RAYMOND JAMES FINANCIAL INC
Form 10-Q
May 09, 2014
Index

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 March 31, 2014
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.

141,075,088 shares of common stock as of May 5, 2014

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Form 10-Q for the quarter ended March 31, 2014

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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)

	March 31, 2014	September 30, 2013
	(in thousands)	
Assets:		
Cash and cash equivalents	$2,641,876	$2,596,616
Assets segregated pursuant to regulations and other segregated assets	2,555,155	4,064,827
Securities purchased under agreements to resell and other collateralized financings	637,486	709,120
Financial instruments, at fair value:		
Trading instruments	647,754	579,705
Available for sale securities	646,569	698,844
Private equity investments	191,401	216,391
Other investments	218,192	248,512
Derivative instruments associated with offsetting matched book positions	289,271	250,341
Receivables:		
Brokerage clients, net	1,989,261	1,983,340
Stock borrowed	185,868	146,749
Bank loans, net	10,028,101	8,821,201
Brokers-dealers and clearing organizations	85,086	243,101
Loans to financial advisors, net	417,372	409,080
Other	492,221	407,329
Deposits with clearing organizations	135,554	126,405
Prepaid expenses and other assets	629,390	611,425
Investments in real estate partnerships held by consolidated variable interest entities	258,633	272,096
Property and equipment, net	244,984	244,416
Deferred income taxes, net	216,882	195,160
Goodwill and identifiable intangible assets, net	357,846	361,464
Total assets	$22,868,902	$23,186,122

(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)

	March 31, 2014	September 30, 2013
	($ in thousands)	
Liabilities and equity:		
Trading instruments sold but not yet purchased, at fair value	$200,458	$220,656
Securities sold under agreements to repurchase	377,677	300,933
Derivative instruments associated with offsetting matched book positions, at fair value	289,271	250,341
Payables:		
Brokerage clients	4,112,420	5,942,843
Stock loaned	432,223	354,377
Bank deposits	10,414,804	9,295,371
Brokers-dealers and clearing organizations	157,059	109,611
Trade and other	702,013	630,344
Other borrowings	78,517	84,076
Accrued compensation, commissions and benefits	649,895	741,787
Loans payable of consolidated variable interest entities	53,505	62,938
Corporate debt	1,192,699	1,194,508
Total liabilities	18,660,541	19,187,785
Commitments and contingencies (see Note 16)		
Equity		
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 145,680,145 at March 31, 2014 and 144,559,772 at September 30, 2013	1,439	1,429
Additional paid-in capital	1,203,966	1,136,298
Retained earnings	2,810,190	2,635,026
Treasury stock, at cost; 5,090,046 common shares at March 31, 2014 and 5,002,666 common shares at September 30, 2013	(126,057)	(120,555)
Accumulated other comprehensive income	(1,234)	10,726
Total equity attributable to Raymond James Financial, Inc.	3,888,304	3,662,924
Noncontrolling interests	320,057	335,413
Total equity	4,208,361	3,998,337
Total liabilities and equity	$22,868,902	$23,186,122

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

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

	Three months ended March 31,		Six months ended March 31,	
	2014	2013	2014	2013
	(in thousands, except per share amounts)			
Revenues:				
Securities commissions and fees	$805,719	$764,989	$1,587,899	$1,503,573
Investment banking	67,311	50,255	147,108	135,125
Investment advisory fees	88,096	65,503	181,510	127,573
Interest	118,393	118,032	235,486	241,158
Account and service fees	101,024	88,400	194,598	176,851
Net trading profit	14,842	8,128	32,993	17,467
Other	9,240	74,991	33,805	106,060
Total revenues	1,204,625	1,170,298	2,413,399	2,307,807
Interest expense	25,980	27,203	51,352	55,224
Net revenues	1,178,645	1,143,095	2,362,047	2,252,583
Non-interest expenses:				
Compensation, commissions and benefits	812,291	763,047	1,617,236	1,525,595
Communications and information processing	69,503	65,018	131,357	125,384
Occupancy and equipment costs	39,897	38,694	79,582	78,172
Clearance and floor brokerage	9,876	11,405	19,830	21,573
Business development	36,667	31,488	68,911	62,117
Investment sub-advisory fees	13,798	8,410	25,597	16,460
Bank loan loss provision	1,979	3,737	3,615	6,660
Acquisition related expenses	—	20,922	—	38,304
Other	41,635	41,071	84,108	71,848
Total non-interest expenses	1,025,646	983,792	2,030,236	1,946,113
Income including noncontrolling interests and before provision for income taxes	152,999	159,303	331,811	306,470
Provision for income taxes	60,904	51,057	123,195	104,330
Net income including noncontrolling interests	92,095	108,246	208,616	202,140
Net (loss) income attributable to noncontrolling interests	(12,465)	28,286	(12,577)	36,306
Net income attributable to Raymond James Financial, Inc.	$104,560	$79,960	$221,193	$165,834
Net income per common share – basic	$0.74	$0.57	$1.57	$1.19
Net income per common share – diluted	$0.72	$0.56	$1.54	$1.17
Weighted-average common shares outstanding – basic	139,888	137,817	139,498	137,156
Weighted-average common and common equivalent shares outstanding – diluted	143,636	140,722	143,065	139,669
Net income attributable to Raymond James Financial, Inc.	$104,560	$79,960	$221,193	$165,834
Other comprehensive income (loss), net of tax:[1]				
	3,482	3,606	4,576	13,744

Change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses				
Change in currency translations and net investment hedges	(10,261)	(4,991)	(16,536)	(8,677)
Total comprehensive income	$97,781	$78,575	$209,233	$170,901
Other-than-temporary impairment:				
Total other-than-temporary impairment, net	$2,389	$3,364	$3,973	$6,718
Portion of pre-tax recoveries recognized in other comprehensive income	(2,389)	(3,364)	(4,000)	(7,103)
Net impairment losses recognized in other revenue	$—	$—	$(27)	$(385)

(1) All components of other comprehensive 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 CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Six months ended March 31,	
	2014	2013
	(in thousands, except per share amounts)	
Common stock, par value $.01 per share:		
Balance, beginning of year	$1,429	$1,404
Other issuances	10	20
Balance, end of period	1,439	1,424
Additional paid-in capital:		
Balance, beginning of year	1,136,298	1,030,288
Employee stock purchases	10,002	8,936
Exercise of stock options and vesting of restricted stock units, net of forfeitures	12,747	30,989
Restricted stock, stock option and restricted stock unit expense	34,380	31,460
Excess tax benefit from share-based payments	9,877	2,512
Other	662	173
Balance, end of period	1,203,966	1,104,358
Retained earnings:		
Balance, beginning of year	2,635,026	2,346,563
Net income attributable to Raymond James Financial, Inc.	221,193	165,834
Cash dividends declared	(45,733)	(39,027)
Other	(296)	(410)
Balance, end of period	2,810,190	2,472,960
Treasury stock:		
Balance, beginning of year	(120,555)	(118,762)
Purchases/surrenders	(2,213)	(7,841)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(3,289)	4,103
Balance, end of period	(126,057)	(122,500)
Accumulated other comprehensive income:[1]		
Balance, beginning of year	$10,726	$9,447
Net change in unrealized losses on available for sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	4,575	13,744
Net change in currency translations and net investment hedges, net of tax	(16,535)	(8,677)
Balance, end of period	(1,234)	14,514
Total equity attributable to Raymond James Financial, Inc.	$3,888,304	$3,470,756
Noncontrolling interests:		
Balance, beginning of year	$335,413	$411,342
Net (loss) income attributable to noncontrolling interests	(12,577)	36,306
Capital contributions	11,682	14,767
Distributions	(14,583)	(34,627)
Consolidation of acquired entity [2]	—	7,592
Other	122	5,748

Balance, end of period	320,057	441,128
Total equity	$4,208,361	$3,911,884

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

(2) On December 24, 2012, we acquired a 45% interest in ClariVest Asset Management, LLC. See Notes 1 and 3 for discussion.

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)

	Six months ended March 31, 2014	2013
	(in thousands)	
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$221,193	$165,834
Net (loss) income attributable to noncontrolling interests	(12,577)	36,306
Net income including noncontrolling interests	208,616	202,140
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	32,444	33,011
Deferred income taxes	(23,518)	(196)
Premium and discount amortization on available for sale securities and unrealized/realized gain on other investments	(17,911)	(70,542)
Provisions for loan losses, legal proceedings, bad debts and other accruals	9,339	10,965
Share-based compensation expense	37,416	33,688
Goodwill impairment expense	—	6,933
Other	7,571	10,180
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	1,509,672	(851,231)
Securities purchased under agreements to resell and other collateralized financings, net of securities sold under agreements to repurchase	148,378	(9,274)
Stock loaned, net of stock borrowed	38,727	(68,452)
(Loans provided to) repayments of loans, to financial advisors, net	(14,100)	16,224
Brokerage client receivables and other accounts receivable, net	80,143	(113,581)
Trading instruments, net	(59,341)	84,875
Prepaid expenses and other assets	82,714	39,111
Brokerage client payables and other accounts payable	(1,802,701)	867,203
Accrued compensation, commissions and benefits	(92,635)	(70,863)
Proceeds from sales of securitizations and loans held for sale, net of purchases and originations of loans held for sale	(1,844)	58,329
Excess tax benefits from share-based payment arrangements	(9,877)	(2,512)
Net cash provided by operating activities	133,093	176,008
Cash flows from investing activities:		
Additions to property and equipment	(31,320)	(46,933)
Increase in bank loans, net	(1,314,264)	(538,715)
Redemptions of Federal Home Loan Bank/Federal Reserve Bank stock, net	1,389	1,067
Proceeds from sales of loans held for investment	82,991	95,988
Sales of private equity and other investments, net	36,469	2,006
Purchases of available for sale securities	(1,305)	(62,102)
Available for sale securities maturations, repayments and redemptions	69,665	62,272
Proceeds from sales of available for sale securities	370	13
Investments in real estate partnerships held by consolidated variable interest entities, net of other investing activity	(4,457)	1,575

Business acquisition, net of cash acquired	(2,007)	(6,450)
Net cash used in investing activities	$(1,162,469)	$(491,279)

(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)

	Six months ended March 31,	
	2014	2013
	(in thousands)	
Cash flows from financing activities:		
Proceeds from borrowed funds, net	$367	$180,000
Repayments of borrowed funds, net	(7,829)	(130,054)
Repayments of borrowings by consolidated variable interest entities which are real estate partnerships	(10,955)	(11,344)
Proceeds from capital contributed to and borrowings of consolidated variable interest entities which are real estate partnerships	3,335	908
Exercise of stock options and employee stock purchases	21,684	44,219
Increase in bank deposits	1,119,433	474,638
Purchase of treasury stock	(6,212)	(9,311)
Dividends on common stock	(42,760)	(37,457)
Excess tax benefits from share-based payment arrangements	9,877	2,512
Net cash provided by financing activities	1,086,940	514,111
Currency adjustment:		
Effect of exchange rate changes on cash	(12,304)	(4,711)
Net increase in cash and cash equivalents	45,260	194,129
Cash and cash equivalents at beginning of year	2,596,616	1,980,020
Cash and cash equivalents at end of period	$2,641,876	$2,174,149
Supplemental disclosures of cash flow information:		
Cash paid for interest	$49,750	$53,442
Cash paid for income taxes	$179,488	$83,111
Non-cash transfers of loans to other real estate owned	$2,448	$1,902

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)
March 31, 2014

NOTE 1 – INTRODUCTION AND BASIS OF PRESENTATION

Description of business

Raymond James Financial, Inc. (“RJF” or the “Company”) is a financial holding company headquartered in Florida whose broker-dealer subsidiaries are engaged in various financial service 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 120 - 122 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, 2013, as filed with the United States (“U.S.”) Securities and Exchange Commission (the “2013 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 2013 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.

Fiscal year 2013 acquisition

On December 24, 2012, we completed our acquisition of a 45% interest in ClariVest Asset Management, LLC (“ClariVest”), an acquisition that bolsters our platform in the large-cap investment objective. During the second quarter, we made an earn-out payment to the sellers of ClariVest. See Note 3 for additional information.

Adoption of new accounting guidance

In December 2011, the Financial Accounting Standards Board ("FASB") issued new guidance requiring additional disclosures regarding the nature of an entity's rights of setoff and related arrangements associated with its financial instruments and derivative instruments. This guidance was further amended in January 2013. Specifically, this new guidance requires additional information about derivatives, repurchase agreements, reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset or subject to an enforceable master netting arrangement or similar agreement. This guidance was first effective for our quarter ended December 31, 2013. See Note 14 for these additional disclosures.

In February 2013, the FASB issued new guidance intended to improve the reporting of reclassifications out of accumulated other comprehensive income ("AOCI"). The new guidance requires us to report the effect of significant reclassifications out of AOCI on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety to net income in the same reporting period, we are required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. This new guidance was first effective for our quarter ended December 31, 2013. See Note 17 for these additional disclosures.

Significant subsidiaries

As of March 31, 2014, 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”) and Raymond James Bank, N.A. (“RJ Bank”), a national bank.

In mid-February 2013, the client accounts of Morgan Keegan & Company, Inc. (a broker-dealer hereinafter referred to as “MK & Co.”), a subsidiary which we had considered in certain prior periods to be a significant subsidiary, were transferred to RJ&A pursuant to our strategy to integrate the operations of MK & Co. and MK Holding, Inc. and certain of its affiliates (collectively referred to hereinafter as “Morgan Keegan”) into our own. RJF acquired Morgan Keegan from Regions Financial Corporation (“Regions”) on April 2, 2012 (the “Closing Date”).

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 on pages 104 - 122 of our 2013 Form 10-K. There have been no significant changes in our significant accounting policies since September 30, 2013.

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

As more fully described in Note 2 on page 112 of our 2013 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 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. The allowance for doubtful accounts balance associated with all of our loans to financial advisors is $2.5 million and $2.8 million at March 31, 2014 and September 30, 2013, respectively. Of the March 31, 2014 loans to financial advisors, 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 $3.5 million.

Reclassifications

As more fully described in Note 1 on page 104, and Note 28 on page 187 of our 2013 Form 10-K, effective September 30, 2013 we implemented changes in our reportable segments. These segment changes had no effect on the historical financial results of operations. Prior period segment balances impacted by this change have been reclassified to conform to the current presentation. See Note 23 for presentation of segment information.

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

NOTE 3 – ACQUISITIONS

Acquisitions during fiscal year 2013

On December 24, 2012 (the “ClariVest Acquisition Date”), we completed our acquisition of a 45% interest in ClariVest. On the ClariVest Acquisition Date, we paid approximately $8.8 million in cash to the sellers for our interest. A computation based upon the actual earnings of ClariVest during the one year period since the ClariVest Acquisition Date was performed and additional cash consideration owed to the sellers of approximately $2 million was paid during the three month period ended March 31, 2014.

As a result of certain protective rights we have under the operating agreement with ClariVest, we are consolidating ClariVest in our financial statements as of the ClariVest Acquisition Date. In addition, a put and call agreement was entered into on the ClariVest Acquisition Date that provides our Eagle subsidiary with various paths to majority ownership in ClariVest, the timing of which would depend upon the financial results of ClariVest's business and the tenure of existing ClariVest management. The results of operations of ClariVest have been included in our results prospectively since December 24, 2012. For purposes of certain acquisition related financial reporting requirements, the ClariVest acquisition is not considered to be material to our overall financial condition.

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See Note 10 for information regarding the identifiable intangible assets we recorded as a result of the ClariVest acquisition.

Acquisition related expense

Acquisition related expenses are recorded in the Condensed Consolidated Statement of Income and Comprehensive Income and include certain incremental expenses arising from our acquisitions. Acquisition related expenses in the current fiscal year are no longer material for separate disclosure since our integration of Morgan Keegan was substantially complete as of September 30, 2013. In the prior year periods, we incurred the following acquisition related expense:

	Three months ended March 31, 2013	Six months ended March 31, 2013
	(in thousands)	
Information systems integration and conversion costs (1)	$10,381	$22,545
Severance (2)	5,806	6,205
Temporary services	1,389	1,603
Occupancy and equipment costs (3)	708	1,274
Financial advisory fees	—	1,176
Legal	435	459
Other integration costs	2,203	5,042
Total acquisition related expense	$20,922	$38,304

(1) Includes equipment costs related to the disposition of information systems equipment, and temporary services incurred specifically related to the information systems conversion.

(2) Represents all costs associated with eliminating positions as a result of the Morgan Keegan acquisition, partially offset by the favorable impact arising from the forfeiture of any unvested accrued benefits.

(3) Includes lease costs associated with the abandonment of certain facilities resulting from the Morgan Keegan acquisition.

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 106 of our 2013 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:

	March 31, 2014	September 30, 2013
	(in thousands)	
Cash and cash equivalents:		
Cash in banks	$2,630,650	$2,593,890
Money market fund investments	11,226	2,726
Total cash and cash equivalents (1)	2,641,876	2,596,616
Cash segregated pursuant to federal regulations and other segregated assets (2)	2,555,155	4,064,827

Deposits with clearing organizations [3]	135,554	126,405
	$5,332,585	$6,787,848

(1) The total amounts presented include cash and cash equivalents of $1.07 billion and $1.02 billion as of March 31, 2014 and September 30, 2013, respectively, which are either held directly by RJF or are otherwise invested by one of our subsidiaries on behalf of RJF, and 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.

(3) Consists of deposits of cash and cash equivalents or other short-term securities held by other clearing organizations or exchanges.

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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 107 - 111 of our 2013 Form 10-K. There have been no material changes to our valuation methodologies since our year ended September 30, 2013.

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

March 31, 2014	Quoted prices in active markets for identical assets (Level 1) (1) (in thousands)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of March 31, 2014
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$4,470	$166,759	$—	$—	$171,229
Corporate obligations	2,582	64,716	—	—	67,298
Government and agency obligations	6,390	54,442	—	—	60,832
Agency mortgage-backed securities (“MBS”) and collateralized mortgage obligations (“CMOs”)	693	149,871	—	—	150,564
Non-agency CMOs and asset-backed securities (“ABS”)	—	37,692	13	—	37,705
Total debt securities	14,135	473,480	13	—	487,628
Derivative contracts	—	84,607	—	(59,938)	24,669
Equity securities	57,355	3,846	37	—	61,238
Corporate loans	—	33,074	—	—	33,074
Other	462	37,980	2,703	—	41,145
Total trading instruments	71,952	632,987	2,753	(59,938)	647,754
Available for sale securities:					
Agency MBS and CMOs	—	296,709	—	—	296,709
Non-agency CMOs	—	125,563	38	—	125,601
Other securities	2,084	—	—	—	2,084
Auction rate securities (“ARS”):					
Municipals	—	—	109,960 (3)	—	109,960
Preferred securities	—	—	112,215	—	112,215
Total available for sale securities	2,084	422,272	222,213	—	646,569
Private equity investments	—	—	191,401 (4)	—	191,401
Other investments (5)	215,141	1,263	1,788	—	218,192
Derivative instruments associated with offsetting matched book positions	—	289,271	—	—	289,271
Other assets:					
Derivative contracts	—	146	—	—	146

Other assets	—	—	15	—	15
Total other assets	—	146	15	—	161
Total assets at fair value on a recurring basis	$289,177	$1,345,939	$418,170	$(59,938)	$1,993,348
Assets at fair value on a nonrecurring basis: (6)					
Bank loans, net:					
Impaired loans	$—	$39,555	$50,489	$—	$90,044
Loans held for sale(7)	—	1,515	—	—	1,515
Total bank loans, net	—	41,070	50,489	—	91,559
Other real estate owned (“OREO”)(8)	—	422	—	—	422
Total assets at fair value on a nonrecurring basis	$—	$41,492	$50,489	$—	$91,981

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March 31, 2014	Quoted prices in active markets for identical assets (Level 1) (1) (in thousands) (continued from previous page)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of March 31, 2014
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$5,680	$2,008	$—	$—	$7,688
Corporate obligations	911	22,062	—	—	22,973
Government obligations	147,663	—	—	—	147,663
Agency MBS and CMOs	209	1,977	—	—	2,186
Total debt securities	154,463	26,047	—	—	180,510
Derivative contracts	—	69,999	—	(64,171)	5,828
Equity securities	14,050	70	—	—	14,120
Total trading instruments sold but not yet purchased	168,513	96,116	—	(64,171)	200,458
Derivative instruments associated with offsetting matched book positions	—	289,271	—	—	289,271
Trade and other payables:					
Derivative contracts	—	662	—	—	662
Other liabilities	—	—	82 (9)	—	82
Total trade and other payables	—	662	82	—	744
Total liabilities at fair value on a recurring basis	$168,513	$386,049	$82	$(64,171)	$490,473

(1) We had no transfers of financial instruments from Level 1 to Level 2 during the three and six months ended March 31, 2014. We had no transfers of financial instruments from Level 2 to Level 1 during the three and six months ended March 31, 2014. Our policy is that the end of each respective quarterly reporting period determines when transfers of financial instruments between levels are recognized.

(2) 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 14 for additional information regarding offsetting financial instruments).

(3) Includes $58 million of Jefferson County, Alabama Limited Obligation School Warrants ARS.

(4) The portion of these investments we do not own is approximately $55 million as of March 31, 2014 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 $136 million or 71% of the total private equity investments of $191 million included in our Condensed Consolidated Statements of Financial Condition.

(5)

Other investments include $145 million of financial instruments that are related to MK & Co.'s obligations to perform under certain of its historic deferred compensation plans (see Note 2 on page 119, and Note 23 on page 176, of our 2013 Form 10-K for further information regarding these plans).

(6) Goodwill fair value measurements are classified within Level 3 of the fair value hierarchy, which are generally determined using unobservable inputs. See Note 10 for additional information regarding the annual impairment analysis.

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

(8) 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.

(9) Includes forward commitments to purchase GNMA (as hereinafter defined) MBS arising from our fixed income public finance operations (see Note 16 for additional information regarding these commitments) and to a much lesser extent, other certain commitments.

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September 30, 2013	Quoted prices in active markets for identical assets (Level 1) (1) (in thousands)	Significant other observable inputs (Level 2) (1)	Significant unobservable inputs (Level 3)	Netting adjustments (2)	Balance as of September 30, 2013
Assets at fair value on a recurring basis:					
Trading instruments:					
Municipal and provincial obligations	$10	$202,816	$—	$—	$202,826
Corporate obligations	833	59,573	—	—	60,406
Government and agency obligations	6,408	106,988	—	—	113,396
Agency MBS and CMOs	155	92,994	—	—	93,149
Non-agency CMOs and ABS	—	16,957	14	—	16,971
Total debt securities	7,406	479,328	14	—	486,748
Derivative contracts	—	89,633	—	(61,524)	28,109
Equity securities	48,749	4,231	35	—	53,015
Other	1,413	6,464	3,956	—	11,833
Total trading instruments	57,568	579,656	4,005	(61,524)	579,705
Available for sale securities:					
Agency MBS and CMOs	—	326,029	—	—	326,029
Non-agency CMOs	—	128,943	78	—	129,021
Other securities	2,076	—	—	—	2,076
ARS:					
Municipals	—	—	130,934 (3)	—	130,934
Preferred securities	—	—	110,784	—	110,784
Total available for sale securities	2,076	454,972	241,796	—	698,844
Private equity investments	—	—	216,391 (4)	—	216,391
Other investments (5)	241,627	2,278	4,607	—	248,512
Derivative instruments associated with offsetting matched book positions	—	250,341	—	—	250,341
Other receivables	—	—	2,778 (6)	—	2,778
Other assets	—	—	15	—	15
Total assets at fair value on a recurring basis	$301,271	$1,287,247	$469,592	$(61,524)	$1,996,586
Assets at fair value on a nonrecurring basis: (7)					
Bank loans, net					
Impaired loans	—	33,187	59,868	—	93,055
Loans held for sale(8)	—	28,119	—	—	28,119
Total bank loans, net	—	61,306	59,868	—	121,174

OREO[9]	—	209	—	—	209
Total assets at fair value on a nonrecurring basis	$—	$61,515	$59,868	$—	$121,383

(continued on next page)

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September 30, 2013	Quoted prices in active markets for identical assets (Level 1) [1] (in thousands) (continued from previous page)	Significant other observable inputs (Level 2) [1]	Significant unobservable inputs (Level 3)	Netting adjustments [2]	Balance as of September 30, 2013
Liabilities at fair value on a recurring basis:					
Trading instruments sold but not yet purchased:					
Municipal and provincial obligations	$165	$1,612	$—	$—	$1,777
Corporate obligations	30	9,081	—	—	9,111
Government obligations	169,816	—	—	—	169,816
Agency MBS and CMOs	3,068	—	—	—	3,068
Total debt securities	173,079	10,693	—	—	183,772
Derivative contracts	—	74,920	—	(69,279)	5,641
Equity securities	31,151	92	—	—	31,243
Total trading instruments sold but not yet purchased	204,230	85,705	—	(69,279)	220,656
Derivative instruments associated with offsetting matched book positions	—	250,341	—	—	250,341
Trade and other payables:					
Derivative contracts	—	714	—	—	714
Other liabilities	—	—	60	—	60
Total trade and other payables	—	714	60	—	774
Total liabilities at fair value on a recurring basis	$204,230	$336,760	$60	$(69,279)	$471,771

(1) We had $860 thousand transfers of financial instruments from Level 1 to Level 2 during the year ended September 30, 2013. These transfers were a result of a decrease in availability and reliability of the observable inputs utilized in the respective instruments' fair value measurement. We had $401 thousand in transfers of financial instruments from Level 2 to Level 1 during the year ended September 30, 2013. These transfers were a result of an increase in 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) 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 14 for additional information regarding offsetting financial instruments).

(3) Includes $54 million of Jefferson County, Alabama Limited Obligation School Warrants ARS and $25 million of Jefferson County, Alabama Sewer Revenue Refunding Warrants ARS.

(4) Of the total private equity investments, the weighted-average portion we own is approximately 41%. Effectively, the economics associated with the portions of these investments we do not own become a component of noncontrolling interests on our Condensed Consolidated Statements of Financial Condition, and amounted to

approximately $63 million of the total as of September 30, 2013.

(5) Other investments include $176 million of financial instruments that are related to obligations to perform under certain of MK & Co.'s historic deferred compensation plans (see Note 2 on page 119, and Note 23 on page 176, of our 2013 Form 10-K for further information regarding these plans).

(6) Primarily comprised of forward commitments to purchase GNMA (as hereinafter defined) MBS arising from our fixed income public finance operations (see Note 20 on page 171 of our 2013 Form 10-K for additional information).

(7) Goodwill fair value measurements are classified within Level 3 of the fair value hierarchy, which are generally determined using unobservable inputs. See Note 13 on pages 155 - 157 of our 2013 Form 10-K for additional information regarding the annual impairment analysis and our methods of estimating the fair value of reporting units that have an allocation of goodwill, including the key assumptions.

(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 six months ended March 31, 2014 resulted in a $176 thousand reversal of the provision for loan losses and $1.5 million in other losses. The adjustment to fair value of the nonrecurring fair value measures for the six months ended March 31, 2013 resulted in $5.7 million in additional provision for loan losses and $49 thousand in other losses.

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 March 31, 2014 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	Equity securities	Other	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value December 31, 2013	$13	$35	$4,199	$46	$108,458	$112,122	$209,977	$1,949	$15	$(1,417)
Total gains (losses) for the period:										
Included in earnings	—	5	(32)	—	63	44	13	48	—	1,335
Included in other comprehensive income	—	—	—	6	1,849	374	—	—	—	—
Purchases and contributions	—	23	3,185	—	—	—	5,317	—	—	—
Sales	—	(26)	(4,649)	—	—	—	—	—	—	—
Redemptions by issuer	—	—	—	—	(410)	(325)	—	(28)	—	—
Distributions	—	—	—	(14)	—	—	(5,329)	(181)	—	—
Transfers: [1]										
Into Level 3	—	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	(18,577) [2]	—	—	—
Fair value March 31, 2014	$13	$37	$2,703	$38	$109,960	$112,215	$191,401	$1,788	$15	$(82)
	$—	$5	$(32)	$—	$63	$44	$13	$60	$—	$—

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

(2) The transfers out of Level 3 were primarily comprised of the portion of private equity investments which do not represent equity investments, whose balances were transferred to cash and cash equivalents or other receivables on our Consolidated Statements of Financial Condition, and whose carrying values approximate fair value.

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Six months ended March 31, 2014 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	Equity securities	Other	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other receivables	Other assets	Other liabilities
Fair value September 30, 2013	$14	$35	$3,956	$78	$130,934	$110,784	$216,391	$4,607	$2,778	$15	$(60)
Total gains (losses) for the period:											
Included in earnings	—	4	(201)	(27)	5,584	44	4,781 (1)	73	(2,778)	—	(22)
Included in other comprehensive income	—	—	—	21	938	1,712	—	—	—	—	—
Purchases and contributions	—	24	10,448	—	—	—	9,332	63	—	—	—
Sales	—	(26)	(11,500)	—	(370)	—	(7,076)	(2,698)	—	—	—
Redemptions by issuer	—	—	—	—	(27,126)	(325)	—	(28)	—	—	—
Distributions	(1)	—	—	(34)	—	—	(13,450)	(229)	—	—	—
Transfers: (2)											
Into Level 3	—	—	—	—	—	—	—	—	—	—	—
Out of Level 3	—	—	—	—	—	—	(18,577) (3)	—	—	—	—
Fair value March 31, 2014	$13	$37	$2,703	$38	$109,960	$112,215	$191,401	$1,788	$—	$15	$(82)
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	$20	$4	$(201)	$(27)	$938	$1,712	$4,781	$166	$—	$—	$(22)

(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 $4.4 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 $400 thousand.

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

(3) The transfers out of Level 3 were primarily comprised of the portion of private equity investments which do not represent equity investments, whose balances were transferred to cash and cash equivalents or other receivables on our Consolidated Statements of Financial Condition, and whose carrying values approximate fair value.

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Three months ended March 31, 2013 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	Equity securities	Other	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value December 31, 2012	$18	$19	$6,451	$125	$133,318	$104,976	$329,767	$4,123	$—	$(98)
Total gains (losses) for the period:										
Included in earnings	4	—	(20)	—	9	—	63,033 [(1)]	17	—	—
Included in other comprehensive income	—	—	—	310	1,328	1,043	—	—	—	—
Purchases and contributions	—	—	1,937	—	—	—	7,060	—	—	—
Sales	—	—	(2,005)	—	—	—	—	(50)	—	—
Redemptions by issuer	—	—	—	—	(25)	—	—	—	—	—
Distributions	(5)	—	(625)	(15)	—	—	(2,145)	(108)	—	—
Transfers: [(2)]										
Into Level 3	—	2	—	—	—	—	—	—	15	—
Out of Level 3	—	—	(15)	—	—	—	—	—	—	—
Fair value March 31, 2013	$17	$21	$5,723	$420	$134,630	$106,019	$397,715	$3,982	$15	$(98)
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	$—	$(20)	$—	$1,328	$1,043	$63,033 [(1)]	$51	$—	$—

(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 $20.3 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 $42.7 million.

On March 8, 2013, a private equity partnership in which we held an interest entered into a definitive agreement (the "Albion Sale Agreement") providing for the sale of our indirect investment in Albion Medical Holdings, Inc. ("Albion"). This sale transaction closed on April 29, 2013. Of the totals presented, $65.3 million of the gain (before consideration of the noncontrolling interests) for the three month period ended March 31, 2013 results from the increase in our fair value estimate resulting from terms of the Albion Sale Agreement, and $21.8 million is the impact on net income attributable to RJF (after consideration of the noncontrolling interests) in such period.

(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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Six months ended March 31, 2013
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
	Municipal & provincial obligations	Non-agency CMOs & ABS	Equity securities	Other	Non-agency CMOs	ARS – municipals	ARS - preferred securities	Private equity investments	Other investments	Other assets	Other liabilities
Fair value September 30, 2012	$553	$29	$6	$5,850	$249	$123,559	$110,193	$336,927	$4,092	$—	$ (98)
Total gains (losses) for the period:											
Included in earnings	—	(4)	5	(51)	(335)	32	1,164	66,421 (1)	53	—	—
Included in other comprehensive income	—	—	—	—	533	11,289	2,649	—	—	—	—
Purchases,and contributions	—	—	44	3,210	—	—	25	10,653	—	—	—
Sales	(553)	—	(36)	(2,008)	—	—	—	—	(50)	—	—
Redemptions by issuer	—	—	—	—	—	(250)	(8,012)	—	—	—	—
Distributions	—	(8)	—	(1,263)	(27)	—	—	(16,286)	(113)	—	—
Transfers: (2)											
Into Level 3	—	—	2	—	—	—	—	—	—	15	—
Out of Level 3	—	—	—	(15)	—	—	—	—	—	—	—
Fair value March 31, 2013	$—	$17	$21	$5,723	$420	$134,630	$106,019	$397,715	$3,982	$15	$ (98)
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	$—	$18	$3	$(51)	$(335)	$11,289	$2,649	$66,421 (1)	$143	$—	$ —

(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 $22.1 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 $44.3 million.

On March 8, 2013, a private equity partnership in which we held an interest entered into the Albion Sale Agreement. The sale transaction closed on April 29, 2013. Of the totals presented, $65.3 million of the gain (before consideration of the noncontrolling interests) for the six month period ended March 31, 2013 results from the increase in our fair value estimate resulting from terms of the Albion Sale Agreement, and $21.8 million is the impact on net income attributable to RJF (after consideration of the noncontrolling interests) in such period.

(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 March 31, 2014, 8.7% of our assets and 3% 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 March 31, 2014 represent 21% of our assets measured at fair value. In comparison, as of March 31, 2013, 11.6% and 3.6% 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 March 31, 2013 represented 25% of our assets measured at fair value. The balances of our level 3 assets have decreased compared to March 31, 2013 primarily as a result of the April 2013 sale of Albion, and the sale or redemption of a portion of our ARS portfolio, partially offset by valuation increases in the private equity portfolio. Level 3 instruments as a percentage of total financial instruments decreased by 4% as compared to March 31, 2013. Total financial instruments at March 31, 2014, primarily trading instruments, derivative instruments associated with offsetting matched book positions, and other investments which are not level 3 financial instruments have decreased as compared to March 31, 2013, impacting the calculation of Level 3 assets as a percentage of total financial instruments.

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Gains and losses included in earnings are presented in net trading profit and other revenues in our Condensed Consolidated Statements of Income and Comprehensive Income as follows:

For the three months ended March 31, 2014	Net trading profit	Other revenues
	(in thousands)	
Total (losses) gains included in revenues	$(27)	$1,503
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(27)	$180

For the six months ended March 31, 2014	Net trading profit	Other revenues
	(in thousands)	
Total (losses) gains included in revenues	$(197)	$7,655
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(177)	$7,548

For the three months ended March 31, 2013	Net trading profit	Other revenues
	(in thousands)	
Total (losses) gains included in revenues	$(16)	$63,059
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(19)	$65,455

For the six months ended March 31, 2013	Net trading profit	Other revenues
	(in thousands)	
Total (losses) gains included in revenues	$(50)	$67,335
Change in unrealized (losses) gains for assets held at the end of the reporting period	$(30)	$80,167

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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 March 31, 2014 (in thousands)	Valuation technique(s)	Unobservable input	Range (weighted-average)
Recurring measurements:				
Available for sale securities:				
ARS:				
Municipals	$109,960	Discounted cash flow	Average discount rate(a)	3.15% - 7.64% (5.53%)
			Average interest rates applicable to future interest income on the securities(b)	1.08% - 6.91% (3.67%)
			Prepayment year(c)	2016 - 2023 (2020)
Preferred securities	$112,215	Discounted cash flow	Average discount rate(a)	3.3% - 5.21% (4.42%)
			Average interest rates applicable to future interest income on the securities(b)	1.61% - 2.92% (2.22%)
			Prepayment year(c)	2014 - 2018 (2018)
Private equity investments:	$37,849	Income or market approach:		
		Scenario 1 - income approach - discounted cash flow	Discount rate(a)	14% - 15% (14%)
			Terminal growth rate of cash flows	3% - 3% (3%)
			Terminal year	2014 - 2015 (2014)
		Scenario 2 - market approach - market multiple method	EBITDA Multiple(d)	4.75 - 7.00 (5.39)
			Projected EBITDA growth(e)	16.3% - 16.3% (16.3%)
			Weighting assigned to outcome of scenario 1/scenario 2	86%/14%
	$153,552	Transaction price or other investment-specific events(f)	Not meaningful(f)	Not meaningful(f)
Nonrecurring measurements:				
Impaired loans: residential	$26,165	Discounted cash flow	Prepayment rate	7 - 12 yrs. (10.35 yrs.)
Impaired loans: corporate	$24,324	Appraisal, discounted cash flow, or distressed	Not meaningful(g)	Not meaningful(g)

enterprise value[(g)]

The text of the footnotes in the above table are on the following page.

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The text of the footnotes to the table on the previous page are as follows:

(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 curve, 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) Represents the projected growth in earnings before interest, taxes, depreciation and amortization ("EBITDA") utilized in the valuation as compared to the prior periods reported EBITDA.

(f) Certain direct 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.

(g) The valuation techniques used for the impaired corporate loan portfolio as of March 31, 2014 were appraisals less selling costs for the collateral dependent loans, and either discounted cash flows or distressed enterprise value for the remaining impaired loans that are not collateral dependent.

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.

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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 March 31, 2014, 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 136 - 137 of our 2013 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.

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) (in thousands)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total estimated fair value	Carrying amount
March 31, 2014					
Financial assets:					
Bank loans, net[1]	$—	$118,261	$9,743,929	$9,862,190	$9,942,043
Financial liabilities:					
Bank deposits	$—	$10,087,853	$330,764	$10,418,617	$10,414,804
Other borrowings	$—	$78,517	$—	$78,517	$78,517
Corporate debt	$365,400	$956,988	$—	$1,322,388	$1,192,699
September 30, 2013					
Financial assets:					
Bank loans, net[1]	$—	$83,012	$8,614,755	$8,697,767	$8,700,027
Financial liabilities:					
Bank deposits	$—	$8,981,996	$320,196	$9,302,192	$9,295,371
Other borrowings	$—	$84,076	$—	$84,076	$84,076
Corporate debt	$352,520	$951,628	$—	$1,304,148	$1,194,508

(1) Excludes all impaired loans and loans held for sale which have been recorded at fair value in the Condensed Consolidated Statement of Financial Condition at March 31, 2014 and September 30, 2013, respectively.

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

	March 31, 2014		September 30, 2013	
	Trading instruments	Instruments sold but not yet purchased	Trading instruments	Instruments sold but not yet purchased
	(in thousands)			
Municipal and provincial obligations	$171,229	$7,688	$202,826	$1,777
Corporate obligations	67,298	22,973	60,406	9,111
Government and agency obligations	60,832	147,663	113,396	169,816
Agency MBS and CMOs	150,564	2,186	93,149	3,068
Non-agency CMOs and ABS	37,705	—	16,971	—
Total debt securities	487,628	180,510	486,748	183,772
Derivative contracts (1)	24,669	5,828	28,109	5,641
Equity securities	61,238	14,120	53,015	31,243
Corporate loans	33,074	—	—	—
Other	41,145	—	11,833	—
Total	$647,754	$200,458	$579,705	$220,656

(1) Represents the derivative contracts held for trading purposes. These balances do not include all derivative instruments since the derivative instruments associated with offsetting matched book positions are included on their own line item on our Condensed Consolidated Statements of Financial Condition. See Note 13 for further information regarding all of our derivative transactions, and see Note 14 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.

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 108 - 110 of our 2013 Form 10-K.

During the six months ended March 31, 2014, certain ARS were redeemed by their issuer or sold in market transactions. Such transactions resulted in aggregate proceeds of $27.8 million and a gain of $5.6 million in the six months ended March 31, 2014, which is recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income. During the six months ended March 31, 2013, ARS with an aggregate par value of approximately $8.3 million were redeemed by their issuer at par, or sold at amounts approximating their par value pursuant to tender offers, resulting in a gain of $1.2 million, which is recorded in other revenues on our Condensed Consolidated Statements of Income and Comprehensive Income.

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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)			
March 31, 2014				
Available for sale securities:				
Agency MBS and CMOs	$297,575	$570	$(1,436)	$296,709
Non-agency CMOs [1]	133,977	138	(8,514)	125,601
Other securities	1,575	509	—	2,084
Total RJ Bank available for sale securities	433,127	1,217	(9,950)	424,394
Auction rate securities:				
Municipal obligations	103,459	7,461	(960)	109,960
Preferred securities	104,527	7,688	—	112,215
Total auction rate securities	207,986	15,149	(960)	222,175
Total available for sale securities	$641,113	$16,366	$(10,910)	$646,569
September 30, 2013				
Available for sale securities:				
Agency MBS and CMOs	$326,858	$707	$(1,536)	$326,029
Non-agency CMOs [2]	142,169	4	(13,152)	129,021
Other securities	1,575	501	—	2,076
Total RJ Bank available for sale securities	470,602	1,212	(14,688)	457,126
Auction rate securities:				
Municipal obligations	125,371	6,831	(1,268)	130,934
Preferred securities	104,808	5,976	—	110,784
Total auction rate securities	230,179	12,807	(1,268)	241,718
Total available for sale securities	$700,781	$14,019	$(15,956)	$698,844

(1) As of March 31, 2014, the non-credit portion of other-than-temporary impairment (“OTTI”) recorded in AOCI was $7.1 million (before taxes).

(2) As of September 30, 2013, the non-credit portion of OTTI recorded in AOCI was $11.1 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 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.

	March 31, 2014				
	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	$—	$9,588	$17,284	$270,703	$297,575
Carrying value	—	9,615	17,366	269,728	296,709
Weighted-average yield	—	0.21 %	0.24 %	1.00 %	0.93 %
Non-agency CMOs:					
Amortized cost	$—	$—	$—	$133,977	$133,977
Carrying value	—	—	—	125,601	125,601
Weighted-average yield	—	—	—	2.50 %	2.50 %
Other securities:					
Amortized cost	$—	$—	$—	$1,575	$1,575
Carrying value	—	—	—	2,084	2,084
Weighted-average yield	—	—	—	—	—
Sub-total agency MBS & CMOs, non-agency CMOs, and other securities:					
Amortized cost	$—	$9,588	$17,284	$406,255	$433,127
Carrying value	—	9,615	17,366	397,413	424,394
Weighted-average yield	—	0.21 %	0.24 %	1.47 %	1.39 %
Auction rate securities:					
Municipal obligations					
Amortized cost	$—	$1,925	$6,600	$94,934	$103,459
Carrying value	—	1,973	6,302	101,685	109,960
Weighted-average yield	—	0.19 %	0.27 %	0.38 %	0.37 %
Preferred securities:					
Amortized cost	$—	$—	$—	$104,527	$104,527
Carrying value	—	—	—	112,215	112,215
Weighted-average yield	—	—	—	0.24 %	0.24 %
Sub-total auction rate securities:					
Amortized cost	$—	$1,925	$6,600	$199,461	$207,986
Carrying value	—	1,973	6,302	213,900	222,175
Weighted-average yield	—	0.19 %	0.27 %	0.31 %	0.31 %

Total available for sale securities:					
Amortized cost	$—	$11,513	$23,884	$605,716	$641,113
Carrying value	—	11,588	23,668	611,313	646,569
Weighted-average yield	—	0.21 %	0.25 %	1.07 %	1.02 %

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The gross unrealized losses and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position, are as follows:

	March 31, 2014					
	Less than 12 months		12 months or more		Total	
	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses	Estimated fair value	Unrealized losses