	93	167,819	-	321,800
Other assets	-	-	25	-	25
Total	\$210,222	\$ 896,636	\$ 176,474	\$ (62,301 )	\$ 1,221,031
Liabilities:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	\$ -	\$ 720	\$ -	\$ -	\$ 720
Corporate obligations	-	1,610	-	-	1,610

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

Government obligations	173,371	-	-	-	173,371
Agency MBS and CMOs	5	-	-	-	5
Total debt securities	173,376	2,330	-	-	175,706
Derivative contracts	-	65,292	-	(65,030 )	262
Equity securities	19,360	315	-	-	19,675
Other securities	-	150	-	-	150
Total trading instruments sold but not yet purchased	192,736	68,087	-	(65,030 )	195,793
Other liabilities	-	14	40	-	54
Total	\$192,736	\$ 68,101	\$ 40	\$ (65,030 )	\$ 195,847

- (1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the period ended June 30, 2011. Our policy is to use the end of each respective quarterly reporting period to determine when transfers of financial instruments between levels are recognized.
- (2) 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.
- (3) Includes \$87.9 million in private equity investments of which the weighted-average portion we own is approximately 20%. The portion of this investment we do not own becomes a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to \$70 million of that total as of June 30, 2011.

September 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1) (1)	Significant Other Observable Inputs (Level 2) (1)	Significant Unobservable Inputs (Level 3) (in thousands)	Netting Adjustments (2)	Balance as of September 30, 2010
<b>Assets:</b>					
<b>Trading instruments:</b>					
Municipal and provincial obligations	\$7	\$ 162,071	\$ 6,275	\$ -	\$ 168,353
Corporate obligations	21,485	16,986	-	-	38,471
Government and agency obligations	27,374	9,520	-	-	36,894
Agency MBS and CMOs	303	278,275	-	-	278,578
Non-agency CMOs and ABS	-	4,367	3,930	-	8,297
Total debt securities	49,169	471,219	10,205	-	530,593
Derivative contracts	-	102,490	-	(76,123 )	26,367
Equity securities	28,506	113	3,025	-	31,644
Other securities	1,250	1,593	-	-	2,843
Total trading instruments	78,925	575,415	13,230	(76,123 )	591,447
<b>Available for sale securities:</b>					
Agency MBS and CMOs	-	217,879	-	-	217,879
Non-agency CMOs	-	200,559	1,011	-	201,570
Other securities	9	5,003	-	-	5,012
Total available for sale securities	9	423,441	1,011	-	424,461
<b>Private equity and other investments:</b>					
Private equity investments	-	-	161,230 (3)	-	161,230
Other investments	158,653	1,151	45	-	159,849
Total private equity and other investments	158,653	1,151	161,275	-	321,079
Other assets	-	25	-	-	25
Total	\$237,587	\$ 1,000,032	\$ 175,516	\$ (76,123 )	\$ 1,337,012
<b>Liabilities:</b>					
<b>Trading instruments sold but not yet purchased:</b>					
Municipal and provincial obligations	\$-	\$ 296	\$ -	\$ -	\$ 296
Corporate obligations	17	676	-	-	693
Government obligations	99,631	-	-	-	99,631
Agency MBS and CMOs	105	-	-	-	105

Edgar Filing: RAYMOND JAMES FINANCIAL INC - Form 10-Q

Total debt securities	99,753	972	-	-	100,725
Derivative contracts	-	86,039	-	(84,390 )	1,649
Equity securities	15,890	12,774	-	-	28,664
Total trading instruments sold but not yet purchased	115,643	99,785	-	(84,390 )	131,038
Other liabilities	-	105	46	-	151
Total	\$115,643	\$99,890	\$46	\$ (84,390 )	\$131,189

- (1) We had no significant transfers of financial instruments between Level 1 and Level 2 during the year ended September 30, 2010. Our policy is to use the end of each respective quarterly reporting period to determine when transfers of financial instruments between levels are recognized.
- (2) 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.
- (3) Includes \$86.3 million in private equity investments of which the weighted-average portion we own is approximately 20%. The portion of this investment we do not own becomes a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to \$69.1 million of that total as of September 30, 2010.

## 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 are presented below:

## Level 3 Financial Assets at Fair Value

	Fair Value, March 31, 2011	Total Realized/ Unrealized Gains (Losses) Included in Earnings	Total Unrealized Gains (Losses) Included in Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers into Level 3	Transfers out of Level 3	Fair Value, June 30, 2011	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at June 30, 2011
(in thousands)								
Assets:								
Trading instruments:								
Municipal and provincial obligations	\$5,688	\$ (129 )	\$ -	\$ 751	\$-	\$-	\$ 6,310	\$ (54 )
Non-agency CMOs and ABS	3,921	570	-	(4,433 )	-	-	58	(63 )
Equity securities	1,925	-	-	(578 )	-	-	1,347	-
Available for sale securities:								
Non-agency CMOs								
	800	-	136	(21 )	-	-	915	-
Private equity and other investments:								
Private equity investments								
	157,046	8,819 (1)	-	1,909	-	-	167,774	8,819
Other investments	45	-	-	-	-	-	45	-
Other assets	25	-	-	-	-	-	25	-
Liabilities:								
Other liabilities	\$(42 )	\$ -	\$ -	\$ -	\$-	\$2	\$(40 )	\$ -

(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 \$6.3 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 \$2.5 million.

Level 3 Financial Assets at Fair Value

	Fair Value	Total Realized/Unrealized Gains (Losses) Included in Earnings	Total Unrealized Gains (Losses) in Other Comprehensive Income	Purchases, Issuances, and Settlements, Net	Transfers into Level 3	Transfers out of Level 3	Fair Value, June 30, 2011	Change in Unrealized Gains (Losses) Related to Financial Instruments Held at June 30, 2011
Nine months ended 30, June 30, 2011	September 2010				3	3	2011	2011
(in thousands)								

Assets:

Trading

instruments:

Municip