OPPENHEIMER HOLDINGS INC
Form 10-Q
April 26, 2019

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, 2019
OR
o 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 1-12043

OPPENHEIMER HOLDINGS INC.
(Exact name of registrant as specified in its charter)

Delaware	98-0080034
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

85 Broad Street
New York, NY 10004
(Address of principal executive offices) (Zip Code)

(212) 668-8000
(Registrant's telephone number, including area code)
(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 o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes x No o

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

Large accelerated filer	o	Accelerated filer	x
Non-accelerated filer	o	Smaller reporting company	o
Emerging growth company	o		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The number of shares of the Company's Class A non-voting common stock and Class B voting common stock (being the only classes of common stock of the Company) outstanding on April 26, 2019 was 12,923,517 and 99,665 shares, respectively.

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

(Expressed in thousands, except number of shares and per share amounts)	March 31, 2019	December 31, 2018
ASSETS		
Cash and cash equivalents	$83,073	$90,675
Deposits with clearing organizations	55,069	67,678
Receivable from brokers, dealers and clearing organizations	180,221	166,493
Receivable from customers, net of allowance for credit losses of $898 ($886 in 2018)	753,625	720,777
Income tax receivable	—	1,014
Securities purchased under agreements to resell	589	290
Securities owned, including amounts pledged of $390,832 ($517,951 in 2018), at fair value	911,468	837,584
Notes receivable, net of accumulated amortization and allowance for uncollectibles of $24,548 and $6,841 respectively ($25,109 and $6,800, respectively, in 2018)	43,921	44,058
Furniture, equipment and leasehold improvements, net of accumulated depreciation of $90,974 ($89,182 in 2018)	30,728	28,988
Right-of-use lease assets, net of accumulated amortization of $6,797	171,224	—
Goodwill	137,889	137,889
Intangible assets	32,100	32,100
Other assets	127,657	112,768
Total assets	$2,527,564	$2,240,314
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Drafts payable	$13,533	$16,348
Bank call loans	—	15,000
Payable to brokers, dealers and clearing organizations	634,333	289,207
Payable to customers	334,376	336,616
Securities sold under agreements to repurchase	268,621	484,218
Securities sold but not yet purchased, at fair value	137,286	85,446
Accrued compensation	106,869	167,348
Income tax payable	1,162	—
Accounts payable and other liabilities	48,862	87,630
Lease liabilities	212,970	—
Senior secured notes, net of debt issuance costs of $840 ($904 in 2018)	199,160	199,096
Deferred tax liabilities, net of deferred tax assets of $42,309 ($41,722 in 2018)	15,905	14,083
Total liabilities	1,973,077	1,694,992
Commitments and contingencies (note 12)		
Stockholders' equity		
Share capital		
Class A non-voting common stock, par value $0.001 per share, 50,000,000 shares authorized, 12,923,517 and 12,941,809 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively	52,386	53,259
Class B voting common stock, par value $0.001 per share, 99,665 shares authorized, issued and outstanding as of March 31, 2019 and December 31, 2018	133	133
	52,519	53,392

Contributed capital	41,489	41,776
Retained earnings	459,751	449,989
Accumulated other comprehensive income	728	165
Total stockholders' equity	554,487	545,322
Total liabilities and stockholders' equity	$2,527,564	$2,240,314

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in thousands, except number of shares and per share amounts)	2019	2018
REVENUE		
Commissions	$79,409	$ 83,407
Advisory fees	73,647	77,548
Investment banking	28,043	28,210
Bank deposit sweep income	33,968	25,297
Interest	12,727	12,227
Principal transactions, net	11,438	2,726
Other	12,538	5,115
Total revenue	251,770	234,530
EXPENSES		
Compensation and related expenses	160,355	153,104
Communications and technology	20,086	18,688
Occupancy and equipment costs	15,273	15,428
Clearing and exchange fees	5,332	6,096
Interest	12,986	8,963
Other	21,686	22,630
Total expenses	235,718	224,909
Income before income taxes	16,052	9,621
Income taxes	4,858	2,916
Net income	$11,194	$ 6,705
Net income per share		
Basic	$0.86	$ 0.51
Diluted	$0.81	$ 0.48
Weighted average shares		
Basic	13,020,344	13,239,628
Diluted	13,851,321	13,977,492

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in thousands)	2019	2018
Net income	$11,194	$6,705
Other comprehensive income (loss), net of tax		
Currency translation adjustment	563	(142)
Comprehensive income	$11,757	$6,563

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in thousands)	2019	2018
Share capital		
Balance at beginning of period	$53,392	$58,492
Issuance of Class A non-voting common stock	1,162	37
Repurchase of Class A non-voting common stock for cancellation	(2,035)	—
Balance at end of period	52,519	58,529
Contributed capital		
Balance at beginning of period	41,776	36,546
Share-based expense	1,889	1,509
Vested employee share plan awards	(2,176)	(59)
Balance at end of period	41,489	37,996
Retained earnings		
Balance at beginning of period	449,989	427,295
Net income	11,194	6,705
Dividends paid ($0.11 per share)	(1,432)	(1,456)
Balance at end of period	459,751	432,544
Accumulated other comprehensive income		
Balance at beginning of period	165	1,582
Currency translation adjustment	563	(142)
Balance at end of period	728	1,440
Total stockholders' equity	$554,487	$530,509

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
FOR THE THREE MONTHS ENDED MARCH 31,

(Expressed in thousands)	2019	2018
Cash flows from operating activities		
Net income	$11,194	$6,705
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Non-cash items included in net income:		
Depreciation and amortization of furniture, equipment and leasehold improvements	1,708	1,542
Deferred income taxes	1,894	3,043
Amortization of notes receivable	3,388	3,205
Amortization of debt issuance costs	64	65
Provision for credit losses	12	40
Share-based compensation	3,042	1,484
Decrease (increase) in operating assets:		
Deposits with clearing organizations	12,609	(28,716)
Receivable from brokers, dealers and clearing organizations	(13,728)	15,985
Receivable from customers	(32,860)	(33,755)
Income tax receivable	1,014	(193)
Securities purchased under agreements to resell	(299)	658
Securities owned	(73,884)	(73,030)
Notes receivable	(3,251)	(5,071)
Other assets	(14,326)	21,395
Increase (decrease) in operating liabilities:		
Drafts payable	(2,815)	(21,419)
Payable to brokers, dealers and clearing organizations	345,126	43,643
Payable to customers	(2,240)	59,178
Income taxes payable	1,162	—
Securities sold under agreements to repurchase	(215,597)	(10,461)
Securities sold but not yet purchased	51,840	53,400
Accrued compensation	(61,633)	(69,340)
Accounts payable and other liabilities	2,907	4,099
Cash provided by (used in) operating activities	15,327	(27,543)
Cash flows from investing activities		
Purchase of furniture, equipment and leasehold improvements	(3,448)	(2,696)
Purchase of intangible assets	—	(400)
Cash used in investing activities	(3,448)	(3,096)
Cash flows from financing activities		
Cash dividends paid on Class A non-voting and Class B voting common stock	(1,432)	(1,456)
Repurchase of Class A non-voting common stock for cancellation	(2,035)	—
Payments for employee taxes withheld related to vested share-based awards	(1,014)	(2,444)
(Decrease) increase in bank call loans, net	(15,000)	29,100
Cash (used in) provided by financing activities	(19,481)	25,200
Net decrease in cash and cash equivalents	(7,602)	(5,439)
Cash and cash equivalents, beginning of period	90,675	48,154
Cash and cash equivalents, end of period	$83,073	$42,715

Schedule of non-cash financing activities		
Employee share plan issuance	$1,706	$37

Supplemental disclosure of cash flow information		
Cash paid during the period for interest	$9,385	$12,578
Cash paid during the period for income taxes, net	$792	$100

The accompanying notes are an integral part of these condensed consolidated financial statements.

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

1. Organization

Oppenheimer Holdings Inc. ("OPY" or the "Parent") is incorporated under the laws of the State of Delaware. The condensed consolidated financial statements include the accounts of OPY and its consolidated subsidiaries (together, the "Company" or "we"). The Company engages in a broad range of activities in the financial services industry, including retail securities brokerage, institutional sales and trading, market-making, research, investment banking (both corporate and public finance), investment advisory and asset management services and trust services.

The Company has 94 retail branch offices in the United States and has institutional businesses located in London, Tel Aviv, and Hong Kong. The principal subsidiaries of OPY are Oppenheimer & Co. Inc. ("Oppenheimer"), a registered broker-dealer in securities and investment adviser under the Investment Advisers Act of 1940; Oppenheimer Asset Management Inc. ("OAM") and its wholly-owned subsidiary, Oppenheimer Investment Management LLC, both registered investment advisers under the Investment Advisers Act of 1940; Oppenheimer Trust Company of Delaware ("Oppenheimer Trust"), a limited purpose trust company that provides fiduciary services such as trust and estate administration and investment management; OPY Credit Corp., which offers syndication as well as trading of issued corporate loans; Oppenheimer Europe Ltd., based in the United Kingdom, with offices in the Isle of Jersey, Germany and Switzerland, which provides institutional equities and fixed income brokerage and corporate finance and is regulated by the Financial Conduct Authority; Oppenheimer Investments Asia Limited, based in Hong Kong, China, which provides fixed income and equities brokerage services to institutional investors and is regulated by the Securities and Futures Commission; and Oppenheimer Multifamily Housing & Healthcare Finance, Inc. ("OMHHF"), which was formerly engaged in Federal Housing Administration ("FHA")-insured commercial mortgage origination and servicing. During 2016, the Company sold substantially all of the assets of OMHHF and ceased its operations. Oppenheimer owns Freedom Investments, Inc. ("Freedom"), a registered broker dealer in securities, which provides discount brokerage services, and Oppenheimer Israel (OPCO) Ltd., which is engaged in offering investment services in the State of Israel. Oppenheimer holds a trading permit on the New York Stock Exchange and is a member of several other regional exchanges in the United States.

2. Summary of significant accounting policies and estimates

Basis of Presentation

The accompanying condensed consolidated financial statements of the Company have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America ("U.S. GAAP") for complete financial statements and should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 (the "Form 10-K"). The accompanying condensed consolidated balance sheet data was derived from the audited consolidated financial statements, but does not include all disclosures required by U.S. GAAP for annual financial statement purposes. The accompanying condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods presented. Preparing financial statements requires management to make estimates and assumptions that affect the amounts that are reported in the financial statements and the accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions that the Company may undertake in the future, actual results may differ materially from the estimates. The condensed consolidated results of operations for the three month period ended March 31, 2019 are not necessarily indicative of the results to be expected for any future interim or annual period.

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Recently Issued Accounting Pronouncements
In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, "Measurement of Credit Losses on Financial Instruments," which amends the FASB's guidance on the impairment of financial instruments. The ASU adds to U.S. GAAP an impairment model ("current expected credit loss model"). Under this new guidance, an entity recognizes as an allowance its estimate of expected credit losses. The ASU is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact, if any, that the ASU will have on the Company; the adoption of the ASU is not currently expected to have a material impact on its condensed consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other, Simplifying the Test for Goodwill Impairment," which simplifies the subsequent measurement of goodwill. The Company is no longer required to perform its Step 2 goodwill impairment test; instead, the Company should perform its annual or interim goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The ASU is effective for fiscal years beginning after December 15, 2019 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact, if any, of the ASU on the Company; the adoption of the ASU is not currently expected to have a material impact on its condensed consolidated financial statements.
In August 2018, the FASB issued ASU 2018-13, "Fair Value Measurement - Disclosure Framework - Changes to the Disclosure Requirements for the Fair Value Measurement," which modifies the disclosure requirements related to fair value measurement. The ASU is effective for fiscal years and interim periods beginning after December 15, 2019 and early adoption is permitted. The Company will not early adopt this ASU. The Company is currently evaluating the impact, if any, of the ASU on the Company's disclosure.

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3. Leases

In the first quarter of 2019, the Company adopted ASU 2016-02, "Leases". The ASU requires the recognition of a right-of use asset and lease liability on the consolidated balance sheet by lessees for those leases classified as operating leases under previous guidance. The Company elected the modified retrospective method which did not result in a cumulative-effect adjustment at the date of adoption.

The Company and its subsidiaries have operating leases for office space and equipment expiring at various dates through 2034. The Company leases its corporate headquarters at 85 Broad Street, New York, New York which houses their executive management team and many administrative functions for the firm as well as their research, trading, investment banking, and asset management divisions and an office in Troy, Michigan, which among other things, houses its payroll and human resources departments. In addition, the Company has 94 retail branch offices in the United States as well as offices in London, England, St. Helier, Jersey, Geneva, Switzerland, Frankfurt, Germany, Tel Aviv, Israel and Hong Kong, China.

The majority of the leases are held by the Company's subsidiary, Viner Finance Inc., which is a consolidated subsidiary and 100% owned by the Company.

Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Company recognizes lease expense for these leases on a straight-line basis over the lease term. Most leases include an option to renew and the exercise of lease renewal options is at our sole discretion. The Company did not include the renewal options as part of the right of use assets and liabilities.

The depreciable life of assets and leasehold improvements is limited by the expected lease term. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of March 31, 2019, the Company has right of use operating lease assets of 171.2 million (net of accumulated amortization of $6.8 million) which are comprised of real estate leases of $168.2 million (net of accumulated amortization of $6.3 million) and equipment leases of $3.0 million (net of accumulated amortization of $465,000). As of March 31, 2019, the Company has operating lease liabilities of 213.0 million which are comprised of real estate lease liabilities of $210.0 million and equipment lease liabilities of $3.0 million. As of March 31, 2019, the Company has not made any cash payments for amounts included in the measurement of operating lease liabilities or right of use assets obtained in exchange for operating lease obligations. The Company has no finance leases or embedded leases as of March 31, 2019.

As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company used the incremental borrowing rate on January 1, 2019 for operating leases that commenced prior to that date. The Company used the incremental borrowing rate as of the lease commencement date for the operating leases commenced subsequent to January 1, 2019.

The following table presents the weighted average lease term and weighted average discount rate for our operating leases as of March 31, 2019:

	As of March 31, 2019
Weighted average remaining lease term (years)	8.76
Weighted average discount rate	7.94%

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

The following table presents operating lease costs recognized for the three months ended March 31, 2019 which are included in occupancy and equipment costs on the condensed consolidated income statement:

(Expressed in thousands)	For the Three Months Ended March 31, 2019
Operating lease cost:	
Real estate leases - Right-of-use lease asset amortization	$ 6,332
Real estate leases - Interest expense	3,443
Equipment leases - Right-of-use lease asset amortization	465
Equipment leases - Interest expense	57

The maturities of lease liabilities as of March 31, 2019 are as follows:

(Expressed in thousands)	As of March 31, 2019
2019	$30,178
2020	40,151
2021	35,049
2022	31,503
2023	29,766
After 2024	134,299
Total lease payments	$300,946
Less interest	(87,976)
Present value of lease liabilities	$212,970

As of March 31, 2019, the Company has additional operating leases that have not yet commenced of $11.9 million. These operating leases will commence between April 1, 2019 and December 31, 2019 with lease terms of 2 years to 13 years.

In November 2016, the SEC issued a no action letter related to the treatment of operating leases under SEC Rule 15c3-1 (the “Rule”) in the context of the adoption of ASU 2016-2, “Leases” which provided relief, if certain conditions are met, to broker-dealers in the net capital treatment of operating lease assets which would otherwise be treated as a non-allowable assets. The application of this guidance resulted in no additional charges to net capital for operating leases during the first quarter of 2019.

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

4. Revenues from contracts with customers

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

The Company earns revenue from contracts with customers and other sources (principal transactions, interest and other). The following provides detailed information on the recognition of the Company's revenue from contracts with customers:

Commissions

Commissions from Sales and Trading — The Company earns commission revenue by executing, settling and clearing transactions with clients primarily in exchange-traded and over-the-counter corporate equity and debt securities, money market instruments and exchange-traded options and futures contracts. A substantial portion of Company's revenue is derived from commissions from private clients through accounts with transaction-based pricing. Trade execution and clearing services, when provided together, represent a single performance obligation as the services are not separately identifiable in the context of the contract. Commission revenue associated with combined trade execution and clearing services, as well as trade execution services on a standalone basis, is recognized at a point in time on trade date when the performance obligation is satisfied. Commission revenue is generally paid on settlement date, which is generally two business days after trade date for equity securities and corporate bond transactions and one day for government securities and commodities transactions. The Company records a receivable on the trade date and receives a payment on settlement date.

Mutual Fund Income — The Company earns mutual fund income for sales and distribution of mutual fund shares. Many mutual fund companies pay distribution fees to intermediaries, such as broker-dealers, for selling their shares. The fees are operational expenses of the mutual fund and are included in its expense ratio. The Company recognizes mutual fund income at a point in time on trade date when the performance obligation is satisfied which is when the mutual fund interest is sold to the investor. Mutual fund income is generally received within 90 days.

Advisory Fees

The Company earns management and performance (or incentive) fees in connection with the advisory and asset management services it provides to various types of funds and investment vehicles through its subsidiaries. Management fees are generally based on the account value at the valuation date per the respective asset management agreements and are recognized over time as the customer receives the benefits of the services evenly throughout the term of the contract. Performance fees are recognized when the return on client AUM exceeds a specified benchmark return or other performance targets over a 12-month measurement period. Performance fees are considered variable as they are subject to fluctuation and/or are contingent on a future event over the measurement period and are not subject to adjustment once the measurement period ends. Such fees are computed as of the fund's year-end when the measurement period ends and generally are recorded as earned in the fourth quarter of the Company's fiscal year. Both management and performance fees are generally received within 90 days.

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

Investment Banking
The Company earns underwriting revenues by providing capital raising solutions for corporate clients through initial public offerings, follow-on offerings, equity-linked offerings, private investments in public entities, and private placements. Underwriting revenues are recognized at a point in time on trade date, as the client obtains the control and benefit of the capital markets offering at that point. These fees are generally received within 90 days after the transactions are completed. Transaction-related expenses, primarily consisting of legal, travel and other costs directly associated with the transaction, are deferred and recognized in the same period as the related investment banking transaction revenue. Underwriting revenues and related expenses are presented gross on the condensed consolidated income statements.
Revenue from financial advisory services includes fees generated in connection with mergers, acquisitions and restructuring transactions and such revenue and fees are primarily recorded at a point in time when services for the transactions are completed and income is reasonably determinable, generally as set forth under the terms of the engagement. Payment for advisory services is generally due upon a completion of the transaction or milestone. Retainer fees and fees earned from certain advisory services are recognized ratably over the service period as the customer receives the benefit of the services throughout the term of the contracts, and such fees are collected based on the terms of the contracts.
Bank Deposit Sweep Income
Bank deposit sweep income consists of revenue earned from the FDIC-insured bank deposit program. Under this program, client funds are swept into deposit accounts at participating banks and are eligible for FDIC deposit insurance up to FDIC standard maximum deposit insurance amounts. Fees are earned over time and are generally received within 30 days.

Disaggregation of Revenue
The following presents the Company's revenue from contracts with customers disaggregated by major business activity and other sources of revenue for the three months ended March 31, 2019:
(Expressed in thousands)

	Reportable Segments				
	Private Client	Asset Management	Capital Markets	Corporate/Other	Total
Revenues from contracts with customers:					
Commissions from sales and trading	$37,477	$ —	$32,316	$ 2	$69,795
Mutual fund income	9,614	(6)	1	5	9,614
Advisory fees	57,044	16,589	5	9	73,647
Investment banking - capital markets	2,749	—	8,593	—	11,342
Investment banking - advisory	—	—	16,701	—	16,701
Bank deposit sweep income	33,968	—	—	—	33,968
Other	3,278	—	319	256	3,853
Total revenues from contracts with customers	144,130	16,583	57,935	272	218,920

Other sources of revenue:					
Interest	9,408	—	2,835	484	12,727
Principal transactions, net	1,684	—	10,157	(403)	11,438
Other	8,305	3	34	343	8,685
Total other sources of revenue	19,397	3	13,026	424	32,850
Total revenue	$163,527	$ 16,586	$70,961	$ 696	$251,770

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

Contract Balances

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. The Company records receivables when revenue is recognized prior to payment and it has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the performance obligations are satisfied.

The Company had receivables related to revenue from contracts with customers of $26.2 million and $23.7 million at March 31, 2019 and January 1, 2019, respectively. The Company had no significant impairments related to these receivables during the three months ended March 31, 2019.

Deferred revenue relates to IRA fees received annually in advance on customer's IRA accounts managed by the Company and the retainer fees and fees earned from certain advisory transactions where the performance obligations have not yet been satisfied. Total deferred revenue was $2.4 million and $318,000 at March 31, 2019 and January 1, 2019, respectively.

The following presents the Company's contract assets and deferred revenue balances from contracts with customers, which are included in other assets and other liabilities, respectively, on the condensed consolidated balance sheet:

(Expressed in thousands)

	Ending Balance at March 31, 2019	Opening Balance at January 1, 2019
Contract assets (receivables):		
Commission (1)	$3,201	$3,738
Mutual fund income (2)	6,674	7,241
Advisory fees (3)	863	1,214
Bank deposit sweep income (4)	4,521	4,622
Investment banking fees (5)	7,610	3,996
Other	3,341	2,869
Total contract assets	$26,210	$23,680
Deferred revenue (payables):		
Investment banking fees (6)	$415	$318
IRA fees	2,000	—
Total deferred revenue	$2,415	$318

(1) Commission recorded on trade date but not yet settled.
(2) Mutual fund income earned but not yet received.
(3) Management and performance fees earned but not yet received.
(4) Fees earned from FDIC-insured bank deposit program but not yet received.
(5) Underwriting revenue and advisory fees earned but not yet received.

(6) Retainer fees and fees earned from certain advisory transactions where the performance obligations have not yet been satisfied.

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OPPENHEIMER HOLDINGS INC.
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5. Earnings per share

Basic earnings per share is computed by dividing net income attributable to Oppenheimer Holdings Inc. by the weighted average number of shares of Class A non-voting common stock ("Class A Stock") and Class B voting common stock ("Class B Stock") outstanding. Diluted earnings per share includes the weighted average number of shares of Class A Stock and Class B Stock outstanding and options to purchase Class A Stock and unvested restricted stock awards of Class A Stock using the treasury stock method.

Earnings per share have been calculated as follows:

(Expressed in thousands, except number of shares and per share amounts)

	For the Three Months Ended March 31,	
	2019	2018
Basic weighted average number of shares outstanding	13,020,344	13,239,628
Net dilutive effect of share-based awards, treasury method [1]	830,977	737,864
Diluted weighted average number of shares outstanding	13,851,321	13,977,492
Net income	$11,194	$ 6,705
Net income per share		
Basic	$0.86	$ 0.51
Diluted	$0.81	$ 0.48

(1) For the three months ended March 31, 2019, the diluted net income per share computation does not include the anti-dilutive effect of 7,628 shares of Class A Stock granted under share-based compensation arrangements (4,050 shares for three months ended March 31, 2018).

6. Receivable from and payable to brokers, dealers and clearing organizations

(Expressed in thousands)

	As of March 31, 2019	December 31, 2018
Receivable from brokers, dealers and clearing organizations consists of:		
Securities borrowed	$109,712	$ 108,144
Receivable from brokers	17,438	20,140
Securities failed to deliver	23,524	7,021

Clearing organizations	27,874	28,777
Other	1,673	2,411
Total	$180,221	$ 166,493
Payable to brokers, dealers and clearing organizations consists of:		
Securities loaned	$232,370	$ 146,815
Payable to brokers	2,256	158
Securities failed to receive	30,064	27,799
Other	369,643	114,435
Total	$634,333	$ 289,207

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7. Fair value measurements

Securities owned, securities sold but not yet purchased, investments and derivative contracts are carried at fair value with changes in fair value recognized in earnings each period.

Valuation Techniques

A description of the valuation techniques applied and inputs used in measuring the fair value of the Company's financial instruments is as follows:

U.S. Government Obligations

U.S. Treasury securities are valued using quoted market prices obtained from active market makers and inter-dealer brokers.

U.S. Agency Obligations

U.S. agency securities consist of agency issued debt securities and mortgage pass-through securities. Non-callable agency issued debt securities are generally valued using quoted market prices. Callable agency issued debt securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. The fair value of mortgage pass-through securities are model driven with respect to spreads of the comparable to-be-announced ("TBA") security.

Sovereign Obligations

The fair value of sovereign obligations is determined based on quoted market prices when available or a valuation model that generally utilizes interest rate yield curves and credit spreads as inputs.

Corporate Debt and Other Obligations

The fair value of corporate bonds is estimated using recent transactions, broker quotations and bond spread information.

Mortgage and Other Asset-Backed Securities

The Company values non-agency securities collateralized by home equity and various other types of collateral based on external pricing and spread data provided by independent pricing services. When specific external pricing is not observable, the valuation is based on yields and spreads for comparable bonds.

Municipal Obligations

The fair value of municipal obligations is estimated using recently executed transactions, broker quotations, and bond spread information.

Convertible Bonds

The fair value of convertible bonds is estimated using recently executed transactions and dollar-neutral price quotations, where observable. When observable price quotations are not available, fair value is determined based on cash flow models using yield curves and bond spreads as key inputs.

Corporate Equities

Equity securities and options are generally valued based on quoted prices from the exchange or market where traded. To the extent quoted prices are not available, fair values are generally derived using bid/ask spreads.

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Auction Rate Securities ("ARS")
In February 2010, Oppenheimer finalized settlements with each of the New York Attorney General's office ("NYAG") and the Massachusetts Securities Division ("MSD" and, together with the NYAG, the "Regulators") concluding investigations and administrative proceedings by the Regulators concerning Oppenheimer's marketing and sale of ARS. Pursuant to the settlements with the Regulators, Oppenheimer agreed to extend offers to repurchase ARS from certain of its clients subject to certain terms and conditions more fully described below. As of March 31, 2019, the Company had no outstanding ARS purchase commitments related to the settlements with the Regulators. In addition to the settlements with the Regulators, Oppenheimer has also reached settlements of and received adverse awards in legal proceedings with various clients where the Company is obligated to purchase ARS. Pursuant to completed Purchase Offers (as defined) under the settlements with the Regulators and client-related legal settlements and awards to purchase ARS, as of March 31, 2019, the Company purchased and holds (net of redemptions) approximately $40.7 million in ARS from its clients. Eligible Investors for future buybacks under the settlements with the Regulators held approximately $7.0 million of ARS as of March 31, 2019. In addition, the Company is committed to purchase another $7.4 million in ARS from clients through 2020 under legal settlements and awards.
The ARS positions that the Company owns and is committed to purchase primarily represent auction rate preferred securities issued by closed-end funds and, to a lesser extent, municipal auction rate securities that are municipal bonds wrapped by municipal bond insurance and student loan auction rate securities that are asset-backed securities backed by student loans.
Interest rates on ARS typically reset through periodic auctions. Due to the auction mechanism and generally liquid markets, ARS have historically been classified as Level 1 of the fair value hierarchy. Beginning in February 2008, uncertainties in the credit markets resulted in substantially all of the ARS market experiencing failed auctions. Once the auctions failed, the ARS could no longer be valued using observable prices set in the auctions. The Company has used less observable determinants of the fair value of ARS, including the strength in the underlying credits, announced issuer redemptions, completed issuer redemptions, and announcements from issuers regarding their intentions with respect to their outstanding ARS. The Company has also developed an internal methodology to discount for the lack of liquidity and non-performance risk of the failed auctions. Due to liquidity problems associated with the ARS market, ARS that lack liquidity are setting their interest rates according to a maximum rate formula. For example, an auction rate preferred security maximum rate may be set at 200% of a short-term index such as LIBOR or U.S. Treasury yield. For fair value purposes, the Company has determined that the maximum spread would be an adequate risk premium to account for illiquidity in the market. Accordingly, the Company applies a spread to the short-term index for each asset class to derive the discount rate. The Company uses short-term U.S. Treasury yields as its benchmark short-term index. The risk of non-performance is typically reflected in the prices of ARS positions where the fair value is derived from recent trades in the secondary market.
The ARS purchase commitment, or derivative asset or liability, arises from both the settlements with the Regulators and legal settlements and awards. The ARS purchase commitment represents the difference between the principal value and the fair value of the ARS the Company is committed to purchase. The Company utilizes the same valuation methodology for the ARS purchase commitment as it does for the ARS it owns. Additionally, the present value of the future principal value of ARS purchase commitments under legal settlements and awards is used in the discounted

valuation model to reflect the time value of money over the period of time that the commitments are outstanding. The amount of the ARS purchase commitment only becomes determinable once the Company has met with its primary regulator and the NYAG and agreed upon a buyback amount, commenced the ARS buyback offer to clients, and received notice from its clients which ARS they are tendering. As a result, it is not possible to observe the current yields actually paid on the ARS until all of these events have happened which is typically very close to the time that the Company actually purchases the ARS. For ARS purchase commitments pursuant to legal settlements and awards, the criteria for purchasing ARS from clients is based on the nature of the settlement or award which will stipulate a time period and amount for each repurchase. The Company will not know which ARS will be tendered by the client until the stipulated time for repurchase is reached. Therefore, the Company uses the current yields of ARS owned in its discounted valuation model to determine a fair value of ARS purchase commitments. The Company also uses these current yields by asset class (i.e., auction rate preferred securities, municipal auction rate securities, and student loan auction rate securities) in its discounted valuation model to determine the fair value of ARS purchase commitments. In addition, the Company uses the discount rate and duration of ARS owned, by asset class, as a proxy for the duration of ARS purchase commitments.

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Additional information regarding the valuation technique and inputs for ARS used is as follows:

(Expressed in thousands)
Quantitative Information about ARS Level 3 Fair Value Measurements as of March 31, 2019

Product	Principal	Valuation Adjustment	Fair Value	Valuation Technique	Unobservable Input	Range	Weighted Average
Auction Rate Securities Owned [1]							
Auction Rate Preferred Securities	$21,350	$ —	$21,350	Discounted Cash Flow	Discount Rate [2]	2.63% to 3.58%	3.57%
					Duration	1 Year	1 Year
					Current Yield [3]	2.72% to 4.09%	4.07%
Auction Rate Preferred Securities	18,950	2,697	16,253	Tender Offer [7]	N/A	N/A	N/A
Municipal Auction Rate Securities	75	—	75	Discounted Cash Flow	Discount Rate [4]	3.96%	3.96%
					Duration	2 Years	2 Years
					Current Yield [3]	5.50%	5.50%
Student Loan Auction Rate Securities	275	—	275	Discounted Cash Flow	Discount Rate [5]	3.42%	3.42%
					Duration	4 Years	4 Years
					Current Yield [3]	3.95%	3.95%
	$40,650	$ 2,697	$37,953				
Auction Rate Securities Commitments to Purchase [6]							
Auction Rate Preferred Securities	7,429	1,114	6,315	Tender Offer [7]	N/A	N/A	N/A
	$7,429	$ 1,114	$6,315				
Total	$48,079	$ 3,811	$44,268				

(1) Principal amount represents the par value of the ARS and is included in Securities Owned on the condensed consolidated balance sheet as of March 31, 2019. The valuation adjustment amount is included as a reduction to Securities Owned on the condensed consolidated balance sheet as of March 31, 2019.
(2) Derived by applying a multiple to the spread of between 110% to 150% to the U.S. Treasury rate

of 2.60%.

(3) Based on current yields for ARS positions owned.

(4) Derived by applying a multiple to the spread of 175% to the U.S. Treasury rate of 2.49%.

(5) Derived by applying the sum of the spread of 1.20% to the U.S. Treasury rate of 2.48%.

(6) Principal amount represents the present value of the ARS par value that the Company is committed to purchase at a future date. This principal amount is presented as an off-balance sheet item. The valuation adjustment amount is included in Accounts Payable and Other Liabilities on the condensed consolidated balance sheet as of March 31, 2019.

(7) Residual ARS amounts owned and ARS commitments to purchase that were subject to tender offers were priced at the tender offer price. Included in Level 2 of the fair value hierarchy.

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The fair value of ARS and ARS purchase commitments is particularly sensitive to movements in interest rates. Increases in short-term interest rates would increase the discount rate input used in the ARS valuation and thus reduce the fair value of the ARS (increase the valuation adjustment). Conversely, decreases in short-term interest rates would decrease the discount rate and thus increase the fair value of ARS (decrease the valuation adjustment). However, an increase (decrease) in the discount rate input would be partially mitigated by an increase (decrease) in the current yield earned on the underlying ARS asset increasing the cash flows and thus the fair value. Furthermore, movements in short term interest rates would likely impact the ARS duration (i.e., sensitivity of the price to a change in interest rates), which would also have a mitigating effect on interest rate movements. For example, as interest rates increase, issuers of ARS have an incentive to redeem outstanding securities as servicing the interest payments gets prohibitively expensive which would lower the duration assumption thereby increasing the ARS fair value. Alternatively, ARS issuers are less likely to redeem ARS in a lower interest rate environment as it is a relatively inexpensive source of financing which would increase the duration assumption thereby decreasing the ARS fair value.

Due to the less observable nature of these inputs, ARS are primarily categorized in Level 3 of the fair value hierarchy. As of March 31, 2019, the Company had a valuation adjustment (unrealized loss) of $2.7 million for ARS owned which is included as a reduction to securities owned on the condensed consolidated balance sheet. As of March 31, 2019, the Company also had a valuation adjustment of $1.1 million on ARS purchase commitments from legal settlements and awards which is included in accounts payable and other liabilities on the condensed consolidated balance sheet. The total valuation adjustment was $3.8 million as of March 31, 2019. The valuation adjustment represents the difference between the principal value and the fair value of the ARS owned and ARS purchase commitments.

Investments

In its role as general partner in certain hedge funds and private equity funds, the Company, through its subsidiaries, holds direct investments in such funds. The Company uses the net asset value of the underlying fund as a basis for estimating the fair value of its investment.

The following table provides information about the Company's investments in Company-sponsored funds as of March 31, 2019:

(Expressed in thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds [1]	$ 1,647	$ —	Annually	30 - 120 Days
Private equity funds [2]	4,765	1,399	N/A	N/A
	$ 6,412	$ 1,399		

(1) Includes investments in hedge funds and hedge fund of funds that pursue long/short, event-driven, and activist strategies. Each hedge fund has various restrictions regarding redemption; no investment is locked-up for a period greater than one year.

(2) Includes private equity funds and private equity fund of funds with a focus on diversified portfolios, real estate and global natural resources. Due to the illiquid nature of these funds, investors are not

permitted to make withdrawals without the consent of the general partner. The lock-up period of the private equity funds can extend to 10 years.

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Valuation Process

The Company's Finance & Accounting ("F&A") group is responsible for the Company's fair value policies, processes and procedures. F&A is independent from the business units and trading desks and is headed by the Company's Chief Financial Officer ("CFO"), who has final authority over the valuation of the Company's financial instruments. The Finance Control Group ("FCG") within F&A is responsible for daily profit and loss reporting, front-end trading system position reconciliations, monthly profit and loss reporting, and independent price verification procedures.

For financial instruments categorized in Levels 1 and 2 of the fair value hierarchy, the FCG performs a monthly independent price verification to determine the reasonableness of the prices provided by the Company's independent pricing vendor. The FCG uses its third-party pricing vendor, executed transactions, and broker-dealer quotes for validating the fair values of financial instruments.

For financial instruments categorized in Level 3 of the fair value hierarchy measured on a recurring basis, primarily for ARS, a group comprised of the CFO, the Controller, and an Operations Director are responsible for the ARS valuation model and resulting fair valuations. Procedures performed include aggregating all ARS owned by type from firm inventory accounts and ARS purchase commitments from regulatory and legal settlements and awards provided by the Legal Department. Observable and unobservable inputs are aggregated from various sources and entered into the ARS valuation model. For unobservable inputs, the group reviews the appropriateness of the inputs to ensure consistency with how a market participant would arrive at the unobservable input. For example, for the duration assumption, the group would consider recent policy statements regarding short-term interest rates by the Federal Reserve and recent ARS issuer redemptions and announcements for future redemptions. The model output is reviewed for reasonableness and consistency. Where available, comparisons are performed between ARS owned or committed to purchase with ARS that are trading in the secondary market.

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Assets and Liabilities Measured at Fair Value
The Company's assets and liabilities, recorded at fair value on a recurring basis as of March 31, 2019 and December 31, 2018, have been categorized based upon the above fair value hierarchy as follows:
Assets and liabilities measured at fair value on a recurring basis as of March 31, 2019

(Expressed in thousands)

	Fair Value Measurements as of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$10,500	$—	$—	$10,500
Deposits with clearing organizations	30,340	—	—	30,340
Securities owned:				
U.S. Treasury securities	747,130	—	—	747,130
U.S. Agency securities	987	10,223	—	11,210
Sovereign obligations	—	305	—	305
Corporate debt and other obligations	—	7,921	—	7,921
Mortgage and other asset-backed securities	—	8,905	—	8,905
Municipal obligations	—	45,193	—	45,193
Convertible bonds	—	21,906	—	21,906
Corporate equities	27,795	—	—	27,795
Money markets	3,150	—	—	3,150
Auction rate securities	—	16,253	21,700	37,953
Securities owned, at fair value	779,062	110,706	21,700	911,468
Investments (1)	—	—	104	104
Total	$819,902	$110,706	$21,804	$952,412
Liabilities				
Securities sold but not yet purchased:				
U.S. Treasury securities	$108,527	$—	$—	$108,527
U.S. Agency securities	—	3	—	3
Sovereign obligations	—	240	—	240
Corporate debt and other obligations		5,324		5,324
Convertible bonds	—	9,218	—	9,218
Corporate equities	13,974	—	—	13,974
Securities sold but not yet purchased, at fair value	122,501	14,785	—	137,286
Derivative contracts:				
Futures	959	—	—	959
Foreign exchange forward contracts	2	—	—	2

TBAs	—	47	—	47
ARS purchase commitments	—	1,114	—	1,114
Derivative contracts, total	961	1,161	—	2,122
Total	$123,462	$15,946	$—	$139,408

(1) Included in other assets on the condensed consolidated balance sheet.

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OPPENHEIMER HOLDINGS INC.
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Assets and liabilities measured at fair value on a recurring basis as of December 31, 2018

(Expressed in thousands)

	Fair Value Measurements as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$10,500	$—	$—	$10,500
Deposits with clearing organizations	34,599	—	—	34,599
Securities owned:				
U.S. Treasury securities	657,208	—	—	657,208
U.S. Agency securities	812	6,494	—	7,306
Sovereign obligations	—	214	—	214
Corporate debt and other obligations	—	20,665	—	20,665
Mortgage and other asset-backed securities	—	2,486	—	2,486
Municipal obligations	—	52,261	—	52,261
Convertible bonds	—	31,270	—	31,270
Corporate equities	28,215	—	—	28,215
Money markets	7	—	—	7
Auction rate securities	—	16,253	21,699	37,952
Securities owned, at fair value	686,242	129,643	21,699	837,584
Investments (1)	—	—	101	101
Derivative contracts:				
TBAs	—	4,873	—	4,873
Total	$731,341	$134,516	$21,800	$887,657
Liabilities				
Securities sold but not yet purchased:				
U.S. Treasury securities	$53,646	$—	$—	$53,646
U.S. Agency securities	—	3	—	3
Sovereign obligations	—	78	—	78
Corporate debt and other obligations	—	7,236	—	7,236
Convertible bonds	—	9,709	—	9,709
Corporate equities	14,774	—	—	14,774
Securities sold but not yet purchased, at fair value	68,420	17,026	—	85,446
Derivative contracts:				
Futures	807	—	—	807
Foreign exchange forward contracts	4	—	—	4
TBAs	—	4,873	—	4,873

ARS purchase commitments	—	1,096	—	1,096
Derivative contracts, total	811	5,969	—	6,780
Total	$69,231	$22,995	$—	$92,226

(1) Included in other assets on the condensed consolidated balance sheet.

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The following tables present changes in Level 3 assets and liabilities measured at fair value on a recurring basis for the three months ended March 31, 2019 and 2018:

(Expressed in thousands)

	Level 3 Assets and Liabilities For the Three Months Ended March 31, 2019					
	Beginning Balance	Total Realized and Unrealized Gains (2)(3)	Purchases and Issuances	Sales and Settlements	Transfers In / Out	Ending Balance
Assets						
Auction rate securities (1)	$21,699	$ 1	$ —	$ —	$ —	$21,700
Investments	101	3	—	—	—	104

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.
(2) Included in principal transactions in the condensed consolidated statement of income, except for gains from investments which are included in other income in the condensed consolidated statement of income.
(3) Unrealized gains are attributable to assets or liabilities that are still held at the reporting date.

(Expressed in thousands)

	Level 3 Assets and Liabilities For the Three Months Ended March 31, 2018					
	Beginning Balance	Total Realized and Unrealized Gains (Losses) (3)(4)	Purchases and Issuances	Sales and Settlements	Transfers In (Out)	Ending Balance
Assets						
Municipal obligations	$35	$ 14	$ 76	$ (125)	$ —	$ —
Auction rate securities (1)	87,398	847	50	(945)	—	87,350
Investments	169	(1)	—	—	—	168
Liabilities						

ARS purchase commitments [(2)]	8	(175)	—	—	—	183

(1) Represents auction rate preferred securities, municipal auction rate securities and student loan auction rate securities that failed in the auction rate market.
(2) Represents the difference in principal and fair value for auction rate securities purchase commitments outstanding at the end of the period.
(3) Included in principal transactions in the condensed consolidated statement of income, except for gains (losses) from investments which are included in other income in the condensed consolidated statement of income.
(4) Unrealized gains (losses) are attributable to assets or liabilities that are still held at the reporting date.

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Financial Instruments Not Measured at Fair Value
The table below presents the carrying value, fair value and fair value hierarchy category of certain financial instruments that are not measured at fair value on the condensed consolidated balance sheets. The table below excludes non-financial assets and liabilities (e.g., right-of-use lease assets, lease liabilities, furniture, equipment and leasehold improvements and accrued compensation).
The carrying value of financial instruments not measured at fair value categorized in the fair value hierarchy as Level 1 or Level 2 approximates fair value because of the relatively short term nature of the underlying assets. The fair value of the Company's senior secured notes, categorized in Level 2 of the fair value hierarchy, is based on quoted prices from the market in which the notes trade.
Assets and liabilities not measured at fair value as of March 31, 2019

(Expressed in thousands)		Fair Value Measurement: Assets			
	Carrying Value	Level 1	Level 2	Level 3	Total
Cash	$ 72,573	$72,573	$ —	$ —	$72,573
Deposits with clearing organization	24,729	24,729	—	—	24,729
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	109,712	—	109,712	—	109,712
Receivables from brokers	17,438	—	17,438	—	17,438
Securities failed to deliver	23,524	—	23,524	—	23,524
Clearing organizations	27,874	—	27,874	—	27,874
Other	1,720	—	1,720	—	1,720
	180,268	—	180,268	—	180,268
Receivable from customers	753,625	—	753,625	—	753,625
Securities purchased under agreements to resell	589	—	589	—	589
Notes receivable, net	43,921	—	43,921	—	43,921
Investments (1)	67,093	—	67,093	—	67,093

(1) Included in other assets on the condensed consolidated balance sheet.

(Expressed in thousands)		Fair Value Measurement: Liabilities			
	Carrying Value	Level 1	Level 2	Level 3	Total
Drafts payable	$ 13,533	$13,533	$ —	$ —	$13,533
Bank call loans		—		—	—
Payables to brokers, dealers and clearing organizations:					
Securities loaned	232,370	—	232,370	—	232,370
Payable to brokers	2,256	—	2,256	—	2,256

Securities failed to receive	30,064	—	30,064	—	30,064
Other	368,684	—	368,684	—	368,684
	633,374	—	633,374	—	633,374
Payables to customers	334,376	—	334,376	—	334,376
Securities sold under agreements to repurchase	268,621	—	268,621	—	268,621
Senior secured notes	200,000	—	203,904	—	203,904

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Assets and liabilities not measured at fair value as of December 31, 2018

(Expressed in thousands)		Fair Value Measurement: Assets			
	Carrying Value	Level 1	Level 2	Level 3	Total
Cash	$ 80,175	$80,175	$ —	$ —	$80,175
Deposits with clearing organization	33,079	33,079	—	—	33,079
Receivable from brokers, dealers and clearing organizations:					
Securities borrowed	108,144	—	108,144	—	108,144
Receivables from brokers	20,140	—	20,140	—	20,140
Securities failed to deliver	7,021	—	7,021	—	7,021
Clearing organizations	28,777	—	28,777	—	28,777
Other	2,411	—	2,411	—	2,411
	166,493	—	166,493	—	166,493
Receivable from customers	720,777	—	720,777	—	720,777
Securities purchased under agreements to resell	290	—	290	—	290
Notes receivable, net	44,058	—	44,058	—	44,058
Investments (1)	59,765	—	59,765	—	59,765

(1) Included in other assets on the condensed consolidated balance sheet.

(Expressed in thousands)		Fair Value Measurement: Liabilities			
	Carrying Value	Level 1	Level 2	Level 3	Total
Drafts payable	$ 16,348	$16,348	$ —	$ —	$16,348
Bank call loans	15,000	—	15,000	—	15,000
Payables to brokers, dealers and clearing organizations:					
Securities loaned	146,815	—	146,815	—	146,815
Payable to brokers	158	—	158	—	158
Securities failed to receive	27,799	—	27,799	—	27,799
Other	113,628	—	113,628	—	113,628
	288,400	—	288,400	—	288,400
Payables to customers	336,616	—	336,616	—	336,616
Securities sold under agreements to repurchase	484,218	—	484,218	—	484,218
Senior secured notes	200,000	—	199,722	—	199,722

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Fair Value Option
The Company elected the fair value option for securities sold under agreements to repurchase ("repurchase agreements") and securities purchased under agreements to resell ("reverse repurchase agreements") that do not settle overnight or have an open settlement date. The Company has elected the fair value option for these instruments to reflect more accurately market and economic events in its earnings and to mitigate a potential mismatch in earnings caused by using different measurement attributes (i.e. fair value versus carrying value) for certain assets and liabilities. As of March 31, 2019, the Company did not have any repurchase agreements and reverse repurchase agreements that do not settle overnight or have an open settlement date.
Derivative Instruments and Hedging Activities
The Company transacts, on a limited basis, in exchange traded and over-the-counter derivatives for both asset and liability management as well as for trading and investment purposes. Risks managed using derivative instruments include interest rate risk and, to a lesser extent, foreign exchange risk. All derivative instruments are measured at fair value and are recognized as either assets or liabilities on the condensed consolidated balance sheet.
Foreign exchange hedges
From time to time, the Company also utilizes forward and options contracts to hedge the foreign currency risk associated with compensation obligations to Oppenheimer Israel (OPCO) Ltd. employees denominated in New Israeli Shekel ("NIS"). Such hedges have not been designated as accounting hedges. Unrealized gains and losses on foreign exchange forward contracts are recorded in other assets on the condensed consolidated balance sheet and other income in the condensed consolidated statement of income.
Derivatives used for trading and investment purposes
Futures contracts represent commitments to purchase or sell securities or other commodities at a future date and at a specified price. Market risk exists with respect to these instruments. Notional or contractual amounts are used to express the volume of these transactions and do not represent the amounts potentially subject to market risk. The Company uses futures contracts, including U.S. Treasury notes, Federal Funds, General Collateral futures and Eurodollar contracts primarily as an economic hedge of interest rate risk associated with government trading activities. Unrealized gains and losses on futures contracts are recorded on the condensed consolidated balance sheet in payable to brokers, dealers and clearing organizations and in the condensed consolidated statement of income as principal transactions revenue, net.
To-be-announced securities
The Company also transacts in pass-through mortgage-backed securities eligible to be sold in the TBA market as economic hedges against mortgage-backed securities that it owns or has sold but not yet purchased. TBAs provide for the forward or delayed delivery of the underlying instrument with settlement up to 180 days. The contractual or notional amounts related to these financial instruments reflect the volume of activity and do not reflect the amounts at risk. Net unrealized gains and losses on TBAs are recorded on the condensed consolidated balance sheet in receivable from brokers, dealers and clearing organizations or payable to brokers, dealers and clearing organizations and in the condensed consolidated statement of income as principal transactions revenue, net.

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements (unaudited)

The notional amounts and fair values of the Company's derivatives as of March 31, 2019 and December 31, 2018 by product were as follows:

(Expressed in thousands)

	Fair Value of Derivative Instruments as of March 31, 2019		
	Description	Notional	Fair Value
Liabilities:			
Derivatives not designated as hedging instruments [1]			
Commodity contracts	Futures	$4,473,000	$ 959
Other contracts	Foreign exchange forward contracts	600	2
	TBAs	3,400	47
	ARS purchase commitments	7,429	1,114
		$4,484,429	$ 2,122

(1) See "Derivative Instruments and Hedging Activities" above for description of derivative financial instruments. Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.

(Expressed in thousands)

	Fair Value of Derivative Instruments as of December 31, 2018		
	Description	Notional	Fair Value
Assets:			
Derivatives not designated as hedging instruments [1]			
Other contracts	TBAs	$729,500	$ 4,873
		$729,500	$ 4,873
Liabilities:			
Derivatives not designated as hedging instruments [1]			
Commodity contracts	Futures	$4,580,800	$ 807
Other contracts	Foreign exchange forward contracts	200	4
	TBAs	729,500	4,873
	ARS purchase commitments	7,305	1,096
		$5,317,805	$ 6,780

(1) See "Derivative Instruments and Hedging Activities" above for a description of derivative financial instruments. Such derivative instruments are not subject to master netting agreements, thus the related amounts are not offset.

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OPPENHEIMER HOLDINGS INC.
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The following table presents the location and fair value amounts of the Company's derivative instruments and their effect in the condensed consolidated statements of income for the three months ended March 31, 2019 and 2018:

(Expressed in thousands)

The Effect of Derivative Instruments in the Income Statement For the Three Months Ended March 31, 2019			
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ (576)
Other contracts	Foreign exchange forward contracts	Other revenue	(2)
	TBAs	Principal transactions revenue	10
	ARS purchase commitments	Principal transactions revenue	(18)
			$ (586)

(Expressed in thousands)

The Effect of Derivative Instruments in the Income Statement For the Three Months Ended March 31, 2018			
		Recognized in Income on Derivatives (pre-tax)	
Types	Description	Location	Net Gain (Loss)
Commodity contracts	Futures	Principal transactions revenue	$ 1,029
Other contracts	TBAs	Principal transactions revenue	34
	Other TBAs	Other revenue	75
	ARS purchase commitments	Principal transactions revenue	(175)
			$ 963

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8. Collateralized transactions

The Company enters into collateralized borrowing and lending transactions in order to meet customers' needs and earn interest rate spreads, obtain securities for settlement and finance trading inventory positions. Under these transactions, the Company either receives or provides collateral, including U.S. Government and Agency, asset-backed, corporate debt, equity, and non-U.S. Government and Agency securities.

The Company obtains short-term borrowings primarily through bank call loans. Bank call loans are generally payable on demand and bear interest at various rates. As of March 31, 2019, the Company's bank call loans outstanding balance is $nil. As of December 31, 2018, bank call loans were $15.0 million; such loans were collateralized by firm and/or customer securities with market values of approximately $18.6 million and $1.6 million, respectively, with commercial banks.

As of March 31, 2019, the Company had approximately $1.2 billion of customer securities under customer margin loans that are available to be pledged, of which the Company has re-pledged approximately $186.0 million under securities loan agreements.

As of March 31, 2019, the Company had pledged $219.4 million of customer securities directly with the Options Clearing Corporation to secure obligations and margin requirements under option contracts written by customers.

As of March 31, 2019, the Company had no outstanding letters of credit.

The Company enters into reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions to, among other things, acquire securities to cover short positions and settle other securities obligations, to accommodate customers' needs and to finance the Company's inventory positions. Except as described below, repurchase and reverse repurchase agreements, principally involving U.S. Government and Agency securities, are carried at amounts at which the securities subsequently will be resold or reacquired as specified in the respective agreements and include accrued interest. Repurchase agreements and reverse repurchase agreements are presented on a net-by-counterparty basis, when the repurchase agreements and reverse repurchase agreements are executed with the same counterparty, have the same explicit settlement date, are executed in accordance with a master netting arrangement, the securities underlying the repurchase agreements and reverse repurchase agreements exist in "book entry" form and certain other requirements are met.

The following table presents a disaggregation of the gross obligation by the class of collateral pledged and the remaining contractual maturity of the repurchase agreements and securities loaned transactions as of March 31, 2019:

(Expressed in thousands)

	Overnight and Open
Repurchase agreements:	
U.S. Government and Agency securities	$369,109
Securities loaned:	
Equity securities	232,370
Gross amount of recognized liabilities for repurchase agreements and securities loaned	$601,479

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OPPENHEIMER HOLDINGS INC.
Notes to Condensed Consolidated Financial Statements
(unaudited)

The following tables present the gross amounts and the offsetting amounts of reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned transactions as of March 31, 2019 and December 31, 2018:

As of March 31, 2019

(Expressed in thousands)				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized Assets	Gross Amounts Offset on the Balance Sheet	Net Amounts of Assets Presented on the Balance Sheet	Financial Instruments	Cash Collateral Received	Net Amount
Reverse repurchase agreements	$ 101,077	$ (100,488)	$ 589	$ —	$ —	$ 589
Securities borrowed [(1)]	109,712	—	109,712	(107,985)	—	1,727
Total	$ 210,789	$ (100,488)	$ 110,301	$ (107,985)	$ —	$ 2,316

(1) Included in receivable from brokers, dealers and clearing organizations on the condensed consolidated balance sheet.

				Gross Amounts Not Offset on the Balance Sheet		
	Gross Amounts of Recognized Liabilities	Gross Amounts Offset on the Balance Sheet	Net Amounts of Liabilities Presented on the Balance Sheet	Financial Instruments	Cash Collateral Pledged	Net Amount
Repurchase agreements	$ 369,109	$ (100,488)	$ 268,621	$ (268,156)	$ —	