RAYMOND JAMES FINANCIAL INC
Form 10-K
November 22, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2017
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 1-9109
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)

Registrant's telephone number, including area code (727) 567-1000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No x

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 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 and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (Section 232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 x	Accelerated filer o

Non-accelerated filer o (Do not check if a smaller reporting company)	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. ¨

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

As of March 31, 2017, the aggregate market value of the registrant’s common stock held by non-affiliates of the registrant computed by reference to the price at which the common stock was last sold was $9,811,540,297.

The number of shares outstanding of the registrant’s common stock as of November 16, 2017 was 144,400,529.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to shareholders in connection with the Annual Meeting of Shareholders to be held February 22, 2018 are incorporated by reference into Part III.

RAYMOND JAMES FINANCIAL, INC.
TABLE OF CONTENTS

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

PART I

Item 1. BUSINESS

Raymond James Financial, Inc. (“RJF” or the “Company”) is a leading diversified financial services company providing private client group, capital markets, asset management, banking and other services to individuals, corporations and municipalities. RJF’s broker-dealer subsidiaries engage in various financial services businesses, including the underwriting, distribution, trading and brokerage of equity and debt securities and the sale of mutual funds and other investment products. RJF and its subsidiaries also provide investment management services for retail and institutional clients, corporate and retail banking services, and trust services.

Established in 1962 and public since 1983, RJF is listed on the New York Stock Exchange (the “NYSE”) under the symbol “RJF.” As a bank holding company and financial holding company, RJF is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (the “Fed”).

RJF’s principal subsidiaries are Raymond James & Associates, Inc. (“RJ&A”), Raymond James Financial Services, Inc. (“RJFS”), Raymond James Financial Services Advisors, Inc. (“RJFSA”), Raymond James Ltd. (“RJ Ltd.”), Eagle Asset Management, Inc. (“Eagle”), and Raymond James Bank, N.A. (“RJ Bank”). All of these subsidiaries are wholly owned by RJF. RJF and its subsidiaries are hereinafter collectively referred to as “the firm”, “our,” “we,” or “us.” Our operations are predominately conducted in the United States of America (“U.S.”) and Canada.

Among the keys to our historical and continued success, our emphasis on putting the client first is at the core of our corporate values. We also believe in maintaining a conservative, long-term focus in our decision making. We believe that this disciplined decision-making approach translates to a strong, stable financial services firm for clients, advisors, associates and shareholders.

REPORTABLE SEGMENTS

We currently operate through four operating segments and our Other segment. The four operating segments are Private Client Group (“PCG”), Capital Markets, Asset Management, and RJ Bank. The Other segment captures private equity activities as well as certain corporate overhead costs of RJF.

The graph below depicts the relative net revenue contribution of each of our operating segments for the fiscal year ended September 30, 2017:

*Chart above does not include intersegment eliminations or the Other segment.

PRIVATE CLIENT GROUP

We provide financial planning and securities transaction services through branch office systems. Financial advisors have multiple affiliation options, which we refer to as AdvisorChoice. Our two primary affiliation options for financial advisors are the employee option and the independent contractor option.

We recruit experienced financial advisors from a wide variety of competitors. As a part of their agreement to join us, we may make loans to financial advisors and to certain other key revenue producers, primarily for transitional cost assistance and retention purposes.

Total assets under administration in the PCG segment as of September 30, 2017 amount to $659.5 billion. We have 7,346 financial advisors affiliated with us as of September 30, 2017.

Employee Financial Advisors

Employee financial advisors work in a traditional branch setting supported by local management and administrative staff. They provide services predominately to individual clients. These financial advisors are our employees, and their compensation primarily includes commission payments and participation in the firm's benefit plans.

Independent Contractor Financial Advisors

Our financial advisors who are independent contractors are responsible for all of their direct costs and, accordingly, are paid a larger percentage of commissions and fees than employee financial advisors. Our independent contractor financial advisor option is designed to help our advisors build their businesses with as much or as little of our support as they determine they need. With specific approval, they are permitted to conduct, on a limited basis, certain other approved business activities, such as offering insurance products, independent registered investment advisory services, and accounting and tax services.

Irrespective of the affiliation choice, our financial advisors offer a broad range of investments and services, including both third party and proprietary products, and a variety of financial planning services. Revenues from this segment are typically driven by total client assets under administration, and are generally either recurring fee-based or transactional in nature. Recurring revenues include asset-based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund and annuity service fees, fees earned on funds in our multi-bank sweep program, and interest. The proportion of our securities commissions and fee revenues originating from the employee versus the independent contractor affiliation models is relatively balanced.

Securities commissions and fee revenues by affiliation, as well as the portion of segment net revenues that was recurring versus transactional in nature, for the fiscal year ended September 30, 2017, are presented below:

Through this segment:

- We provide investment services for which we charge sales commissions or asset-based fees based on established schedules.
- We offer investment advisory services. Fee revenues for such services are computed as either a percentage of the assets in the client account or a flat periodic fee charged to the client for investment advice.
- We provide insurance and annuity products.
- We offer a number of professionally managed load and no-load mutual funds.
- We provide margin loans to clients that are collateralized by the securities purchased or by other securities owned by the client. Interest is charged to clients on the amount borrowed based on current interest rates.
- We provide custodial, trading, research and other back office support and services (including access to clients' account information and the services of the Asset Management segment) to the independent contractor registered investment advisors who are affiliated with us.
- We conduct securities borrowing and lending activities with other broker-dealers, financial institutions, and other counterparties. The net revenues of this business consist of the interest spreads generated on these activities.
- We provide diversification strategies and alternative investment products to qualified clients of our affiliated financial advisors. We provide strategies and products for portfolio investment allocation opportunities.

CAPITAL MARKETS

Our capital markets segment conducts institutional sales, securities trading, equity research, investment banking and the syndication of investments that qualify for tax credits (referred to as our "tax credit funds"). Within our management structure, we distinguish between activities that support equity and fixed income products and services. We primarily conduct these activities in the U.S., Canada, and Europe.

The graph below depicts the portions of this segment's revenues that were derived from equity securities and products, fixed income securities and products, and our tax credit funds activities for the fiscal year ended September 30, 2017:

We provide the following services through this segment:

Equity Capital Markets

- We earn institutional sales commissions on the sale of equity products. Sales volume is influenced by a combination of general market activity and the Capital Markets group's ability to identify and promote attractive investment opportunities for our institutional clients. Commission amounts on equity transactions are based on trade size and the amount of business conducted annually with each institution.

- We provide various investment banking services including public and private equity financing for corporate clients and merger & acquisition and advisory services. Our investment banking activities include a comprehensive range of strategic and financial advisory services tailored to our clients' business life cycles and backed by our strategic industry focus.

- Our global research department supports our institutional and retail sales efforts and publishes research on a wide variety of companies. This research primarily focuses on U.S., European and Canadian companies in specific industries, including agricultural, consumer, energy, clean energy, energy services, financial services, healthcare, industrial, mining and natural resources, forest products, real estate, technology, and communication and transportation. Proprietary industry studies and company-specific research reports are made available to both institutional and individual clients.

Fixed Income

- We earn sales commissions from institutional clients who purchase and sell both taxable and tax-exempt fixed income products, primarily municipal, corporate, government agency and mortgage-backed bonds, and whole loans. The commissions that we charge on fixed income products are based on trade size and the characteristics of the specific security involved.

- We carry inventories of taxable and tax-exempt securities to facilitate institutional sales activities. Our fixed income traders purchase and sell corporate, municipal, government, government agency, and mortgage-backed bonds, asset-backed securities, preferred stock, and certificates of deposit from and to our clients or other dealers.

- Our fixed income investment banking services include public finance and debt underwriting activities where we serve as a financial advisor, placement agent or underwriter to various issuers, including state and local government agencies (and their political subdivisions), housing agencies, and non-profit entities including health care and higher education institutions. When underwriting new issue securities, we may agree to purchase the issue through a negotiated sale or submission of a competitive bid.

- In our over-the-counter market activities, we enter into interest rate swaps and futures contracts either to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. In addition, we conduct a "matched book" derivatives business where we may enter into interest rate derivative transactions with clients. In this matched book business, for every derivative transaction we enter into with a client, we enter into an offsetting derivative transaction with a credit support provider that is a third party financial institution.

- Through our fixed income public finance operations, we enter into forward commitments to purchase Government National Mortgage Association ("GNMA") or Federal National Mortgage Association ("FNMA") mortgage-backed securities ("MBS"). Such MBS are issued on behalf of various state and local housing finance agencies ("HFA") clients and consist of the mortgages originated through their lending programs.

Tax Credit Funds

- In our syndication of tax credit investments, one of our subsidiaries acts as the general partner or managing member in partnerships and limited liability companies that invest in real estate project entities which qualify for tax credits under Section 42 of the Internal Revenue Code. We earn fees for the origination and sale of these investment products as well as for the oversight and management of the investments over the statutory tax credit compliance period.

ASSET MANAGEMENT

Our Asset Management segment provides investment advisory and asset management services to individual and institutional investors, and also sponsors a family of mutual funds. We also provide services to our PCG clients through our asset management services division and through Raymond James Trust, N.A. (“RJ Trust”).

We earn investment advisory and related administrative fees on both managed and non-discretionary asset-based accounts. In managed programs, decisions are made by in-house or third-party portfolio managers or investment committees about how to invest the assets in accordance with such programs' objectives. In non-discretionary asset-based programs, we provide administrative support, which may include trade execution, record-keeping and periodic investor reporting. We generally earn higher fees for managed programs than for non-discretionary asset-based programs, since we provide additional services to managed programs. As of September 30, 2017, there were $96.4 billion in financial assets held in managed programs and $157.0 billion in financial assets held in non-discretionary asset-based programs.

The graph below depicts financial assets under management in our managed programs by objective as of September 30, 2017:

RJ BANK

RJ Bank provides corporate (commercial and industrial ("C&I"), commercial real estate ("CRE") and CRE construction), securities-based ("SBL"), tax-exempt and residential loans. RJ Bank is active in corporate loan syndications and participations. RJ Bank also provides Federal Deposit Insurance Corporation ("FDIC") insured deposit accounts to clients of our broker-dealer subsidiaries and to the general public. RJ Bank generates net interest revenue principally through the interest income earned on loans and an investment portfolio, which is offset by the interest expense it pays on client deposits and on its borrowings.

RJ Bank operates primarily from a branch location adjacent to RJF's corporate office complex in St. Petersburg, Florida. Access to RJ Bank's products and services is available through the offices of our affiliated broker-dealers as well as through electronic banking services. RJ Bank's assets include C&I loans, commercial and residential real estate loans, tax-exempt loans, as well as loans fully collateralized by marketable securities. Corporate and tax-exempt loans represent approximately 67% of RJ Bank's loan portfolio, of which 90% are U.S. and Canadian syndicated loans. Residential mortgage loans are originated or purchased and held for investment or sold in the secondary market. RJ Bank's investment portfolio is comprised primarily of agency MBS and collateralized mortgage obligations ("CMOs") and is classified as available-for-sale. RJ Bank's liabilities primarily consist of deposits that are cash balances swept from the investment accounts of PCG clients.

RJ Bank had total assets of $20.61 billion at September 30, 2017, which were comprised of the following:

OTHER

Our Other segment includes our private equity activities as well as certain corporate overhead costs of RJF, such as the interest cost on our senior notes payable, and the acquisition and integration costs associated with certain acquisitions (See Note 3 of the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K ("Form 10-K") for additional information on our acquisitions).

Our private equity activities include various direct and third party private equity investments and various private equity funds which we sponsor.

EMPLOYEES AND INDEPENDENT CONTRACTORS

Our employees and independent contractors (collectively "associates") are vital to our success in the financial services industry. As of September 30, 2017, we had over 12,700 employees and over 4,300 affiliated independent contractor financial advisors.

OPERATIONS AND INFORMATION PROCESSING

We have operations personnel at various locations throughout the U.S. who are responsible for processing securities transactions, custody of client securities, support of client accounts, the receipt, identification and delivery of funds and securities, and compliance with regulatory and legal requirements for most of our U.S. securities brokerage operations. RJ Ltd. operations personnel have similar responsibilities at our Canadian brokerage operations located in Vancouver, British Columbia.

The information technology department develops and supports the integrated solutions that provide a differentiated platform for our businesses. This platform is designed to allow our financial advisors to spend more time with their clients and enhance and grow their businesses.

In the area of information security, we have developed and implemented a framework of principles, policies and technology to protect both our own information as well as that of our clients. We apply numerous safeguards to maintain the confidentiality, integrity and availability of both client and Company information.

Our business continuity program has been developed to provide reasonable assurance that we will continue to operate in the event of disruptions at our critical facilities. Our business departments have developed operational plans for such disruptions, and we have a staff which devotes its full time to monitoring and facilitating those plans. Our business continuity plan continues to be enhanced and tested to allow for continuous operations in the event of weather-related or other interruptions at our corporate headquarters in Florida or one of our operations processing or data center sites in Florida, Colorado, Tennessee or Michigan.

We have also developed a business continuity plan for each of our PCG retail branches in the event any of these branches is impacted by severe weather.

COMPETITION

The financial services industry is an intensely competitive business. We compete with many other financial services firms, including a number of larger securities firms, most of which are affiliated with major financial services companies, insurance companies, banking institutions and other organizations. We also compete with companies that offer web-based financial services and discount brokerage services, usually with lower levels of service, to individual clients. We compete principally on the basis of the quality of our associates, services, product selection, location and reputation in local markets.

Our ability to compete effectively in these businesses is substantially dependent on our continuing ability to attract, retain and motivate qualified associates, including successful financial advisors, investment bankers, trading professionals, portfolio managers and other revenue producing or specialized personnel.

REGULATION

RJF is a bank holding company subject to the Bank Holding Company Act that has made an election to be a financial holding company. As a financial holding company, RJF is subject to regulation, oversight, and supervision, including periodic examination, by the Fed. RJ Bank is a national bank regulated, supervised and examined by the Office of the Comptroller of the Currency (“OCC”) and the Consumer Financial Protection Bureau (“CFPB”). Our trust company subsidiary also is regulated, supervised and examined by the OCC. The Fed and the FDIC also regulate and may examine RJ Bank and the trust company. Collectively, the rules and regulations of the Fed, the OCC, the FDIC and the CFPB cover all aspects of the banking business, including, for example, lending practices, the receipt of deposits, capital structure, transactions with affiliates, conduct and qualifications of personnel and, as discussed further below, capital requirements. This regulatory, supervisory and oversight framework is subject to significant changes that can affect the operating costs and permissible businesses of RJF, RJ Bank and the trust company. As a part of their supervisory functions, the Fed, the OCC, the FDIC, and the CFPB also have the power to bring enforcement actions for violations of law and, in the case of the Fed, the OCC and the FDIC, for unsafe or unsound practices. Our broker-dealer subsidiaries, which are also registered investment advisors, are subject to regulation and oversight by various regulatory and self-regulatory authorities discussed under “Other regulations applicable to our operations” below.

The following discussion summarizes the principal elements of the regulatory and supervisory framework applicable to RJF. The framework is intended to protect our clients, the integrity of the financial markets, our depositors and the Federal Deposit Insurance Fund and is not intended to protect our creditors or shareholders. These rules and regulations limit our ability to engage in certain activities, as well as our ability to submit funds to RJF from our regulated subsidiaries, which include RJ Bank and our broker-dealer subsidiaries. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions that are referenced. A change in applicable statutes or regulations or in regulatory or supervisory policy may have a material effect on our business.

Rules and regulations resulting from the Dodd-Frank Act

In July 2010, the U.S. government enacted sweeping changes to the supervision and regulation of the financial industry through the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the “Dodd-Frank Act”). The Dodd-Frank Act required U.S. federal banking and other regulatory agencies to conduct hundreds of rulemakings, studies and reports. These regulatory agencies include: the Commodity Futures Trading Commission; the Securities and Exchange Commission (the “SEC”); the Fed; the OCC; the FDIC; the CFPB; and the Financial Stability Oversight Council. Certain elements of the Dodd-Frank Act became effective immediately; however, the details of some provisions are subject to implementing regulations. Furthermore, some provisions of the Dodd-Frank Act are still subject to further rulemaking proceedings and studies and will take effect over the next several years.

As a result of the Dodd-Frank Act and other regulatory reforms, we are experiencing a period of unprecedented change in financial regulation and supervision. These changes could have a significant impact on how we conduct our business. Many regulatory or supervisory policies remain in a state of flux and may be subject to amendment in the near future. As a result, we cannot specifically quantify the impact that such regulatory or supervisory requirements will have on our business and operations (see Item 1A, “Risk

Factors," within this report for further discussion of the potential future impact on our operations). Below, we highlight certain of the more significant changes brought about as a result of the Dodd-Frank Act and related measures.

FDIC Assessment Rates

Since RJ Bank provides deposits covered by FDIC insurance, generally up to $250,000 per account ownership type, RJ Bank is subject to the Federal Deposit Insurance Act. In February 2011, pursuant to the Dodd-Frank Act, the FDIC issued a final rule changing its assessment base. For banks with greater than $10 billion in assets, the FDIC's new rule changed the assessment rate calculation, which relies on a scorecard designed to measure financial performance and ability to withstand stress in addition to measuring the FDIC's exposure should the bank fail.

CFPB Oversight

In July 2011, the CFPB began operations and was given rulemaking authority for a wide range of consumer protection laws applicable to all banks and was provided broad powers to supervise and enforce federal consumer protection laws. The CFPB has supervisory and enforcement powers under several consumer protection laws, including the: (i) Equal Credit Opportunity Act; (ii) Truth in Lending Act; (iii) Real Estate Settlement Procedures Act; (iv) Fair Credit Reporting Act; (v) Fair Debt Collection Act; (vi) Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and unfair, deceptive or abusive acts or practices under section 1031 of the Dodd-Frank Act. Beginning with fiscal year 2014, the CFPB assumed supervisory authority over RJ Bank for its compliance with the various federal consumer protection laws. The CFPB has authority to promulgate regulations, issue orders, draft policy statements, conduct examinations, and bring enforcement actions. The creation of the CFPB has led to enhanced enforcement of consumer protection laws. To the extent that, as a result of such heightened scrutiny and oversight, we become the subject of any enforcement activity, we may be required to pay fines, incur penalties, or engage in certain remediation efforts.

Stress Tests

In October 2012, the Fed, FDIC and OCC jointly issued final rules requiring certain bank holding companies, state member banks, and savings and loan companies with total assets between $10 billion and $50 billion to conduct annual company-prepared stress tests, report the results to their primary regulator and the Fed (RJF's primary regulator), and publish a summary of the results. Stress tests must be conducted using certain scenarios (baseline, adverse, and severely adverse) prescribed by the Fed. A summary of certain of our stress test results (RJF and RJ Bank) is available on our website at www.raymondjames.com/investor-relations/financial-report under "Other Reports and Information - 2017 Annual Dodd-Frank Act Stress Test Disclosure" (the information on our website is not incorporated by reference into this report).

The Volcker Rule

RJF is subject to the Volcker Rule, a provision of the Dodd-Frank Act which generally prohibits, subject to exceptions, insured depository institutions, bank holding companies and their affiliates (together, "banking entities") from engaging in proprietary trading and limits investments in and relationships with hedge funds and private equity funds ("covered funds"). Banking entities must establish a Volcker Rule-specific compliance program. We have adopted a program, which is designed to be effective in ensuring compliance with the Volcker Rule; however, in connection with their examinations, regulators will assess the sufficiency and adequacy of our program.

We maintain a number of private equity investments, some of which meet the definition of covered funds under the Volcker Rule. The conformance period for compliance with the rule with respect to investments in covered funds was July 2017; however, banking entities were able to apply for an extension to provide up to an additional five years to conform investments in certain illiquid funds. The majority of our covered fund investments meet the criteria to be considered an illiquid fund under the Volcker Rule and we received approval from the Fed to continue to hold such investments until July 2022. The extension of the conformance deadline provides us with additional time to realize the value of these investments in due course and to execute appropriate strategies to comply with the Volcker Rule at such time. Our current focus is on the divestiture of our existing portfolio.

Basel III and U.S. Capital Rules

Both RJF, as a bank holding company, and RJ Bank are subject to capital requirements that have increased due to regulatory actions in recent years. In July 2013, the OCC, the Fed and the FDIC released final U.S. rules implementing the Basel III capital framework developed by the Basel Committee on Banking Supervision and certain Dodd-Frank Act and other capital provisions and updated the prompt corrective action framework to reflect the new regulatory capital minimums (the “U.S. Basel III Rules”). The U.S. Basel III Rules: (i) increase the quantity and quality of regulatory capital; (ii) establish a capital conservation buffer; and (iii) make changes to the calculation of risk-weighted assets. The U.S. Basel III Rules became effective for RJF on January 1, 2015, subject to applicable phase-in periods. The rules governing the capital conservation buffer became effective for both RJF and RJ Bank as of January 1, 2016. See Note 21 of the Notes to the Consolidated Financial Statements in this Form 10-K for information regarding RJF and RJ Bank regulatory capital levels and ratios, including information regarding the capital conservation buffer. The increased capital requirements could restrict our abilities to grow during favorable market conditions and to return capital to shareholders, or require us to raise additional capital. As a result, our business, results of operations, financial condition and prospects could be adversely affected. See Item 1A, “Risk Factors,” within this report for more information.

Failure to meet minimum capital requirements can trigger discretionary, and in certain cases, mandatory actions by regulators that could have a direct material effect on the financial results of RJF and RJ Bank. Under capital adequacy guidelines, RJF and RJ Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification for RJF and RJ Bank are also subject to the qualitative judgments of U.S. regulators based on components of capital, risk-weightings of assets, off-balance sheet transactions, and other factors. Quantitative measures established by federal banking regulations to ensure capital adequacy require that RJF, as a financial holding company, and RJ Bank maintain minimum amounts and ratios of: (i) Common Equity Tier 1 (or “CET1”), Tier 1 and Total capital to risk-weighted assets; (ii) Tier 1 capital to average assets; and (iii) capital conservation buffers. See Note 21 of the Notes to the Consolidated Financial Statements in this Form 10-K, for further information.

Money Market Reform

In July 2014, the SEC adopted amendments to the rules that govern money market mutual funds. The amendments make structural and operational reforms to address risks of excessive withdrawals over relatively short time frames by investors from money market funds, while preserving the benefits of the funds. We do not sponsor any money market funds. We utilize such funds in limited circumstances for our own investment purposes as well as to offer our clients money market funds that are sponsored by third parties as one of several cash sweep alternatives.

Municipal Advisor Regulation

In 2013 as required under the Dodd-Frank Act, the SEC issued its final rule regarding the new category of regulated financial activity: “municipal advisors” (the “MA Rule”). The MA Rule, which became effective in 2014: (i) imposes a fiduciary duty on municipal advisors when advising municipal entities; (ii) may result in the need for new written representations by issuers; and (iii) may limit the manner in which we, in our capacity as an underwriter or in our other professional roles, interact with municipal issuers. In addition to the SEC rule, the Municipal Securities Rulemaking Board (“MSRB”) has developed a number of implementing rules and interpretive guidance relating to municipal advisors, and we have implemented policies and procedures reasonably designed to comply with such rules and guidance.

While over these past few years, broker-dealer and municipal advisor interaction with municipal entities has become an area of greater rulemaking and regulatory exam and enforcement interest, we do not expect a materially adverse impact on our public finance results of operations, which are included in our Capital Markets segment.

Fiduciary Duty Standard

Pursuant to the Dodd-Frank Act, the SEC was charged with considering whether broker-dealers should be subject to a standard of care similar to the fiduciary standard applicable to registered investment advisors. The SEC has stated that it will consider a heightened standard of care; however, to date, it has not yet proposed any rules. In April 2016, the U.S. Department of Labor (the “DOL”) issued its final regulation (the “DOL Rule”) expanding the definition of who is deemed an “investment advice fiduciary” under the Employee Retirement Income Security Act of 1974, as amended

("ERISA"), as a result of giving investment advice to a "plan," "plan participant" or "beneficiary," as well as under the Internal Revenue Code for individual retirement arrangements ("IRAs") and non-ERISA plans (collectively, "qualified plans"). As a result of adopting a new definition of "fiduciary" under ERISA, the final rule extends fiduciary status to many investment professionals that had not been considered fiduciaries under previous law. A fiduciary is subject to strict duties to act solely in the interests of plan participants and beneficiaries and is personally liable to the ERISA plan for breaches in its discharge of its duties.

The DOL Rule also contains exemptions, including the Best Interest Contract exemption (the "BIC Exemption") and Principal Transactions in Certain Assets exemption (the "Principal Transactions Exemption"), designed to enable investment professionals that become fiduciaries to continue to operate under existing business models that would otherwise be prohibited, subject to compliance with new conditions. In order to rely on these exemptions, we are required to: (i) act under defined impartial conduct standards that are in the best interest of our client; (ii) adopt certain anti-conflict policies and procedures; (iii) provide disclosure of certain information relating to fees, compensation and defined "material conflicts of interest;" (iv) provide a written acknowledgment of fiduciary status;

and (v) for IRAs and non-ERISA plans, enter into an enforceable contract with our client that contains extensive warranties and does not allow exculpatory provisions waiving the client's rights and remedies, including the right to participate in a class action in court. The DOL Rule became effective as of June 2016, subject to a phase-in of the fiduciary definition in June 2017, and also subject to a further transition period until January 1, 2018 applying to both the BIC Exemption and Principal Transactions Exemption. In August 2017, the DOL recommended that the transition period be extended until July 1, 2019.

We have undertaken a comprehensive plan to comply with the DOL Rule. As qualified accounts, particularly IRA accounts, comprise a significant portion of our business, we expect that compliance with the DOL Rule and reliance on the BIC Exemption and the Principal Transactions Exemption will require us to continue to incur increased levels of legal, compliance and information technology costs. As discussed above, we may also face enhanced legal risks. We anticipate that amendments to the scope of the DOL Rule or the adoption of any new rule by the SEC will require us to review and possibly modify our compliance plan and approach, which may also lead to additional costs. In addition, state laws that impose a fiduciary duty also may require monitoring, as well as require that we undertake additional compliance measures.

Incentive-Based Compensation Arrangements

Pursuant to the Dodd-Frank Act, six federal agencies are charged with jointly prescribing regulations or guidelines related to the prohibition of incentive-based compensation arrangements that encourage inappropriate risks at certain financial institutions. The agencies have released a proposed rule that would prohibit certain forms of incentive-based compensation arrangements for financial institutions with greater than $1 billion in total assets (the "Incentive-Based Compensation Proposal"). Much of the Incentive-Based Compensation Proposal would apply to financial institutions categorized as either "Level 1" institutions (assets of $250 billion or more) or "Level 2" institutions (assets of $50 billion to $250 billion), while "Level 3" institutions (assets of $1 billion to $50 billion) would be subject to less extensive obligations. All covered financial institutions would be required to, among other requirements: (i) annually document the structure of their incentive-based compensation arrangements; (ii) retain records of such annual documentation for at least seven years; and (iii) comply with general prohibitions on incentive-based compensation arrangements that could encourage inappropriate risk-taking. Should the Incentive-Based Compensation Proposal be adopted, we would be subject to the rule's requirements as a "Level 3" financial institution, which would require us to incur additional legal and compliance costs, as well as subject us to increased legal risks.

Other regulations applicable to our operations

The SEC is the federal agency charged with administration of the federal securities laws in the United States. Our broker-dealer subsidiaries are subject to SEC regulations relating to their business operations, including sales and trading practices, public offerings, publication of research reports, use and safekeeping of client funds and securities, capital structure, record-keeping, privacy requirements, and the conduct of directors, officers and employees. Financial services firms are also subject to regulation by state securities commissions in those states in which they conduct business. RJ&A and RJFS are currently registered as broker-dealers in all 50 states.

Broker-dealers are required to maintain the minimum net capital deemed necessary to meet their continuing commitments to customers and others, and are required to keep their assets in relatively liquid form. These rules also limit the ability of broker-dealers to transfer capital to parent companies and other affiliates. The SEC has adopted amendments to its financial stability rules, many of which became effective as of October 2013 and are applicable to our broker-dealer subsidiaries, including changes to the: (i) net capital rule; (ii) customer protection rule; (iii) record-keeping rules; and (iv) notification rules.

Financial services firms are subject to regulation by various foreign governments, securities exchanges, central banks and regulatory bodies, particularly in those countries where they have established offices. Outside of the United States, we have additional offices primarily in Canada and Europe and are subject to regulations in those areas. Much of the regulation of broker-dealers in the United States and Canada, however, has been delegated to self-regulatory organizations (“SROs”), the Financial Industry Regulatory Authority (“FINRA”), the Investment Industry Regulatory Organization of Canada (“IIROC”) and securities exchanges. These SROs adopt and amend rules for regulating the industry, subject to the approval of government agencies. These SROs also conduct periodic examinations of member broker-dealers.

The SEC, SROs and state securities commissions may conduct administrative proceedings that can result in censure, fine, suspension or expulsion of a broker-dealer, its officers or employees. Such administrative proceedings, whether or not resulting in adverse findings, can require substantial expenditures and may adversely impact the reputation of a broker-dealer.

Our U.S. broker-dealer subsidiaries are subject to the Securities Investor Protection Act (“SIPA”) and are required by federal law to be members of the Securities Investors Protection Corporation (“SIPC”). The SIPC was established under SIPA, and oversees the liquidation of broker-dealers during liquidation or financial distress. The SIPC fund provides protection for cash and securities held in client accounts up to $500,000 per client, with a limitation of $250,000 on claims for cash balances.

Our investment advisory operations, including the mutual funds that we sponsor, are also subject to extensive regulation in the United States. Our U.S. asset managers are registered as investment advisors with the SEC under the Investment Advisers Act of 1940 as amended (the “Investment Advisers Act”), and are also required to make notice filings in certain states. Virtually all aspects of our asset management business are subject to various federal and state laws and regulations. These laws and regulations are primarily intended to benefit the asset management clients.

RJ Bank is also subject to the Community Reinvestment Act (the “CRA”). The CRA is intended to encourage banks to help meet the credit needs of their communities, including low and moderate income neighborhoods, consistent with safe and sound bank operations. Under the CRA, the Fed, the FDIC and the OCC are required to periodically examine and assign to each bank a public CRA rating. Members of the public may submit comments on a bank’s performance under the CRA; such comments will form part of the bank’s performance evaluation. The results of the evaluation, together with the bank’s CRA rating, are also taken into consideration when evaluating mergers, acquisitions, and applications to open a branch or facility. RJ Bank could face additional requirements and limitations should it fail to adequately meet the criteria stipulated under the CRA.

RJ Ltd. is currently registered in all provinces and territories in Canada. The financial services industry in Canada is subject to comprehensive regulation under both federal and provincial laws. Securities commissions have been established in all provinces and territorial jurisdictions, which are charged with the administration of securities laws. Investment dealers in Canada are also subject to regulation by SROs, which are responsible for the enforcement of, and conformity with, securities legislation for their members and have been granted the powers to prescribe their own rules of conduct and financial requirements of members. RJ Ltd. is regulated by each of the securities commissions in the jurisdictions of registration, as well as by the SROs and IIROC. IIROC requires that RJ Ltd. be a member of the Canadian Investors Protection Fund (the “CIPF”), whose primary role is investor protection. The CIPF provides protection for securities and cash held in client accounts up to $1 million Canadian currency (“CDN”) per client, with separate coverage of CDN $1 million for certain types of accounts. See Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on SEC, FINRA and IIROC regulations pertaining to broker-dealer regulatory minimum net capital requirements.

In Europe, the Markets in Financial Instruments Regulation and a revision of the Markets in Financial Instruments Directive (together, “MiFID II”), will take effect on January 3, 2018, and will introduce comprehensive and new trading and market infrastructure reforms in the European Union, including new trading venues, enhancements to pre- and post-trading transparency, and additional investor protection requirements, among others. Although the full impact of these changes remains unclear, we have made changes to our European operations, including systems and controls, in order to be in compliance with MiFID II.

Bank Secrecy Act and USA PATRIOT Act of 2001

The Bank Secrecy Act and the USA PATRIOT Act of 2001 (“Patriot Act”) and requirements administered by the Office of Foreign Assets Control (“OFAC”) require financial institutions, among other things, to implement a risk-based program reasonably designed to prevent money laundering and to combat the financing of terrorism, including through suspicious activity and currency transaction reporting, compliance, record-keeping and due diligence on customers. The Patriot Act also contains financial transparency laws and enhanced information collection tools and enforcement mechanisms for the U.S. government, including: due diligence and record-keeping requirements for private banking and correspondent accounts; standards for verifying customer identification at account opening; and rules to produce certain records upon request of a regulator or law enforcement and to promote cooperation among financial institutions, regulators, and law enforcement in identifying parties that may be involved in terrorism, money laundering and other crimes. Failure to meet the requirements of the Bank Secrecy Act, the Patriot Act, or OFAC can lead to supervisory actions including fines.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of the registrant (which includes officers of certain significant subsidiaries) are as follows:

Jennifer C. Ackart	53	Senior Vice President since August 2009 and Controller since February 1995
Bella Loykhter Allaire	64	Executive Vice President - Technology and Operations - Raymond James & Associates, Inc. since June 2011; Managing Director and Chief Information Officer - UBS Wealth Management Americas, November 2006 - January 2011
Paul D. Allison	61	Chairman, President and CEO - Raymond James Ltd. since January 2009; Co-President and Co-CEO - Raymond James Ltd., August 2008 - January 2009
James E. Bunn	44	Co-President - Global Equities and Investment Banking - Raymond James & Associates, Inc. since October 2017; Head of Investment Banking - Raymond James & Associates, Inc. since January 2014; Co-Head of Technology Services Investment Banking - Raymond James & Associates, Inc., May 2009 - December 2013
John C. Carson, Jr.	61	President since April 2012; President - Morgan Keegan & Company, LLC, formerly known as Morgan Keegan & Company, Inc., since July 2013; Chief Executive Officer and Executive Managing Director - Morgan Keegan & Company, Inc., March 2008 - July 2013
George Catanese	58	Senior Vice President since October 2005 and Chief Risk Officer since February 2006
Scott A. Curtis	55	President - Raymond James Financial Services, Inc. since January 2012; Senior Vice President - Private Client Group - Raymond James & Associates, Inc., July 2005 - December 2011
Jeffrey A. Dowdle	53	President - Asset Management Group since May 2016; Executive Vice President - Asset Management Group, February 2014 - May 2016; President - Asset Management Services - Raymond James & Associates, Inc., January 2005 - February 2014; Senior Vice President - Raymond James & Associates, Inc., January 2005 - February 2014
Tashtego S. Elwyn	46	President - Private Client Group - Raymond James & Associates, Inc. since January 2012; Regional Director - Raymond James & Associates, Inc., October 2006 - December 2011
Thomas A. James	75	Chairman Emeritus since February 2017; Executive Chairman, May 2010 - February 2017
Jeffrey P. Julien	61	Executive Vice President - Finance since August 2009, Chief Financial Officer since April 1987 and Treasurer since February 2011; Director and/or officer of several RJF subsidiaries
Steven M. Raney	52	President and CEO - Raymond James Bank, N.A. since January 2006
Paul C. Reilly	63	Chairman since February 2017 and Chief Executive Officer since May 2010; Director since January 2006; President, May 2009 - April 2010

Jonathan N. Santelli	46	Executive Vice President, General Counsel and Secretary since May 2016; Senior Vice President and Deputy General Counsel - First Republic Bank, October 2013 to April 2016; Managing Director and Associate General Counsel - Preferred and Small Business Banking - Bank of America, December 2011 - August 2013; Managing Director and Associate General Counsel - Private Wealth Management - Bank of America, October 2009 - November 2011
Jeffrey E. Trocin	58	Co-President - Global Equities and Investment Banking - Raymond James & Associates, Inc. since October 2017; President - Global Equities and Investment Banking - Raymond James & Associates, Inc., July 2013 - October 2017; Executive Vice President - Equity Capital Markets - Raymond James & Associates, Inc., February 2001 - July 2013
Dennis W. Zank	63	Chief Operating Officer since January 2012; Chief Executive Officer - Raymond James & Associates, Inc. since January 2012; President - Raymond James & Associates, Inc., December 2002 - December 2011

Except where otherwise indicated, the executive officer has held his or her current position for more than five years.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

OTHER INFORMATION

Our Internet address is www.raymondjames.com. We make available on our website, free of charge and in printer-friendly format including ".pdf" file extensions, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Factors affecting "forward-looking statements"

Certain statements made in this Annual Report on Form 10-K may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning future strategic objectives, business prospects, anticipated savings, financial results (including expenses, earnings, liquidity, cash flow and capital expenditures), industry or market conditions, demand for and pricing of our products, acquisitions and divestitures, anticipated results of litigation and regulatory developments, effects of accounting pronouncements, or general economic conditions. In addition, words such as "believes," "expects," "anticipates," "intends," "plans," "estimates," "projects," "forecasts," and future or conditional verbs such as "will," "may," "could," "should," and "wo well as any other statement that necessarily depends on future events, are intended to identify forward-looking statements. Forward-looking statements are not guarantees, and they involve risks, uncertainties and assumptions. Although we make such statements based on assumptions that we believe to be reasonable, there can be no assurance that actual results will not differ materially from those expressed in the forward-looking statements. We caution investors not to rely unduly on any forward-looking statements and urge you to carefully consider the risks described in Item 1A, "Risk Factors," in this report. We expressly disclaim any obligation to update any forward-looking statement in the event it later turns out to be inaccurate, whether as a result of new information, future events or otherwise.

Item 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, which could adversely affect our business, financial condition, results of operations, liquidity and the trading price of our common stock. The list of risk factors provided below is not exhaustive; there may be factors not discussed below or in this Form 10-K that adversely impact our results of operations, harm our reputation or inhibit our ability to generate new business prospects.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Damage to our reputation could damage our businesses.

Maintaining our reputation is critical to attracting and maintaining clients, investors and associates. If we fail to address, or appear to fail to address, issues that may give rise to reputational risk, we could significantly harm our business prospects. These issues may include, but are not limited to, any of the risks discussed in this Item 1A, including appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering, cybersecurity and privacy, record-keeping, and sales and trading practices, the failure to sell securities we have underwritten at anticipated price levels, and the proper identification of the legal, reputational, credit, liquidity, and market risks inherent in our products. Failure to maintain appropriate service and quality standards, or a failure or perceived failure to treat clients fairly can result in client dissatisfaction, litigation and heightened regulatory scrutiny, all of which can lead to lost revenue, higher operating costs and reputational harm. Negative publicity about us, whether or not true, may also harm our future business prospects.

We are affected by domestic and international macroeconomic conditions that impact the global financial markets.

We are engaged in various financial services businesses. As such, we are affected by domestic and international macroeconomic and political conditions, including economic output levels, interest and inflation rates, employment levels, prices of commodities including oil and gas, consumer confidence levels, and fiscal and monetary policy. For example, Fed policies determine, in large part, the cost of funds for lending and investing and the return earned on those loans and investments. The market impact from such policies also can decrease materially the value of certain of our financial assets, most notably debt securities. Changes in Fed policies are beyond our control and, consequently, the impact of these changes on our activities and results of our operations are difficult to predict. Macroeconomic conditions also may directly and indirectly impact a number of factors in the global financial markets that may be detrimental to our operating results, including trading levels, investing, and origination activity in the securities markets, security valuations, the absolute and relative level and volatility of interest and currency rates, real estate values, the actual and perceived quality of issuers and borrowers, and the supply of and demand for loans and deposits.

At times over the last several years we have experienced operating cycles during weak and uncertain U.S. and global economic conditions, including low economic output levels, artificially maintained levels of historically low interest rates, relatively high unemployment rates, and significant uncertainty with respect to domestic and international fiscal and monetary policy. These conditions led to changes in the global financial markets that from time to time negatively impacted our net revenue and profitability. While global financial markets have improved, uncertainty remains. A period of sustained downturns and/or volatility in the securities markets, a return to very low levels of short-term interest rates, credit market dislocations, reductions in the value of real estate, and other negative market factors could significantly impair our revenues and profitability. Additionally, certain of our market-making activities depend on market volatility to provide trading opportunities for our clients and decreases in volatility may reduce these opportunities or adversely affect the results of these activities. We could experience a decline in commission revenue from lower trading volumes, a decline in fees from reduced portfolio values of securities managed on behalf of our clients, a reduction in revenue from capital markets and advisory transactions due to reduced activity, increased credit provisions and charge-offs, losses sustained from our customers' and market participants' failure to fulfill their settlement obligations, reduced net interest earnings, and other losses. Periods of reduced revenue and other losses could be accompanied by periods of reduced profitability because certain of our expenses, including, but not limited to, our interest expense on debt, rent, facilities and salary expenses are fixed and our ability to reduce them over short time periods is limited.

U.S. markets may also be impacted by political and civil unrest occurring in other parts of the world. Concerns about the European Union ("EU"), including Britain's June 2016 referendum to exit the EU ("Brexit"), and the stability of the EU's sovereign debt, has caused uncertainty and disruption for financial markets globally. Continued uncertainties loom over the outcome of the EU's financial support programs. It is possible that other EU member states may experience financial troubles in the future, or may choose to follow Britain's lead and leave the EU. Any negative impact on economic conditions and global markets from these developments could adversely affect our business, financial condition and liquidity.

U.S. state and local governments also continue to struggle with budget pressures and ongoing concerns regarding municipal issuer credit quality. If these trends continue or worsen, investor concerns could potentially reduce the number and size of transactions in which we participate and, in turn, reduce investment banking revenues. In addition, such factors could adversely affect the value of the municipal securities we hold in our trading securities portfolio.

RJ Bank is affected primarily by economic conditions in North America. Market conditions in the United States and Canada can be assessed through the following metrics: the level and volatility of interest rates; unemployment and under-employment rates; real estate prices; consumer confidence levels and changes in consumer spending; and the number of personal bankruptcies, among others. Deterioration of market conditions can diminish loan demand, lead to an increase in mortgage and other loan delinquencies, affect loan repayment performance and result in higher reserves and net charge-offs, which can adversely affect our earnings.

Lack of liquidity or access to capital could impair our business and financial condition.

We must maintain appropriate liquidity levels. Our inability to maintain adequate liquidity and readily available access to the credit and capital markets could have a significant negative effect on our financial condition. If liquidity from our brokerage or banking operations is inadequate or unavailable, we may be required to scale back or curtail our operations, including limiting our efforts to recruit additional financial advisors, selling assets at unfavorable prices, and cutting or eliminating dividend payments. Our liquidity could be negatively affected by the inability of our subsidiaries to generate cash in the form of dividends from earnings, regulatory changes to the liquidity or capital requirements applicable to our subsidiaries that may prevent us from upstreaming cash to the parent company, limited or no accessibility to credit markets for secured and unsecured borrowings by our subsidiaries, diminished access to the capital markets for RJF, and other commitments or restrictions on capital as a result of adverse legal settlements, judgments, or regulatory sanctions. Furthermore, as a bank holding company, we may become subject to prohibitions or limitations on our ability to pay dividends and/or repurchase our stock. The OCC, the Fed, the FDIC, and the SEC (through FINRA) have the authority, and under certain circumstances, the duty, to prohibit or to limit dividend payments by regulated subsidiaries to their parent.

The availability of financing, including access to the credit and capital markets, depends on various factors, such as conditions in the debt and equity markets, the general availability of credit, the volume of securities trading activity, the overall availability of credit to the financial services sector and our credit ratings. Our cost of capital and the availability of funding may be adversely affected by illiquid credit markets and wider credit spreads. Additionally, lenders may from time to time curtail, or even cease to provide, funding to borrowers as a result of future concerns over the strength of specific counterparties, as well as the stability of markets generally. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources” in this report for additional information on liquidity and how we manage our liquidity risk.

We are exposed to credit risk.

We are generally exposed to the risk that third parties that owe us money, securities or other assets will fail to meet their performance obligations due to numerous causes, including bankruptcy, lack of liquidity, or operational failure, among others. We actively buy and sell securities from and to clients and counterparties in the normal course of our broker-dealers' market making and underwriting businesses, which exposes us to credit risk. Although generally collateralized by the underlying security to the transaction, we still face risk associated with changes in the market value of collateral through settlement date. We also hold certain securities, loans and derivatives in our trading accounts. Deterioration in the actual or perceived credit quality of the underlying issuers of securities or loans, or the non-performance of issuers and counterparties to certain derivative contracts could result in trading losses.

We borrow securities from, and lend securities to, other broker-dealers, and may also enter into agreements to repurchase and/or resell securities as part of investing and financing activities. A sharp change in the security market values utilized in these transactions may result in losses if counterparties to these transactions fail to honor their commitments.

We manage the risk associated with these transactions by establishing and monitoring credit limits, as well as by monitoring collateral and transaction levels daily. Significant deterioration in the credit quality of one of our counterparties could lead to widespread concerns about the credit quality of other counterparties in the same industry, thereby exacerbating our credit risk exposure.

We permit our clients to purchase securities on margin. During periods of steep declines in securities prices, the value of the collateral securing client margin loans may fall below the amount of the purchaser's indebtedness. If clients are unable to provide additional collateral for these margin loans, we may incur losses on those margin transactions. This may cause us to incur additional expenses defending or pursuing claims or litigation related to counterparty or client defaults.

We deposit our cash in depository institutions as a means of maintaining the liquidity necessary to meet our operating needs, and we also facilitate the deposit of cash awaiting investment in depository institutions on behalf of our clients. A failure of a depository institution to return these deposits could severely impact our operating liquidity, result in significant reputational damage, and adversely impact our financial performance.

We also incur credit risk by lending to businesses and individuals through the offering of loans, including C&I loans, commercial and residential mortgage loans, tax-exempt loans, home equity lines of credit, and margin and other loans collateralized by securities. We also incur credit risk through our investments. Our credit risk and credit losses can increase if our loans or investments are concentrated among borrowers or issuers engaged in the same or similar activities, industries, or geographies, or to borrowers or issuers who as a group may be uniquely or disproportionately affected by economic or market conditions. The deterioration of an individually large exposure, for example due to natural disasters, health emergencies or pandemics, acts of terrorism, severe weather events or other adverse economic events, could lead to additional loan loss provisions and/or charges-offs, or credit impairment of our investments, and subsequently have a material impact on our net income and regulatory capital.

Declines in the real estate market or sustained economic downturns may cause us to write down the value of some of the loans in RJ Bank's portfolio, foreclose on certain real estate properties or write down the value of some of our securities. Credit quality generally may also be affected by adverse changes in the financial performance or condition of our debtors or deterioration in the strength of the U.S. economy.

See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Management," in this report for additional information regarding our exposure to and approaches to managing credit risk.

We are exposed to market risk.

We are, directly and indirectly, affected by changes in market conditions. Market risk generally represents the risk that values of assets and liabilities or revenues will be adversely affected by changes in market conditions. For example, interest rate changes could adversely affect our net interest spread, the difference between the yield we earn on our assets and the interest rate we pay for deposits and other sources of funding, which in turn impacts our net interest income and earnings. Interest rate changes could affect the interest earned on assets differently than interest paid on liabilities. In our brokerage operations, a rising interest rate environment generally results in our earning a larger net interest spread. Conversely, in those operations, a falling interest rate environment generally results in our earning a smaller net interest spread. If we are unable to effectively manage our interest rate risk, changes in interest rates could have a material adverse effect on our profitability.

Market risk is inherent in the financial instruments associated with our operations and activities, including loans, deposits, securities, short-term borrowings, long-term debt, trading account assets and liabilities, derivatives and private equity investments. Market conditions that change from time to time, thereby exposing us to market risk, include fluctuations in interest rates, equity prices, foreign exchange rates, and price deterioration or changes in value due to changes in market perception or actual credit quality of an issuer.

In addition, disruptions in the liquidity or transparency of the financial markets may result in our inability to sell, syndicate or realize the value of security positions, thereby leading to increased concentrations. The inability to reduce our positions in specific securities may not only increase the market and credit risks associated with such positions, but also increase the level of risk-weighted assets on our balance sheet, thereby increasing our capital requirements, which could have an adverse effect on our business results, financial condition and liquidity.

Our private equity investments are carried at fair value with unrealized gains and losses reflected in earnings. The value of our private equity portfolios can fluctuate and earnings from our investments can be volatile and difficult to predict. When, and if, we recognize gains can depend on a number of factors, including general economic conditions, the prospects of the companies in which we invest, when these companies go public, the size of our position relative to the public float and whether we are subject to any resale restrictions. Further, our investments could incur significant mark-to-market losses, especially if they have been written up in prior periods because of higher market prices.

See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management,” in this report for additional information regarding our exposure to and approaches to managing market risk.

Our business depends on fees generated from the distribution of financial products, fees earned from the management of client accounts, and advisory fees.

A large portion of our revenues are derived from fees generated from the distribution of financial products, such as mutual funds and variable annuities. Changes in the structure or amount of the fees paid by the sponsors of these products could directly affect our revenues, business and financial condition. In addition, if these products experience losses or increased investor redemptions, we may receive lower fee revenue from the investment management and distribution services we provide on behalf of the mutual funds and annuities. The investment management fees we are paid may also decline over time due to factors such as increased competition and the renegotiation of contracts. In addition, the market environment in recent years has resulted in a shift to passive investment products, which generate lower fees than actively managed products. A continued trend toward passive investments or changes in market values or in the fee structure of asset management accounts would affect our revenues, business and financial condition. Asset management fees often are primarily comprised of base management and incentive fees. Management fees are primarily based on assets under management (“AUM”). AUM balances are impacted by net inflows/outflows of client assets and market values. Below-market investment performance by our funds and portfolio managers could result in a loss of managed accounts and could result in reputational damage that might make it more difficult to attract new investors and thus further impact our business and financial condition. If we were to experience the loss of managed accounts, our fee revenue would decline. In addition, in periods of declining market values, our values of AUM may resultantly decline, which would negatively impact our fee revenues.

Our underwriting, market-making, trading, and other business activities place our capital at risk.

We may incur losses and be subject to reputational harm to the extent that, for any reason, we are unable to sell securities we have underwritten at the anticipated price levels. As an underwriter, we also are subject to heightened standards regarding liability for material misstatements or omissions in prospectuses and other offering documents relating to offerings in which we are involved. As a market maker, we may own positions in specific securities, and these undiversified holdings concentrate the risk of market fluctuations and may result in greater losses than would be the case if our holdings were more diversified. In addition, despite risk mitigation policies, we may incur losses as a result of positions we hold in connection with our market making or underwriting activities.

From time to time and as part of our underwriting processes, we may carry significant positions in securities of a single issuer or issuers engaged in a specific industry. Sudden changes in the value of these positions could impact our financial results.

We have made and, to the limited extent permitted by applicable regulations, may continue to make principal investments in private equity funds and other illiquid investments; however, our current focus is on the divestiture of our existing portfolio. We may be unable to realize our investment objectives if we cannot sell or otherwise dispose of our interests at attractive prices or complete a desirable exit strategy. In particular, these risks could arise from changes in the financial condition or prospects of the portfolio companies in which investments are made, changes in economic conditions or changes in laws, regulations, fiscal policies or political conditions. It could take a substantial period of time to identify attractive investment opportunities and then to realize the cash value of such investments. Even if a private equity investment proves to be profitable, it may be several years or longer before any profits can be realized in cash.

Any cyber-attack or other security breach of our technology systems, or those of our clients or other third-party vendors we rely on, could subject us to significant liability and harm our reputation.

Our operations rely heavily on the secure processing, storage and transmission of sensitive and confidential financial, personal and other information in our computer systems and networks. There have been several highly publicized cases involving financial services companies reporting the unauthorized disclosure of client or other confidential information in recent years, as well as cyber-attacks involving the theft, dissemination and destruction of corporate information or other assets, in some cases as a result of failure to follow procedures by employees or contractors or as a result of actions by third parties. Like other financial services firms, we are regularly the target of attempted cyber-attacks, including unauthorized access, mishandling or misuse of information, computer viruses or malware, denial-of-service attacks, phishing or other forms of social engineering, and other events, and we seek to continuously monitor and develop our systems to protect our technology infrastructure and data from misappropriation or corruption. Cyber-attacks can originate from a variety of sources, including third parties affiliated with foreign governments, organized crime or terrorist organizations. Third parties may also attempt to place individuals within our firm or induce employees, clients or other users of our systems to disclose sensitive information or provide access to our data, and these types of risks may be difficult to detect or prevent. Although cyber security incidents among financial services firms are on the rise, we have not experienced any material losses relating to cyber-attacks or other information security breaches. However, the techniques used in these attacks are increasingly sophisticated, change frequently and are often not recognized until launched. Although we seek to maintain a robust suite of authentication and layered information security controls, including our cyber threat analytics, data encryption and tokenization technologies, anti-malware defenses and vulnerability management program, any one or combination of these controls could fail to detect, mitigate or remediate these risks in a timely manner. Despite our implementation of protective measures and endeavoring to modify them as circumstances warrant, our computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service attacks, computer viruses and other malicious code, and other events that could result in significant liability and damage to our reputation, and have an ongoing impact on the security and stability of our operations.

We also rely on numerous third party service providers to conduct other aspects of our business operations, and we face similar risks relating to them. While we regularly conduct security assessments on these third party vendors, we cannot be certain that their information security protocols are sufficient to withstand a cyber-attack or other security breach. In addition, in order to access our products and services, our customers may use computers and other devices that are beyond our security control systems.

Notwithstanding the precautions we take, if a cyber-attack or other information security breach were to occur, this could jeopardize the information we confidentially maintain, or otherwise cause interruptions in our operations or those of our clients and counterparties, exposing us to liability. As attempted attacks continue to evolve in scope and sophistication, we may be required to expend substantial additional resources to modify or enhance our protective measures, to investigate and remediate vulnerabilities or other exposures or to communicate about cyber-attacks to our customers. Though we have insurance against some cyber-risks and attacks, we may be subject to litigation and financial losses that exceed our policy limits or are not covered under any of our current insurance policies. A technological breakdown could also interfere with our ability to comply with financial reporting and other regulatory requirements, exposing us to potential disciplinary action by regulators. Further, successful cyber-attacks at other large financial institutions or other market participants, whether or not we are affected, could lead to a general loss of customer confidence in financial institutions that could negatively affect us, including harming the market perception of the effectiveness of our security measures or the financial system in general, which could result in reduced use of our financial products and services.

Further, in light of the high volume of transactions we process, the large number of our clients, partners and counterparties, and the increasing sophistication of malicious actors, a cyber-attack could occur and persist for an extended period of time without detection. We expect that any investigation of a cyber-attack would take substantial amounts of time, and that there may be extensive delays before we obtain full and reliable information. During such time we would not necessarily know the extent of the harm or how best to remediate it, and certain errors or actions could be repeated or compounded before they are discovered and remediated, all of which would further increase the costs and consequences of such an attack.

We may also be subject to liability under various data protection laws. In providing services to clients, we manage, utilize and store sensitive or confidential client or employee data, including personal data. As a result, we are subject to numerous laws and regulations designed to protect this information, such as U.S. federal, state and international laws governing the protection of personally identifiable information. These laws and regulations are increasing in complexity and number. If any person, including any of our associates, negligently disregards or intentionally breaches our established controls with respect to client or employee data, or otherwise mismanages or misappropriates such data, we could be subject to significant monetary damages, regulatory enforcement actions, fines and/or criminal prosecution. In addition, unauthorized disclosure of sensitive or confidential client or employee data, whether through system failure, employee negligence, fraud or misappropriation, could damage our reputation and cause us to lose clients and related revenue. Potential liability in the event of a security breach of client data could be significant. Depending on the circumstances giving rise to the breach, this liability may not be subject to a contractual limit or an exclusion of consequential or indirect damages.

See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management” in this report for additional information regarding our exposure to and approaches for managing these types of operational risks.

The soundness of other financial institutions and intermediaries affects us.

We face the risk of operational failure, termination or capacity constraints of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate our securities transactions. As a result of the consolidation over the years among clearing agents, exchanges and clearing houses, our exposure to certain financial intermediaries has increased and could affect our ability to find adequate and cost-effective alternatives should the need arise. Any failure, termination or constraint of these intermediaries could adversely affect our ability to execute transactions, service our clients and manage our exposure to risk.

Our ability to engage in routine trading and funding transactions could be affected adversely by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, funding, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds and other institutional clients. Defaults by, or even rumors or questions about the financial condition of, one or more financial services institutions, or the financial services industry generally, have historically led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. Losses arising in connection with counterparty defaults may have a material adverse effect on our results of operations.

Our risk management and conflicts of interest policies and procedures may leave us exposed to unidentified or unanticipated risk.

We seek to manage, monitor and control our market, credit, operational, legal and regulatory risk through operational and compliance reporting systems, internal controls, management review processes and other mechanisms; however, there can be no assurance that our procedures will be effective. Our banking and trading processes seek to balance our ability to profit from banking and trading positions with our exposure to potential losses. While we use limits and other risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate unforeseen economic and financial outcomes or the specifics and timing of such outcomes. Our risk management methods may not predict future risk exposures effectively. In addition, some of our risk management methods are based on an evaluation of information regarding markets, clients and other matters that are based on assumptions that may no longer be accurate or may have limited predictive value. A failure to manage our growth adequately, including growth in the products or services we offer, or to manage our risk effectively, could materially and adversely affect our business and financial condition.

Financial services firms are subject to numerous actual or perceived conflicts of interest, which are under growing scrutiny by U.S. federal and state regulators and SROs such as FINRA. Our risk management processes include addressing potential conflicts of interest that arise in our business. Management of potential conflicts of interest has become increasingly complex as we expand our business activities. A perceived or actual failure to address conflicts of interest adequately could affect our reputation, the willingness of clients to transact business with us or give rise to litigation or regulatory actions. Therefore, there can be no assurance that conflicts of interest will not arise in the future that could cause result in material harm to our business and financial condition.

For more information on how we monitor and manage market and certain other risks, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management,” in this report.

We continue to experience pricing pressures in areas of our business which may impair our future revenue and profitability.

We continue to experience pricing pressures on trading margins and commissions in fixed income and equity trading. In the fixed income market, regulatory requirements have resulted in greater price transparency, leading to price competition and decreased trading margins. In the equity market, we experience pricing pressure from institutional clients to reduce commissions, and this pressure has been augmented by the use of electronic and direct market access trading, which has created additional competitive downward pressure on trading margins. We believe that price competition and pricing pressures in these and other areas will continue as institutional investors continue to reduce the amounts they are willing to pay, including by reducing the number of brokerage firms they use, and some of our competitors seek to obtain market share by reducing fees, commissions or margins.

We face intense competition.
We are engaged in intensely competitive businesses. We compete on the basis of a number of factors, including the quality of our financial advisors and associates, our products and services, pricing (such as execution pricing and fee levels), and location and reputation in relevant markets. Over time there has been substantial consolidation and convergence among companies in the financial services industry, which has significantly increased the capital base and geographic reach of our competitors. See the section entitled "Competition" of Item 1 of this report for additional information about our competitors.

We compete directly with national full service broker-dealers, investment banking firms, and commercial banks, and to a lesser extent, with discount brokers and dealers and investment advisors. In addition, we face competition from more recent entrants into the market and increased use of alternative sales channels by other firms. We also compete indirectly for investment assets with insurance companies, real estate firms and hedge funds, among others. This competition could cause our business to suffer.

To remain competitive, our future success also depends in part on our ability to develop and enhance our products and services. The inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability. In addition, we may incur substantial expenditures to keep pace with the constant changes and enhancements being made in technology.

Our ability to attract and retain senior professionals, qualified financial advisors and other associates is critical to the continued success of our business.
Our ability to develop and retain our clients depends on the reputation, judgment, business generation capabilities and skills of our senior professionals, and the members of our executive committees, as well as employees and financial advisors. To compete effectively we must attract, retain and motivate qualified professionals, including successful financial advisors, investment bankers, trading professionals, portfolio managers and other revenue producing or specialized personnel. Competitive pressures we experience could have an adverse effect on our business, results of operations, financial condition and liquidity.

Turnover in the financial services industry is high. The cost of recruiting and retaining skilled professionals in the financial services industry has escalated considerably. Financial industry employers are increasingly offering guaranteed contracts, upfront payments, and increased compensation. These can be important factors in a current employee's decision to leave us as well as in a prospective employee's decision to join us. As competition for skilled professionals in the industry remains intense, we may have to devote significant resources to attracting and retaining qualified personnel. To the extent we have compensation targets, we may not be able to retain our employees, which could result in increased recruiting expense or result in our recruiting additional employees at compensation levels that are not within our target range. In particular, our financial results may be adversely affected by the costs we incur in connection with any upfront loans or other incentives we may offer to newly recruited financial advisors and other key personnel. If we were to lose the services of any of our investment bankers, senior equity research, sales and trading professionals, asset managers, or executive officers to a competitor or otherwise, we may not be able to retain valuable relationships and some of our clients could choose to use the services of a competitor instead of our services. If we are unable to retain our senior professionals or recruit additional professionals, our reputation, business, results of operations and financial condition will be adversely affected. Further, new business initiatives and efforts to expand existing businesses generally require that we incur compensation and benefits expense before generating additional revenues.

Moreover, companies in our industry whose employees accept positions with competitors frequently claim that those competitors have engaged in unfair hiring practices. We have been subject to several such claims and may be subject to additional claims in the future as we seek to hire qualified personnel, some of whom may work for our competitors. Some of these claims may result in material litigation. We could incur substantial costs in defending against these claims, regardless of their merits. Such claims could also discourage potential employees who work for our competitors from joining us. Recently, a large broker-dealer competitor announced its withdrawal from the Protocol for Broker Recruiting (“Protocol”), a voluntary agreement among over 1,700 firms that governs, among other things, the client information that financial advisors may take with them when they affiliate with a new firm. The ability to bring such customer data to a new broker-dealer generally means that the financial advisor is better able to move client account balances to his or her new firm. It is possible that other competitors will similarly withdraw from the Protocol. If the broker-dealers from whom we recruit new financial advisors prevent, or significantly limit, the transfer of client data, our recruiting efforts may be adversely affected and we could experience a higher number of claims against us relating to our recruiting efforts.

A downgrade in our credit ratings could have a material adverse effect on our operations, earnings and financial condition.

If our credit ratings were downgraded, or if rating agencies indicate that a downgrade may occur, our business, financial position, and results of operations could be adversely affected, perceptions of our financial strength could be damaged, and as a result, adversely affect our client relationships. Such a change in our credit ratings could also adversely affect our liquidity and competitive position, increase our borrowing costs, limit our access to the capital markets, trigger obligations under certain financial agreements, or decrease the number of investors, clients and counterparties willing or permitted to do business with or lend to us, thereby curtailing our business operations and reducing profitability.

We may not be able to obtain additional outside financing to fund our operations on favorable terms, or at all. The impact of a credit rating downgrade to a level below investment grade would result in our breaching provisions in certain of our derivative instruments, and may result in a request for immediate payment and/or ongoing overnight collateralization on our derivative instruments in liability positions. A credit rating downgrade would also result in RJF incurring a higher commitment fee on any unused balance on its $300 million revolving credit facility, in addition to triggering a higher interest rate applicable to any borrowings outstanding on the line as of and subsequent to such downgrade (see Note 14 of the Notes to Consolidated Financial Statements in this Form 10-K for information on this revolving credit facility).

Business growth could increase costs and regulatory and integration risks.

We continue to grow through acquisitions. Integrating acquired businesses, providing a platform for new businesses and partnering with other firms involve risks and present financial, managerial and operational challenges. We may incur significant expense in connection with expanding our existing businesses, recruiting financial advisors, or making strategic acquisitions or investments. Our overall profitability would be negatively affected if investments and expenses associated with such growth are not matched or exceeded by the revenues derived from such investments or growth.

Expansion may also create a need for additional compliance, documentation, risk management and internal control procedures, and often involves hiring additional personnel to address these procedures. To the extent such procedures are not adequate or not adhered to with respect to our expanded business or any new business, we could be exposed to a material loss or regulatory sanction.

Moreover, to the extent we pursue acquisitions we may be unable to complete such acquisitions on acceptable terms. We may be unable to integrate any acquired business into our existing business successfully. Difficulties we may encounter in integrating an acquired business could have an adverse effect on our business, financial condition, and results of operations. In addition, we may need to raise capital or borrow in order to finance an acquisition, which could result in dilution or increased leverage. We may not be able to obtain financing on favorable terms or perhaps at all.

A continued interruption to our telecommunications or data processing systems, or the failure to effectively update the technology we utilize, could be materially adverse to our business.

Our businesses rely extensively on data processing and communications systems. In addition to better serving clients, the effective use of technology increases efficiency and enables us to reduce costs. Adapting or developing our technology systems to meet new regulatory requirements, client needs, and competitive demands is critical for our business. Introduction of new technology presents challenges on a regular basis. There are significant technical and financial costs and risks in the development of new or enhanced applications, including the risk that we might be unable to effectively use new technologies or adapt our applications to emerging industry standards.

Our continued success depends, in part, upon our ability to: (i) successfully maintain and upgrade the capability of our technology systems; (ii) address the needs of our clients by using technology to provide products and services that satisfy their demands; and (iii) retain skilled information technology employees. Failure of our technology systems, which could result from events beyond our control, or an inability to effectively upgrade those systems or implement new technology-driven products or services, could result in financial losses, liability to clients, violations of applicable privacy and other applicable laws and regulatory sanctions. See Item 7, “Management’s Discussion and Analysis of

Financial Condition and Results of Operations - Risk Management," in this report for additional information regarding our exposure to and approaches for managing these types of operational risks.

Associate misconduct, which is difficult to detect and deter, could harm us by impairing our ability to attract and retain clients and subject us to significant legal liability and reputational harm.

There have been a number of highly-publicized cases involving fraud or other misconduct by associates in the financial services industry. There is a risk that our associates could engage in misconduct that adversely affects our business. For example, our banking business often requires that we deal with confidential matters of great significance to our clients. If our associates were to improperly use or disclose confidential information provided by our clients, we could be subject to regulatory sanctions and suffer serious harm to our reputation, financial position, current client relationships and ability to attract future clients. We are also subject to a number of obligations and standards arising from our asset management business and our authority over the assets managed by our asset management business. In addition, our financial advisors may act in a fiduciary capacity, providing financial planning, investment advice and discretionary asset management. The violation of these obligations and standards by any of our associates would adversely affect our clients and us. It is not always possible to deter associate misconduct, and the precautions we take to detect and prevent this activity may not be effective. If our associates engage in misconduct, our business would be adversely affected.

We are exposed to litigation risks, which could materially and adversely impact our business operations and prospects.

Many aspects of our business involve substantial risks of liability. We have been named as a defendant or co-defendant in lawsuits and arbitrations involving primarily claims for damages. The risks associated with potential litigation often may be difficult to assess or quantify and the existence and magnitude of potential claims often remain unknown for substantial periods of time. Unauthorized or illegal acts of our associates could result in substantial liability. Our Private Client Group business segment has historically been more susceptible to litigation than our institutional businesses.

In challenging market conditions, the volume of claims and amount of damages sought in litigation and regulatory proceedings against financial institutions has historically increased. These risks include potential liability under securities laws or other laws for: alleged materially false or misleading statements made in connection with securities offerings and other transactions; issues related to the suitability of our investment recommendations; the inability to sell or redeem securities in a timely manner during adverse market conditions; contractual issues; employment claims; and potential liability for other advice we provide to participants in strategic transactions. Substantial legal liability could have a material adverse financial impact or cause us significant reputational harm, which in turn could seriously harm our business and future business prospects. In addition to the foregoing financial costs and risks associated with potential liability, the costs of defending individual litigation and claims continue to increase over time. The amount of outside attorneys' fees incurred in connection with the defense of litigation and claims could be substantial and might materially and adversely affect our results of operations.

See Item 3, "Legal Proceedings" in this report for a discussion of our legal matters and see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Risk Management," in this report for a discussion regarding our approach to managing legal risk.

The preparation of the consolidated financial statements requires the use of estimates that may vary from actual results and new accounting standards could adversely affect future reported results.

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates and assumptions may require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. One of our most critical estimates is RJ Bank's allowance for loan losses. At any given point in time, conditions in real estate and credit markets may increase the complexity and uncertainty involved in estimating the losses inherent in RJ Bank's loan portfolio. If management's underlying assumptions and judgments prove to be inaccurate, the allowance for loan losses could be insufficient to cover actual losses. Our financial condition, including our liquidity and capital, and results of operations could be materially and adversely impacted. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Estimates," in this report for additional information on the nature of these estimates.

Our financial instruments, including certain trading assets and liabilities, available-for-sale securities including Auction Rate Securities ("ARS"), certain loans, intangible assets and private equity investments, among other items, require management to make a determination of their fair value in order to prepare our consolidated financial statements. Where quoted market prices are not available, we may make fair value determinations based on internally developed models or other means, which ultimately rely to some degree on our subjective judgment. Some of these instruments and other assets and liabilities may have no direct observable inputs, making their valuation particularly subjective and, consequently, based on significant estimation and judgment. In addition, sudden illiquidity in markets or declines in prices of certain securities may make it more difficult to value certain items, which may lead to the possibility that such valuations will be subject to further change or adjustment, as well as declines in our earnings in subsequent periods.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. The Financial Accounting Standards Board (the "FASB") and the SEC have at times revised the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards may change or even reverse their previous interpretations or positions on how these standards should be applied. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. For further discussion of some of our significant accounting policies and standards, see the "Critical Accounting Estimates" discussion within Item 7 in this report, and Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K.

The FASB has issued several new accounting standards, including on the topics of credit losses, revenue recognition and leases.

Specifically, the new credit losses standard will replace multiple existing impairment models, including the replacement of the “incurred loss” model for loans with an “expected loss” model. We are evaluating the potential impact that the adoption of these standards will have on our financial position and results of operations. See Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K for further information.

Regions may fail to honor its indemnification obligations associated with Morgan Keegan matters.

Under the definitive stock purchase agreement entered into in connection with our acquisition of Morgan Keegan & Company, Inc., and MK Holding, Inc. and certain of its affiliates (collectively referred to as “Morgan Keegan”) from Regions Financial Corporation (“Regions”), Regions has obligations to continue to indemnify RJF with respect to certain litigation as well as other matters. Specifically, the terms of the agreement provide that Regions will indemnify RJF for losses incurred in connection with legal proceedings pending as of the closing date of that acquisition (April 2, 2012), or commenced thereafter and related to pre-closing matters that were received prior to the closing date, as well as any cost of defense pertaining thereto. RJF is relying on Regions to continue to fulfill its indemnification obligations under the agreement with respect to such matters. Our inability to enforce these indemnification provisions in the future, or our failure to recover future losses for which we are entitled to be indemnified, could result in our incurring significant costs for defense, settlement, and any adverse judgments, and resultantly have an adverse effect on our results of operations, financial condition, and our regulatory capital levels.

See Note 17 of the Notes to Consolidated Financial Statements in this Form 10-K for further information regarding the indemnification from Regions.

Our operations could be adversely affected by serious weather conditions.

Certain of our principal operations are located in St. Petersburg, Florida. While we have a business continuity plan that permits significant operations to be conducted out of our Southfield, Michigan and Memphis, Tennessee locations and our information systems processing to be conducted out of our information technology data center in the Denver, Colorado area, our operations could be adversely affected by hurricanes or other serious weather conditions that could affect the processing of transactions, communications, and the ability of our associates to get to our offices, or work from home. As discussed above, weather events could also adversely impact certain loans within RJ Bank’s portfolio. Refer to Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management” in this Form 10-K for a discussion of our operational risk management.

We are exposed to risk from international markets.

We do business in other parts of the world and as a result, are exposed to risks, including economic, market, litigation and regulatory risks. Our businesses and revenues derived from non-U.S. operations are subject to risk of loss from currency fluctuations, social or political instability, less established regulatory regimes, changes in governmental or central bank policies, downgrades in the credit ratings of sovereign countries, expropriation, nationalization, confiscation of assets and unfavorable legislative, economic and political developments. Action or inaction in any of these operations, including failure to follow proper practices with respect to regulatory compliance and/or corporate governance, could harm our operations and our reputation. We also invest or trade in the securities of corporations located in non-U.S. jurisdictions. Revenues from trading non-U.S. securities also may be subject to negative fluctuations as a result of the above mentioned factors.

We are exposed to risks related to our insurance programs.

Our operations and financial results are subject to risks and uncertainties related to our use of a combination of insurance, self-insured retention and self-insurance for a number of risks. We have elected to self-insure our workers compensation, errors and omissions liability and our employee-related health care benefit plans. We have self-insured retention risk related to our property and casualty, and general liability benefit plans.

While we endeavor to purchase insurance coverage appropriate to our risk assessment, we are unable to predict with certainty the frequency, nature or magnitude of claims for direct or consequential damages. Our business may be negatively affected if our insurance proves to be inadequate or unavailable. In addition, claims associated with risks we have retained either through our self-insurance retention or by self-insuring, may exceed our recorded reserves which could negatively impact future earnings. Insurance claims may divert management resources away from operating our business.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Financial services firms have been subject to regulatory changes resulting from the Dodd-Frank Act and increased regulatory scrutiny over the last several years, increasing the risk of financial liability and reputational harm resulting from adverse regulatory actions.

Financial services firms over the last several years have been operating in an onerous regulatory environment, which could become more stringent in light of recent well-publicized failures of regulators to detect and prevent fraud. The industry has experienced increased scrutiny from various regulators, including the SEC, the Fed, the OCC and the CFPB, in addition to stock exchanges, FINRA and state attorneys general. Penalties and fines imposed by regulatory authorities have increased substantially in recent years. We may be adversely affected by changes in the interpretation or enforcement of existing laws, rules and regulations.

As a result of the demand by the public for changes in the way the financial services industry is regulated, including a call for more stringent legislation and regulation in the United States and abroad. The Dodd-Frank Act enacted sweeping changes and an unprecedented increase in the supervision and regulation of the financial services industry (see Item 1, "Regulation," in this report for a discussion of such changes). The ultimate impact that the Dodd-Frank Act and implementing regulations will have on us, the financial industry and the economy at large cannot be quantified until all of the implementing regulations called for under the legislation have been finalized and fully implemented. Nevertheless, it is apparent that these legislative and regulatory changes could affect our revenue, limit our ability to pursue business opportunities, impact the value of our assets, require us to alter at least some of our business practices, impose additional compliance costs, and otherwise adversely affect our businesses.

The Dodd-Frank Act impacts the manner in which we market our products and services, manage our business and operations, and interact with regulators, all of which could materially impact our results of operations, financial condition and liquidity. Certain provisions of the Dodd-Frank Act that have or may impact our businesses include: the establishment of a fiduciary standard for broker-dealers; regulatory oversight of incentive compensation; the imposition of capital requirements on financial holding companies; prohibition of proprietary trading; restrictions on investments in covered funds; and, to a lesser extent, greater oversight over derivatives trading. There is also increased regulatory scrutiny (and related compliance costs) as we continue to grow and surpass certain consolidated asset thresholds established under the Dodd-Frank Act, which have the effect of imposing enhanced standards and requirements on larger institutions. These include, but are not limited to, RJ Bank's oversight by the CFPB. The CFPB has had an active enforcement agenda and any action taken by the CFPB could result in requirements to alter or cease offering affected products and services, make such products and services less attractive, impose additional compliance measures, or result in fines, penalties or required remediation. To the extent the Dodd-Frank Act impacts the operations, financial condition, liquidity and capital requirements of unaffiliated financial institutions with whom we transact business, those institutions may seek to pass on increased costs, reduce their capacity to transact, or otherwise present inefficiencies in their interactions with us. We are also required to comply with the Volcker Rule's provisions. Although we have not historically engaged in significant levels of proprietary trading, due to our underwriting and market-making activities and our investments in covered funds, we have experienced and expect to continue to experience increased operational and compliance costs and changes to our private equity investments. Any changes to regulations or changes to the supervisory approach may also result in increased compliance costs to the extent we are required to modify our existing compliance policies, procedures and practices.

Broker-dealers and investment advisors are subject to regulations covering all aspects of the securities business, including, but not limited to: sales and trading methods; trade practices among broker-dealers; use and safekeeping of clients' funds and securities; capital structure of securities firms; anti-money laundering efforts; recordkeeping; and the conduct of directors, officers and employees. Any violation of these laws or regulations could subject us to the following events, any of which could have a material adverse effect on our business, financial condition and prospects: civil and criminal liability; sanctions, which could include the revocation of our subsidiaries' registrations as investment advisors or broker-dealers; the revocation of the licenses of our financial advisors; censures; fines; or a temporary suspension or permanent bar from conducting business.

The majority of our affiliated financial advisors are independent contractors. Legislative or regulatory action that redefines the criteria for determining whether a person is an employee or an independent contractor could materially impact our relationships with our advisors and our business, resulting in an adverse effect on our results of operations.

Regulatory actions brought against us may result in judgments, settlements, fines, penalties or other results, any of which could have a material adverse effect on our business, financial condition or results of operations. There is no assurance that regulators will be satisfied with the policies and procedures implemented by RJF and its subsidiaries. In addition, from time to time, RJF and its affiliates may become subject to additional findings with respect to supervisory, compliance or other regulatory deficiencies, which could subject us to additional liability, including penalties, and restrictions on our business activities. Among other things, these restrictions could limit our ability to make investments, complete acquisitions, expand into new business lines, pay dividends and/or engage in share repurchases. See Item 1, “Regulation,” in this report for additional information regarding our regulatory environment and Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Risk Management,” in this report regarding our approaches to managing regulatory risk.

Changes in regulations resulting from the DOL Rule, including the DOL fiduciary standard, may adversely affect our businesses.

The DOL Rule became effective earlier in the year, subject to a transition period until January 2018 applying to both the BIC Exemption and Principal Transactions Exemption. Although we have undertaken a comprehensive plan to comply with the DOL Rule given that qualified accounts, particularly IRA accounts, comprise a significant portion of our business, we expect that compliance with the DOL Rule and reliance on the BIC Exemption and the Principal Transactions Exemption will require us to continue to incur increased legal, compliance and information technology costs. We anticipate that if the DOL Rule is amended, a rule imposing heightened standards on broker-dealers is adopted by the SEC, or fiduciary rules are adopted at the state level, we will be required to incur additional costs in order to review and possibly modify our compliance plan and approach. Implementation of the DOL Rule, any amendments to the rule, and any rules addressing similar matters will negatively impact our results including the impact of increased costs related to compliance, legal and information technology. In addition, we expect that our legal risks will increase, in part, as a result of the new contractual rights required to be given to IRA and non-ERISA plan clients under the BIC Exemption and Principal Transactions Exemption.

Numerous regulatory changes, and enhanced regulatory and enforcement activity, relating to the asset management business may increase our compliance and legal costs and otherwise adversely affect our business.

The SEC has proposed certain measures that would establish a new framework to replace the requirements of Rule 12b-1 under the 1940 Act with respect to how mutual funds pay fees to cover the costs of selling and marketing their shares. The staff of the SEC’s Office of Compliance, Inspections and Examinations has indicated that it is reviewing the use of fund assets to pay for fees to sub-transfer agents and sub-administrators for services that may be deemed to be distribution-related. Any adoption of such measures would be phased in over a number of years. As these measures are neither final nor undergoing implementation throughout the financial services industry, their impact cannot be fully ascertained at this time. As this regulatory trend continues, it could adversely affect our operations and, in turn, our financial results.

Asset management businesses have experienced a number of highly publicized regulatory inquiries, which have resulted in increased scrutiny within the industry and new rules and regulations for mutual funds, investment advisors and broker-dealers. As some of our wholly owned subsidiaries are registered as investment advisors with the SEC, increased regulatory scrutiny and rulemaking initiatives may result in augmented operational and compliance costs or the assessment of significant fines or penalties against our asset management business, and may otherwise limit our ability to engage in certain activities. It is not possible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any of the proposals will become law. Conformance with any new laws or regulations could make compliance more difficult and expensive and affect the manner in which we conduct business. For example, pursuant to the Dodd-Frank Act, the SEC was charged with considering whether broker-dealers should be subject to a standard of care similar to the fiduciary standard applicable to registered investment advisors. It is not clear whether the SEC will determine that a heightened standard of conduct is appropriate for broker-dealers; however, any such standard, if mandated, would likely require us to review our product and service offerings and implement certain changes, as well as require that we incur additional regulatory costs in order to ensure compliance.

In addition, U.S. and foreign governments have recently taken regulatory actions impacting the investment management industry, and may continue to take further actions, including expanding current (or enacting new) standards, requirements and rules that may be applicable to us and our subsidiaries. For example, several states and municipalities in the United States have adopted “pay-to-play” rules, which could limit our ability to charge advisory fees. Such “pay-to-play” rules could affect the profitability of that portion of our business. Additionally, the use of “soft dollars,” where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors, is periodically reexamined and may be limited or modified in the future. A substantial portion of the research relied on by our investment management business in the investment decision making process is generated internally by our investment analysts and external research, including external research paid for with soft dollars. This external research generally is used for information gathering or verification purposes, and includes broker-provided research, as well as third-party provided databases and research services. If the use of soft dollars is limited, we may have to bear some of these additional costs. Furthermore, new regulations regarding the management of hedge funds and the use of certain investment products may impact our asset management business and result in increased costs. For example, many regulators around the world adopted disclosure and reporting requirements relating to the hedge fund business or other businesses, and changes to the laws, rules and regulations in the U.S. related to the over-the-counter swaps and derivatives markets require additional registration, record keeping and reporting obligations.

Failure to comply with regulatory capital requirements primarily applicable to RJF, RJ Bank or our broker-dealer subsidiaries would significantly harm our business.

RJF and RJ Bank are subject to various regulatory and capital requirements administered by various federal regulators in the United States and, accordingly, must meet specific capital guidelines that involve quantitative measures of RJF and RJ Bank's assets, liabilities and certain off-balance sheet items, as calculated under regulatory accounting practices. The capital amounts and classification for both RJF and RJ Bank are also subject to qualitative judgments by U. S. federal regulators based on components of our capital, risk-weightings of assets, off-balance sheet transactions, and other factors. Quantitative measures established by regulation to ensure capital adequacy require RJF and RJ Bank to maintain minimum amounts and ratios of Common Equity Tier 1, Tier 1 and Total capital to risk-weighted assets, Tier 1 capital to average assets and capital conservation buffers (as defined in the regulations). Failure to meet minimum capital requirements can trigger certain mandatory (and potentially additional discretionary) actions by regulators that, if undertaken, could harm either RJF or RJ Bank's operations and financial condition. As more fully discussed in Item 1, "Regulation," in this report, RJF and RJ Bank are required to perform annual stress tests using certain scenarios provided by the Fed. While we believe that both the quality and size of our capital base is sufficient to support our current operations given our risk profile, the results of the stress testing process may affect our approach to managing and deploying capital.

We are subject to the SEC's uniform net capital rule (Rule 15c3-1) and FINRA's net capital rule, which may limit our ability to make withdrawals of capital from our broker-dealer subsidiaries. The uniform net capital rule sets the minimum level of net capital that a broker-dealer must maintain and also requires that a portion of its assets be relatively liquid. FINRA may prohibit a member firm from expanding its business or paying cash dividends if resulting net capital falls below certain thresholds. In addition, our Canada-based broker-dealer subsidiary is subject to similar limitations under applicable regulation in that jurisdiction by IIROC. Regulatory capital requirements applicable to some of our significant subsidiaries may impede access to funds that RJF needs to make payments on any such obligations.

See Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on regulations and capital requirements.

The Basel III regulatory capital standards impose additional capital and other requirements on us that could decrease our profitability.

In July 2013, the Fed, the OCC and the FDIC released final U.S. Basel III Rules, which implemented the global regulatory capital reforms of Basel III and certain changes required by the Dodd-Frank Act. The U.S. Basel III Rules increase the quantity and quality of regulatory capital, establish a capital conservation buffer and make selected changes to the calculation of risk-weighted assets. We became subject to the requirements under the final U.S. Basel III Rules as of January 1, 2015, subject to a phase-in period for several of its provisions, including the new minimum capital ratio requirements, the capital conservation buffer and the regulatory capital adjustments and deductions. The increased capital requirements stipulated under the U.S. Basel III Rules could restrict our ability to grow during favorable market conditions or require us to raise additional capital. As a result, our business, results of operations, financial condition and prospects could be adversely affected.

As a financial holding company, RJF's liquidity depends on payments from its subsidiaries, which may be subject to regulatory restrictions.

RJF is a financial holding company and therefore depends on dividends, distributions and other payments from its subsidiaries in order to meet its obligations, including its debt service obligations. RJF's subsidiaries are subject to laws and regulations that restrict dividend payments or authorize regulatory bodies to prevent or reduce the flow of funds from those subsidiaries to RJF. RJF's broker-dealers and bank subsidiary are limited in their ability to lend or transact with affiliates and are subject to minimum regulatory capital and other requirements, as well as limitations on their ability to use funds deposited with them in broker or bank accounts to fund their businesses. These requirements may hinder RJF's ability to access funds from its subsidiaries. RJF may also become subject to a prohibition or limitations on its ability to pay dividends or repurchase its common stock. The federal banking regulators, including the OCC, the Fed and the FDIC, as well as the SEC (through FINRA) have the authority and under certain circumstances, the obligation, to limit or prohibit dividend payments and stock repurchases by the banking organizations they supervise, including RJF and its bank subsidiaries. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" in this report for additional information on liquidity and how we manage our liquidity risk.

RJ Bank is subject to the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to penalties.

The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other U.S. federal fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The U.S. Department of Justice and other federal agencies, including the CFPB, are responsible for enforcing these laws and regulations. A successful challenge to an institution’s performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including the required payment of damages and civil monetary penalties, injunctive relief, and the imposition of restrictions on mergers, acquisitions and expansion activity. Private parties may also have the ability to challenge a financial institution’s performance under fair lending laws by bringing private class action litigation.

Item 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

Item 2. PROPERTIES

The RJF and RJ Bank corporate headquarters are located on land we own that is located within the Carillon Office Park in St. Petersburg, Florida. This office complex currently includes buildings which provide approximately 1.25 million square feet of office space. Our current office space provides us the capacity we need to support our expected growth for several years, however, we also have the necessary rights to add approximately 440,000 square feet of new office space on our existing land within the Carillon Office Park. Additionally, we own approximately 65 acres of land located in Pasco County, Florida for future development and occupancy as needed. To facilitate certain storage needs, we lease warehouse space near our headquarters complex.

We conduct employee-based branch office operations in various locations throughout the U.S. and in certain foreign countries. RJ&A branches are leased from third parties under leases that contain various expiration dates through fiscal year 2028, with the exception of one company-owned RJ&A branch located in Crystal River, Florida. Leases for branch offices of RJFS, the independent contractors of RJ Ltd. and Raymond James Investment Services Limited (“RJIS”) are the responsibility of the respective independent contractor financial advisors.

We conduct certain operations from our office building located on land we own in Southfield, Michigan (approximately 88,000 square feet) and operate an information technology data center on land we own in the Denver, Colorado area (approximately 40,000 square feet). We also conduct certain operations in leased office space (approximately 186,000 square feet) in the Raymond James Tower located in downtown Memphis, Tennessee.

RJ Ltd. leases its main office premises in Vancouver, Calgary, Toronto, and Montreal, as well as certain branch offices located throughout Canada. These leases have various expiration dates through fiscal year 2031. RJ Ltd. does not own any land or buildings.

See Note 17 of the Notes to Consolidated Financial Statements in this Form 10-K for further information on our lease commitments.

Item 3. LEGAL PROCEEDINGS

In addition to the matters specifically described below, in the normal course of our business, we have been named, from time to time, as a defendant in various legal actions, including arbitrations, class actions and other litigation, arising in connection with our activities as a diversified financial services institution.

We are also subject, from time to time, to other reviews, investigations and proceedings (both formal and informal) by governmental and self-regulatory agencies regarding our business. Such proceedings may involve, among other things, our sales and trading activities, financial products or offerings we sponsored, underwrote or sold, and operational matters. Some of these proceedings have resulted, and may in the future result, in adverse judgments, settlements, fines, penalties, injunctions or other relief and/or require us to undertake remedial actions.

We cannot predict if, how or when such proceedings or investigations will be resolved or what the eventual settlement, fine, penalty or other relief, if any, may be. A large number of factors may contribute to this inherent unpredictability: the proceeding is in its early stages; the damages sought are unspecified, unsupported or uncertain; it is unclear whether a case brought as a class action will be allowed to proceed on that basis; the other party is seeking relief other than or in addition to compensatory damages (including, in the case of regulatory and governmental proceedings, potential fines and penalties); the matters present significant legal uncertainties; we have not engaged in settlement discussions; discovery is not complete; there are significant facts in dispute; and numerous parties are named as defendants (including where it is uncertain how liability might be shared among defendants).

We contest liability and/or the amount of damages, as appropriate, in each pending matter. Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies has increased significantly in the financial services industry. While we have identified below certain proceedings that we believe could be material, individually or collectively, there can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

We include in some of the descriptions of individual matters below certain quantitative information about the plaintiff's claim against us as alleged in the plaintiff's pleadings or other public filings. Although this information may provide insight into the potential magnitude of a matter, it does not represent our estimate of reasonably possible loss or our judgment as to any currently appropriate accrual related thereto.

Subject to the foregoing, we believe, after consultation with counsel and consideration of the accrued liability amounts included in the accompanying consolidated financial statements, that the outcome of such litigation and regulatory proceedings will not have a material adverse effect on our consolidated financial condition. However, the outcome of such litigation and proceedings could be material to our operating results and cash flows for a particular future period, depending on, among other things, our revenues or income for such period.

See Note 17 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information regarding legal and regulatory matter contingencies, and refer to the "loss provisions arising from legal and regulatory matters" section of Critical Accounting Estimates in Part II - Item 7 of this report, and Note 2 of the Notes to Consolidated Financial Statements in this Form 10-K, for information on our criteria for establishing accruals.

Jay Peak Litigation

We were named defendants in various lawsuits related to an alleged fraudulent scheme conducted by Ariel Quiros ("Quiros") and William Stenger involving the misuse of EB-5 visa program investor funds in connection with the Jay Peak ski resort in Vermont and associated limited partnerships ("Jay Peak"). Plaintiffs alleged that Quiros misused $200 million from the limited partnerships and misappropriated $50 million for his personal benefit. There were six civil court actions in which the plaintiffs variously demanded, among other things, compensatory damages, treble damages under the Racketeer Influenced and Corrupt Organizations Act ("RICO") and punitive damages.
On April 13, 2017, RJA entered into an agreement regarding a proposed final, comprehensive settlement of all past, present and future investor claims against us relating to the Jay Peak matters. Under the agreement, we paid to the SEC-appointed receiver for the Jay Peak entities an aggregate of $150 million, which included $4.5 million previously paid in our settlement with the State of Vermont. On June 30, 2017, the court issued a final order approving the proposed settlement agreement and barring all existing or potential future claims against us (other than by governmental bodies or agencies) for any actions or damages associated with the Jay Peak matters. The time period for appealing this final order expired on August 29, 2017, and the final order was not appealed.

Morgan Keegan Litigation

Indemnification from Regions

Under the agreement with Regions governing our 2012 acquisition of Morgan Keegan, Regions is obligated to indemnify us for losses we may incur in connection with any Morgan Keegan legal proceedings pending as of the closing date for that transaction (which was April 2, 2012), or commenced after the closing date but related to pre-closing matters that were received prior to April 2, 2015.

Pending Morgan Keegan matter (subject to indemnification)

In July 2006, Morgan Keegan & Company, Inc., a Morgan Keegan affiliate, and one of its former analysts were named as defendants in a lawsuit filed by Fairfax Financial Holdings Limited and an affiliate in the Superior Court of New Jersey, Law Division, in Morris County, New Jersey. Plaintiffs made claims under a civil RICO statute, for commercial disparagement, tortious interference with contractual relationships, tortious interference with prospective economic advantage and common law conspiracy. Plaintiffs alleged that defendants engaged in a multi-year conspiracy to publish and disseminate false and defamatory information about plaintiffs in order to improperly drive down the stock price of Fairfax, so that others could profit from short positions. Plaintiffs alleged that the defendants' actions disparaged them and harmed their business relationships. Plaintiffs further alleged various categories of damages, including lost insurance business, losses on stock and bond offerings, reputational loss, increased audit fees and directors' and officers' insurance premiums, and lost acquisitions. They requested actual and punitive damages and treble damages under their RICO claims. On May 11, 2012, the trial court dismissed the plaintiffs' RICO claims. On June 27, 2012, the trial court dismissed plaintiffs' tortious interference with prospective relations claim, but allowed the other claims to go forward. Prior to commencement of a jury trial, the court dismissed the remaining claims with prejudice, and the plaintiffs appealed. On April 27, 2017, the Superior Court of New Jersey, Appellate Division, affirmed the trial court's dismissal of certain claims against Morgan Keegan, including the RICO allegations, while remanding to the trial court the claims of disparagement, tortious interference with prospective business relations, and civil conspiracy, and limiting the actual damages to certain lost insurance business. Plaintiffs petitioned the Supreme Court of New Jersey for review of the Appellate Division's opinion, but on October 17, 2017, the Supreme Court of New Jersey denied the petition.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Item 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NYSE under the symbol "RJF." As of November 16, 2017, we had 361 holders of record of our common stock. Shares of our common stock are held by a substantially greater number of beneficial owners, whose shares are held of record by banks, brokers, and other financial institutions.

The following table sets forth for the periods indicated the high and low trades for our common stock:

	Fiscal year			
	2017		2016	
	High	Low	High	Low
First quarter	$74.70	$56.61	$59.81	$45.86
Second quarter	$81.92	$69.09	$56.68	$39.84
Third quarter	$82.59	$71.35	$56.69	$44.22
Fourth quarter	$85.97	$74.81	$58.97	$46.30

Cash dividends per share of common stock paid during the quarter are reflected below. The dividends were declared during the quarter preceding their payment.

	Fiscal year	
	2017	2016
First quarter	$0.20	$0.18
Second quarter	$0.22	$0.20
Third quarter	$0.22	$0.20
Fourth quarter	$0.22	$0.20

On August 23, 2017, our Board of Directors declared a quarterly cash dividend of $0.22 per share of common stock which was paid on October 16, 2017.

See Note 21 of the Notes to Consolidated Financial Statements in this Form 10-K for information regarding our intentions for paying cash dividends and the related capital restrictions.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

We purchase our own stock from time to time in conjunction with a number of activities, each of which is described below. The following table presents information on our purchases of our own stock, on a monthly basis, for the twelve month period ended September 30, 2017:

	Total number of shares purchased	Average price per share	Number of shares purchased as part of publicly announced plans or programs	Approximate dollar value (in thousands) at each month-end, of securities that may yet be purchased under the plans or programs
October 1, 2016 – October 31, 2016	13,245	$ 60.46	—	$ 135,671
November 1, 2016 – November 30, 2016	157,010	$ 73.12	—	$ 135,671
December 1, 2016 – December 31, 2016	189,500	$ 72.70	—	$ 135,671
First quarter	359,755	$ 72.43	—	
January 1, 2017 – January 31, 2017	15,096	$ 71.28	—	$ 135,671
February 1, 2017 – February 28, 2017	15,251	$ 79.33	—	$ 135,671
March 1, 2017 – March 31, 2017	9,077	$ 79.13	—	$ 135,671
Second quarter	39,424	$ 76.20	—	
April 1, 2017 – April 30, 2017	29,329	$ 74.14	—	$ 135,671
May 1, 2017 – May 31, 2017	5,408	$ 73.94	—	$ 135,671
June 1, 2017 – June 30, 2017	7,128	$ 76.16	—	$ 135,671
Third quarter	41,865	$ 74.46	—	
July 1, 2017 – July 31, 2017	142	$ 80.95	—	$ 135,671
August 1, 2017 – August 31, 2017	22,464	$ 78.91	—	$ 135,671
September 1, 2017 – September 30, 2017	1,203	$ 76.08	—	$ 135,671
Fourth quarter	23,809	$ 78.78	—	
Fiscal year total	464,853	$ 73.26	—	

Of the total for the year ended September 30, 2017, share purchases for the trust fund established to acquire our common stock in the open market and used to settle restricted stock units granted as a retention vehicle for certain employees of our wholly owned Canadian subsidiaries approximated 77 thousand shares, for a total consideration of $6 million (for more information on this trust fund, see Note 2 and Note 10 of the Notes to Consolidated Financial Statements in this Form 10-K). These activities do not utilize the repurchase authority presented in the table above.

We also repurchase shares when employees surrender shares as payment for option exercises or withholding taxes. Of the total for the year ended September 30, 2017, shares surrendered to us by employees for such purposes approximated 388 thousand shares, for a total consideration of $28 million. These activities do not utilize the repurchase authority presented in the table above.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Item 6. SELECTED FINANCIAL DATA

	Year ended September 30,				
$ in thousands, except per share amounts	2017	2016	2015	2014	2013
Operating results:					
Total revenues	$6,524,875	$5,521,120	$5,309,680	$4,964,128	$4,594,305
Net revenues	$6,371,097	$5,405,064	$5,203,606	$4,861,924	$4,487,893
Net income attributable to Raymond James Financial, Inc.	$636,235	$529,350	$502,140	$480,248	$367,154
Earnings per common share - basic	$4.43	$3.72	$3.51	$3.41	$2.64
Earnings per common share - diluted	$4.33	$3.65	$3.43	$3.32	$2.58
Weighted-average common shares outstanding - basic	143,275	141,773	142,548	139,935	137,732
Weighted-average common and common equivalent shares outstanding - diluted	146,647	144,513	145,939	143,589	140,541
Cash dividends per common share - declared	$0.88	$0.80	$0.72	$0.64	$0.56
Financial condition:					
Total assets	$34,883,456	$31,486,976	$26,325,850	$23,135,343	$22,965,444
Senior notes payable maturing within twelve months	$—	$—	$250,000	$—	$—
Long-term obligations:					
Non-current portion of other borrowings	$898,967	$604,080	$583,740	$537,932	$47,132
Non-current portion of senior notes payable	$1,550,000	$1,700,000	$900,000	$1,150,000	$1,150,000
Total long-term debt	$2,448,967	$2,304,080	$1,483,740	$1,687,932	$1,197,132
Total equity attributable to Raymond James Financial, Inc.	$5,581,713	$4,916,545	$4,524,481	$4,143,686	$3,665,373
Shares outstanding	144,097	141,545	142,751	140,836	138,750
Book value per share	$38.74	$34.73	$31.69	$29.42	$26.42

As a result of our October 1, 2016 adoption of the new consolidation guidance, we deconsolidated a number of tax credit fund variable interest entities (“VIEs”) that had been previously consolidated. We determined that under the new guidance, we are no longer deemed to be the primary beneficiary of these VIEs. We applied the new consolidation guidance on the full retrospective basis, meaning that we have reflected the adjustments arising from this adoption as of the beginning of our earliest comparative period presented. There was no net income impact on our Consolidated Statements of Income and Comprehensive Income for the prior year periods as the net changes in revenues, interest and other expenses were offset by the impact of the deconsolidation on the net income/(loss) attributable to noncontrolling interests. See Note 2 in the Notes to the Consolidated Financial Statements for additional information.

Senior notes maturing within twelve months and the non-current portion of senior notes payable excludes the impact of debt issuance costs.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INDEX

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Introduction

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of our operations and financial condition. This MD&A is provided as a supplement to, and should be read in conjunction with, our consolidated financial statements and accompanying notes to consolidated financial statements. Where "NM" is used in various percentage change computations, the computed percentage change has been determined not to be meaningful.

Executive overview

We operate as a financial holding company and bank holding company. Results in the businesses in which we operate are highly correlated to the general overall strength of economic conditions and, more specifically, to the direction of the U.S. equity and fixed income markets, market volatility, the corporate and mortgage lending markets and commercial and residential credit trends. Overall market conditions, interest rates, economic, political and regulatory trends, and industry competition are among the factors which could affect us and which are unpredictable and beyond our control. These factors affect the financial decisions made by market participants which include investors, borrowers, and competitors, impacting their level of participation in the financial markets. These factors also impact the level of investment banking activity, including public offerings, as well as trading profits, and asset valuations, or a combination thereof. In turn, these decisions and factors affect our business results.

Year ended September 30, 2017 compared with the year ended September 30, 2016

We achieved net revenues of $6.37 billion, a $966 million, or 18% increase. Our pre-tax income amounted to $925 million, an increase of $125 million, or 16%. Our net income of $636 million increased $107 million, or 20%, and our earnings per diluted share were $4.33, a 19% increase.

During the year ended September 30, 2017, earnings were impacted negatively by the Jay Peak settlement, losses on the early extinguishment of certain of our senior notes and acquisition-related expenses. After excluding the impact of these expenses, which totaled $194 million in the current year on a pre-tax basis, our adjusted pre-tax income was $1.12 billion,(1) an increase of 30% compared with adjusted pre-tax income in the prior year, and adjusted net income was $768 million,(1) an increase of 35% compared with adjusted net income in the prior year. Adjusted earnings per diluted share were $5.23,(1) a 33% increase compared with adjusted earnings per diluted share in the prior year.

Net revenues increased in each of our four operating segments, including significant growth in the Private Client Group ("PCG") and Asset Management segments, which benefited from growth in client assets in fee-based accounts, and significant growth in RJ Bank due to an increase in average interest-earning assets and an increase in net interest margin. Investment banking revenues in our Capital Markets segment were strong and were significantly higher than fiscal year 2016; however institutional sales commissions declined reflecting the low levels of market volatility. Total client assets under administration reached $692.9 billion at September 30, 2017, a 15% increase, primarily attributable to strong financial advisor recruiting and retention results and equity market appreciation.

Non-interest expenses increased $850 million, or 19%. The increase primarily resulted from increased compensation, commissions and benefits expenses, primarily associated with increased revenues and income, as well as increased staffing levels required to support our continued growth, and increased regulatory and compliance requirements. We also had losses on the early extinguishment of certain senior notes and increased legal expenses during the year for the Jay Peak settlement.

Our effective tax rate was 31.2% in the current year, down from the 33.9% for the prior year. The decrease in our effective tax rate compared to the prior year was primarily due to the favorable impact of the adoption of new stock compensation accounting guidance which had a favorable impact on our effective tax rate of 2.7% and our provision for taxes of $25 million (see Note 2 and Note 20 of the Notes to Consolidated Financial Statements in this Form 10-K for additional information). Also contributing to the decrease was a favorable impact of 1.7% due to the increase in the amount of nontaxable gains arising from the value of our company-owned life insurance portfolio as a result of an increase in equity market values, compared to a 1.1% favorable impact in the prior year.

Both the U.S. Senate and the U.S. House of Representatives have recently introduced versions of income tax reform, which would have significant impacts on the federal tax code. These proposals contain several corporate income tax provisions, including a corporate tax rate reduction from 35 percent to 20 percent which would prospectively benefit our effective tax rate following enactment. Depending on the scope of any enacted legislation, there could also be a significant negative impact on our results in the period of enactment, primarily due to the potential remeasurement of U.S. deferred tax balances at lower corporate enacted tax rates and a repatriation tax, if any, on deemed repatriated earnings from foreign subsidiaries.

(1) "Adjusted pre-tax income," "adjusted net income," and "adjusted earnings per diluted share" are each non-GAAP financial measures. Please see the "reconciliation of GAAP measures to non-GAAP measures" in this Item 2, for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures, and for other important disclosures.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

A summary of our financial results by segment as compared to the prior year are as follows:

- Our Private Client Group segment generated net revenues of $4.42 billion, a 22% increase, while pre-tax income increased 10% to $373 million. The increase in net revenues was primarily attributable to an increase in securities commissions and fees, driven by strong recruiting results, the acquisitions of Alex. Brown and 3Macs in late fiscal 2016 and a stronger market environment compared to the prior year. The segment also benefited from the impact of higher short-term interest rates, resulting in increases in fees related to our RJ Bank Deposit Program ("RJBDP") and interest income. Non-interest expenses increased $773 million, or 24%, primarily resulting from an increase in sales commission expense, increased legal expenses related to the Jay Peak settlement and increased administrative & incentive compensation and benefits expense.

- The Capital Markets segment generated net revenues of $1.01 billion, a 1% increase, while pre-tax income also increased 1% to $141 million. The increase in net revenues was primarily due to an increase in merger & acquisition and advisory fee revenues and equity underwriting fees, partially offset by a decline in institutional sales commissions and trading profits, reflecting lower levels of volatility, and a decline in tax credit funds syndication revenues resulting from uncertainty over corporate tax reform. Non-interest expenses increased $16 million, or 2%, primarily resulting from an increase in incentive compensation and benefits expense largely related to improved investment banking results.

- Our Asset Management segment benefited from increased fee-based client assets, generating a 21% increase in net revenues to $488 million, while pre-tax income increased 30% to $172 million. The increase in net revenues primarily reflected increases in advisory fee revenues from managed programs and in non-discretionary asset-based administration fee revenues as financial assets under management in managed programs and assets held in non-discretionary asset-based programs increased 25% and 32%, respectively over the prior year level. Non-interest expenses increased $42 million, or 16%, primarily resulting from increased investment sub-advisory fees and growth-related increases in administrative & incentive compensation and benefits expense.

- RJ Bank generated a 20% increase in net revenues to $593 million, while pre-tax income increased 21% to $409 million. The increase in pre-tax income resulted primarily from an increase in net interest income and a decrease in the provision for loan losses, partially offset by higher affiliate deposit fees paid to the Private Client Group due to an increase in client account balances. Net interest income increased due to both growth in average interest-earning assets and an increase in the net interest margin which benefited from the impact of higher short-term interest rates.

- Activities in our Other segment generated a pre-tax loss that is $21 million, or 14% more than the prior year, primarily due to the losses on the early extinguishment of certain senior notes payable, combined with higher interest expense related to a higher average balance of our senior notes payable for the fiscal year. Total revenues in the segment increased $19 million, or 41%, primarily due to higher net valuation gains from our private equity portfolio and an increase in interest income due to increased short-term interest rates and higher corporate cash balances.

Consistent with our growth strategies, in April 2017 we announced we had entered into a definitive agreement to acquire 100% of the outstanding shares of Scout Investments, Inc. (the "Scout Group"), an asset management and distribution entity, from UMB Financial Corporation. The Scout Group includes Scout Investments ("Scout") and its Reams Asset Management division ("Reams"), as well as Scout Distributors. The addition of Scout, an equity asset manager, and Reams, an institutional-focused fixed income specialist, broadens the investment solutions available to our clients. The Scout Group was included in our Asset Management segment upon completion of this acquisition, which occurred November 17, 2017.

Year ended September 30, 2016 compared with the year ended September 30, 2015

We achieved net revenues in fiscal year 2016 of $5.41 billion, a $201 million, or 4% increase over fiscal year 2015. Our fiscal year 2016 net income of $529 million reflected an increase of $27 million, or 5%, and our diluted earnings per share amounted to $3.65, a 6% increase. The fiscal year 2016 diluted earnings per share benefited from our repurchase of common stock in open market transactions. Total client assets under administration increased to $604.4 billion at September 30, 2016, a 26% increase over the fiscal year 2015 level. The increase in assets under administration was attributable to our acquisitions of Alex. Brown and 3Macs, strong financial advisor recruiting results, high levels of retention of our existing financial advisors, and an increase in U.S. equity markets over the year.

After excluding the fiscal year 2016 impact of acquisition-related expenses and legal reserves for the Jay Peak matter, our adjusted net income amounted to $569 million [(1)] and adjusted diluted earnings per share amounted to $3.93 [(1)].

(1) “Adjusted net income,” and “adjusted diluted earnings per share” are each non-GAAP financial measures. Please see the “reconciliation of GAAP measures to non-GAAP measures” in this Item 7, for a reconciliation of our non-GAAP measures to the most directly comparable GAAP measures, and for other important disclosures.

Fiscal year 2016 net revenues increased in each of our four operating segments as compared to fiscal year 2015. Our non-operating Other segment reflected a decline in net revenues as fiscal year 2015 experienced higher valuation gains from our private equity investments than fiscal year 2016, as well as realized gains on sales of our auction rate securities (“ARS”). Non-interest expenses increased $204 million, or 5%. The increase primarily resulted from: increases in compensation, commissions and benefits due to annual raises, growth in related securities commissions and fee revenues, and increases in benefits expenses; increases in communications and information processing expenses resulting from our continued investment in our PCG platform and in improving our compliance and regulatory systems; an increase in the bank loan loss provision resulting from loan growth and an increase associated with the credit deterioration of certain loans in the energy sector; and increases in other expenses predominately due to increases in certain legal and regulatory expenses during fiscal year 2016.

A summary of the most significant items impacting our fiscal year 2016 financial results as compared to the prior year are as follows:

- Our Private Client Group segment generated fiscal year 2016 net revenues of $3.62 billion, a 3% increase, while pre-tax income decreased by $2 million to $341 million. The increase in net revenues was primarily attributable to an increase in account and service fee income, most notably an increase in fees associated with our RJBDP program resulting from both an increase in short-term interest rates, and an increase in client cash balances resulting from clients’ reaction to market volatility and uncertainty during fiscal year 2016.

Securities commission and fee revenues increased 1% overall. Fees arising from fee-based accounts as well as commissions on fixed income products increased substantially, more than offsetting declines in commissions on mutual funds, equity securities and new issue sales credits. Non-interest expenses increased compared to the fiscal year 2015 levels, most significantly due to higher administrative expenses to support our continued growth, higher communications and information technology expenses resulting from our continued investments in our platform and in improving our compliance and regulatory systems, and expenses related to the Jay Peak matter.

- The Capital Markets segment generated fiscal year 2016 net revenues of $1.00 billion, a 4% increase, while pre-tax income increased by 30% to $139 million. The fiscal year 2016 increase in net revenues was driven by an increase in trading profits, sales commissions on fixed income products and an increase in tax credit fund syndication fee revenues, offset by declines in equity underwriting fees and merger & acquisition and advisory fee revenues. Non-interest expenses increased a modest 1% over the fiscal year 2015 level.

- Our Asset Management segment generated net revenues of $404 million, a 3% increase, while pre-tax income decreased by 2% to $132 million in fiscal year 2016. Non-discretionary asset-based administration fee revenues increased, driven by an increase in assets held in these programs. Investment advisory fee revenues from managed programs approximated the fiscal year 2015 level despite the increase in balances of financial assets under management as of September 30, 2016 due to the volatility of markets during fiscal year 2016 and the timing of our fee computations. Expenses increased 6% in fiscal year 2016 due, in large part, to the fiscal year 2015 reversal of certain incentive compensation expense accruals for associates who left the firm.

- RJ Bank generated fiscal year 2016 net revenues of $494 million, a 19% increase, while pre-tax income increased by 21% to $337 million. The loan loss provision increased nearly $5 million, or 20% over the fiscal year 2015 level due to higher corporate loan growth, charges resulting from loans outstanding within the energy sector, and additional provision for corporate loan downgrades during fiscal year 2016. Non-interest expenses (excluding provision for loan losses) increased $16 million, or 15%, primarily due to an increase in the affiliate deposit account servicing fees paid to the Private Client Group resulting from an increase in client account balances, as well as an increase in FDIC insurance premiums.

- Activities in our Other segment during fiscal year 2016 reflect a pre-tax loss that was $84 million, or 129%, more than the prior year. Total revenues in the segment decreased $21 million, or 31%, primarily resulting from a decrease in private equity valuation gains, and a decrease of $11 million in gains on the sale of certain ARS resulting from fiscal year 2015 sales that did not recur in fiscal year 2016, offset by increased interest revenue and foreign exchange gains. Acquisition-related expenses of $41 million for fiscal year 2016 did not occur in fiscal year 2015, and resulted from incremental expenses related to our acquisitions of Alex. Brown, 3Macs, and Mummert during fiscal year 2016.

- Our effective tax rate was 33.9% in fiscal year 2016, down from the 37.1% in the prior year. The fiscal year 2016 reduction in our effective tax rate compared to the prior year was due to the following factors: (1) as a result of the fiscal year 2016 increase in equity market values compared to fiscal year 2015, the change in the amount of our non-taxable gains/losses arising from the value of our company-owned life insurance portfolio had the effect of decreasing our effective tax rate by 1.5% compared to fiscal year 2015; (2) adjustments associated with our divestitures of our businesses in South America accounted for an effective rate decrease of 1.1%; (3) we settled significant state tax audits during the year which reduced our effective rate by 0.4%; and (4) we were able

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

to generate and utilize additional low-income housing tax credits to apply against our tax liability which had a favorable 0.5% impact on our effective tax rate.

- We repurchased approximately 3.2 million shares of our common stock in open market transactions during fiscal year 2016 for a total purchase price of approximately $144.5 million, reflecting an average per share repurchase price of $45.69. The fiscal year 2016 diluted earnings per share benefited by $0.05 as a result of these repurchases.

Segments

The following table presents our consolidated and segment net revenues and pre-tax income/(loss), the latter excluding noncontrolling interests, for the years indicated:

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Total company					
Net revenues	$6,371,097	18 %	$5,405,064	4 %	$5,203,606
Pre-tax income excluding noncontrolling interests	925,346	16 %	800,643	—	798,174
Private Client Group					
Net revenues	4,421,633	22 %	3,616,479	3 %	3,507,806
Pre-tax income	372,950	10 %	340,564	—	342,243
Capital Markets					
Net revenues	1,013,683	1 %	1,001,716	4 %	963,431
Pre-tax income	141,236	1 %	139,173	30 %	107,009
Asset Management					
Net revenues	487,658	21 %	404,349	3 %	392,301
Pre-tax income	171,736	30 %	132,158	(2)%	135,050
RJ Bank					
Net revenues	592,670	20 %	493,966	19 %	414,295
Pre-tax income	409,303	21 %	337,296	21 %	278,721
Other					
Net revenues	(29,870)	6 %	(31,692)	(211)%	(10,198)
Pre-tax loss	(169,879)	(14)%	(148,548)	(129)%	(64,849)
Intersegment eliminations					
Net revenues	(114,677)		(79,754)		(64,029)

37

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Reconciliation of GAAP measures to non-GAAP measures

We utilize certain non-GAAP calculations as additional measures to aid in, and enhance, the understanding of our financial results and related measures. We believe that the non-GAAP measures provide useful information by excluding certain material items that may not be indicative of our core operating results. We believe that these non-GAAP measures will allow for better evaluation of the operating performance of the business and facilitate a meaningful comparison of our results in the current year to those in prior and future years. The non-GAAP financial information should be considered in addition to, not as a substitute for, measures of financial performance prepared in accordance with GAAP. In addition, our non-GAAP measures may not be comparable to similarly titled non-GAAP measures of other companies.

The following table provides a reconciliation of GAAP measures to non-GAAP measures for the periods which include non-GAAP adjustments. Non-GAAP measures for the year ended September 30, 2016 have been revised from those previously reported to conform to our current presentation, which includes amounts related to the Jay Peak settlement.

	Year ended September 30,	
$ in thousands, except per share amounts	2017	2016
Net Income [1]	$636,235	$529,350
Non-GAAP adjustments: [2]		
Acquisition-related expenses	17,995	40,706
Losses on extinguishment of debt	45,746	—
Jay Peak matter	130,000	20,000
Sub-total pre-tax non-GAAP adjustments	193,741	60,706
Tax effect of non-GAAP adjustments	(61,869)	(20,570)
Non-GAAP adjustments, net of tax	131,872	40,136
Adjusted net income	$768,107	$569,486
Pre-tax income [1]	$925,346	$800,643
Total pre-tax non-GAAP adjustments (as detailed above)	193,741	60,706
Adjusted pre-tax income	$1,119,087	$861,349
Pre-tax margin on net revenues [3]	14.5%	14.8%
Adjusted pre-tax margin on net revenues [3]	17.6%	15.9%
Earnings per common share:		
Basic	$4.43	$3.72
Diluted	$4.33	$3.65
Adjusted earnings per common share:		
Adjusted basic	$5.35	$4.01
Adjusted diluted	$5.23	$3.93
Average equity [4]	$5,235,231	$4,695,588
Adjusted average equity [4]	$5,310,489	$4,707,959
Return on equity [5]	12.2%	11.3%
Adjusted return on equity [5]	14.5%	12.1%

(1) Excludes noncontrolling interests.

(2) See Note 3 for information on our acquisition-related expenses, Note 15 for information on our extinguishment of debt and Item 3 in this Form 10-K for more information on the Jay Peak matter.

(3) Computed by dividing the pre-tax income attributable to RJF by net revenues for each respective period or, in the case of adjusted pre-tax margin on net revenues, computed by dividing adjusted pre-tax income attributable to RJF by net revenues for each respective period.

(4) Computed by adding the total equity attributable to RJF as of each quarter-end date during the indicated period to the beginning of the year total and dividing by five. Adjusted average equity is computed by adjusting for the impact on average equity of the non-GAAP adjustments, as applicable for each respective period.

(5) Computed by dividing net income attributable to RJF by average equity for each respective period or, in the case of adjusted return on equity, computed by dividing adjusted net income attributable to RJF by adjusted average equity for each respective period.

Net interest analysis

The Federal Reserve Bank announced increases in its benchmark short-term interest rate of 25 basis points in each of June 2017, March 2017 and December 2016, as well as in December 2015. Increases in short-term interest rates such as these have a significant impact on our overall financial performance, as we have certain assets and liabilities, primarily held in our PCG and RJ Bank segments, which are sensitive to changes in interest rates. Given the relationship of our interest sensitive assets to liabilities held in each of these segments, increases in short-term interest rates result in an overall increase in our net earnings, although the impact to our net interest margin depends on the yields on interest-earning assets relative to interest-bearing liabilities.

In PCG, we also earn fees in lieu of interest income from our RJBDP, a multi-bank a sweep program in which clients' cash deposits in their brokerage accounts are swept into interest-bearing deposit accounts at RJ Bank and various third-party banks. Such fees are recorded in "Account and service fees" in our Consolidated Statements of Income and Comprehensive Income and fluctuate based on changes in short-term interest rates relative to deposit rates paid on client cash balances. Of the total client domestic cash balances of $43.0 billion at September 30, 2017, approximately $38.1 billion was included in the RJBDP, compared with $37.7 billion of the $43.9 billion of total client domestic cash balances at September 30, 2016. While the short-term interest rate increases in 2017 had a significant impact on fees earned from our RJBDP, they have not yet had a significant impact on market deposit rates paid on client cash balances. As such, any future increases in short-term interest rates may have less of an impact or could actually reduce our fees earned in this program, depending on the level of deposit rates paid on client cash balances.

If the Federal Reserve Bank was to reverse its previous actions and decrease the benchmark short-term interest rate or if deposit rates that we pay on client cash balances increased and resulted in a decline in spreads earned on our RJBDP program, the impact on our net interest income and account and service fees would be an unfavorable reversal of the positive impact described above.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

The following table presents our consolidated average balance, interest income and expense balances and the related yield and rates. Average balances are calculated on a daily basis unless otherwise noted.

	Year ended September 30,								
	2017			2016			2015		
$ in thousands	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost
Interest-earning assets:									
Assets segregated pursuant to regulations and other segregated assets	$3,250,854	$37,270	1.15 %	$3,565,252	$22,287	0.63 %	$2,498,357	$13,792	0.55 %
Securities loaned	456,573	14,049	3.08 %	577,002	8,777	1.52 %	433,642	12,036	2.78 %
Trading instruments [(1)]	655,302	21,068	3.22 %	707,321	19,362	2.74 %	678,715	19,450	2.87 %
Available-for-sale securities	1,588,484	27,946	1.76 %	561,925	7,596	1.35 %	508,223	5,100	1.00 %
Margin loans	2,403,451	85,699	3.57 %	1,811,845	68,712	3.79 %	1,805,312	67,573	3.74 %
Bank loans, net of unearned income [(2)]									
Loans held for sale	159,384	5,156	3.34 %	150,305	4,551	3.07 %	107,255	2,686	2.64 %
Loans held for investment:									
C&I loans	7,340,052	281,274	3.78 %	7,171,402	271,476	3.73 %	6,677,117	244,986	3.62 %
CRE construction loans	129,073	6,184	4.73 %	169,101	8,462	4.92 %	118,626	5,042	4.19 %
CRE loans	2,831,870	100,563	3.50 %	2,297,224	70,048	3.00 %	1,728,324	53,369	3.05 %
Tax-exempt loans [(3)]	891,922	23,057	3.98 %	617,701	16,707	4.16 %	301,767	8,812	4.49 %
Residential mortgage loans	2,803,464	83,537	2.94 %	2,217,789	64,607	2.87 %	1,927,105	55,370	2.83 %
SBL	2,123,189	72,400	3.36 %	1,713,243	51,515	2.96 %	1,269,337	35,313	2.74 %
Total bank loans, net	16,278,954	572,171	3.55 %	14,336,765	487,366	3.42 %	12,129,531	405,578	3.34 %
Loans to financial advisors [(1)]	848,677	13,333	1.57 %	563,548	8,207	1.46 %	457,797	7,056	1.54 %
Corporate cash and all other [(1)]	3,450,514	30,590	0.89 %	2,750,688	18,090	0.66 %	2,957,309	12,697	0.43 %
Total interest-earning assets	$28,932,809	$802,126	2.77 %	$24,874,346	$640,397	2.57 %	$21,468,886	$543,282	2.53 %
Interest-bearing liabilities:									
Bank deposits									
Certificates of deposit	$293,589	$4,325	1.47 %	$345,628	$5,402	1.56 %	$347,748	$5,839	1.68 %

Money market, savings and Negotiable Order of Withdrawal ("NOW") accounts	15,566,621	12,859	0.08 %	12,640,068	4,816	0.05 %	10,851,494	2,543	0.02 %
Securities borrowed	110,416	6,690	6.06 %	79,613	3,174	3.99 %	135,027	5,237	3.88 %
Trading instruments sold but not yet purchased (1)	289,218	6,138	2.12 %	281,501	5,035	1.79 %	274,364	4,503	1.64 %
Brokerage client liabilities	4,678,445	4,884	0.10 %	4,291,632	2,084	0.05 %	3,693,928	940	0.03 %
Other borrowings	855,638	16,559	1.94 %	723,904	12,957	1.79 %	721,296	6,079	0.84 %
Senior notes	1,689,172	94,665	5.60 %	1,210,148	78,533	6.49 %	1,149,136	76,088	6.62 %
Other (1)	267,794	7,658	2.86 %	241,454	4,055	1.68 %	293,615	4,845	1.65 %
Total interest-bearing liabilities	$23,750,893	$153,778	0.65 %	$19,813,948	$116,056	0.59 %	$17,466,608	$106,074	0.61 %
Net interest income		$648,348			$524,341			$437,208	

(1) Average balance is calculated based on the average of the end of the month balances for each month within the period.

(2) Nonaccrual loans are included in the average loan balances. Payment or income received on corporate nonaccrual loans are applied to principal. Income on other nonaccrual loans is recognized on a cash basis. Fee income on all loans included in interest income for the twelve months ended September 30, 2017, 2016 and 2015, was $38 million, $36 million and $30 million respectively.

(3) The yield is presented on a tax equivalent basis utilizing the federal statutory rate of 35%.

Year ended September 30, 2017 compared with the year ended September 30, 2016

Net interest income increased $124 million, or 24%, primarily reflecting an increase in interest income in our PCG and RJ Bank segments, partially offset by the impact of an increase in interest expense related to our senior notes payable.

Net interest income in the PCG segment increased $40 million, or 41%. Interest income in the PCG segment increased as a result of: 1) the impact of the increase in average segregated assets compared with prior year levels, largely driven by our September 2016 acquisition of Alex. Brown, as well as the impact of an increase in short-term interest rates on these balances; and 2) increased client margin balances, largely driven by our September 2016 acquisition of Alex. Brown. The favorable impact of the growth was partially offset by a decrease in average client margin rates on the portfolio. Interest expense for the segment increased, albeit to a much lesser extent, primarily due to an increase in client cash balances and an increase in the interest rate paid to clients on such balances.

The RJ Bank segment's net interest income increased $96 million, or 20%, resulting from an increase in average loans outstanding and an increase in available-for-sale securities, as well as an increase in net interest margin as compared to the prior year. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Interest expense incurred on our senior notes increased by $16 million, or 21%, as the average outstanding balance of senior notes increased compared to the prior year. The net increase in the balance outstanding was due to our May 2017 and July 2016 issuances of a combined $1.30 billion in senior notes, offset by the April 2016 maturity and repayment of $250 million of senior notes and the March 2017 extinguishment of $350 million of senior notes. The early extinguishment of $300 million of senior notes in September 2017 did not meaningfully reduce our interest expense in fiscal year 2017.

Year ended September 30, 2016 compared with the year ended September 30, 2015

Net interest income increased $87 million, or 20%, primarily due to an increase in net interest income in RJ Bank and, to a lesser extent in PCG.

Net interest income in the PCG segment increased $8 million, or 9%. Average customer cash balances and the related segregated asset balances increased compared to the prior year as many clients reacted to uncertainties in the equity markets during portions of fiscal 2016 by increasing the cash balances in their brokerage accounts. The December 2015 Federal Reserve Bank short-term interest rate increase further increased the net interest earned on these segregated asset balances. In addition, both the interest rates and the average balances associated with margin loans provided to brokerage clients increased.

The RJ Bank segment's net interest income increased $75 million, or 19%, resulting from an increase in average interest-earning banking assets, partially offset by a small decline in the net interest margin. Interest expense incurred on other borrowings increased, primarily related to RJ Bank's borrowings from the FHLB and the related interest hedges. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Interest expense incurred on our senior notes increased by $2 million, or 3%. The incremental interest expense arising from our July 2016 $800 million senior note issuances exceeded the interest savings resulting from our April 2016 repayment of the $250 million 4.25% issuance which matured.

Results of Operations – Private Client Group

The success of the PCG segment is dependent upon the quality of our products, services, financial advisors and support personnel. Revenues of this segment are correlated with the level of PCG client assets under administration, including fee-based accounts, as well as the overall U.S. equity markets. In periods where equity markets improve, assets under administration and client activity generally increase, thereby having a favorable impact on net revenues.

Through our PCG segment, we provide investment services for which we charge sales commissions or asset-based fees. In addition, we also offer investment advisory services for which we earn a fee calculated as a percentage of assets in the client account or a flat periodic fee charged to the client for investment advice. Such revenues are included in “Securities commissions and fees.” We also earn certain servicing fees, such as omnibus and education and marketing support (“EMS”) fees, from mutual fund and annuity companies whose products we distribute, which are included in “Account and service fees.”

Net interest revenue in the PCG segment is generated by interest earnings on margin loans provided to clients and on cash segregated pursuant to regulations, less interest paid on client cash balances in our client interest program. We also earn fees in lieu of interest revenue from our RJBDP program, which are included in “Account and service fees.” Higher client cash balances generally lead to

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

increased interest income and account and service fee revenues, depending upon spreads realized in our client interest program and RJBDP. For more information on client cash balances, see our previous discussion of interest-earning and interest-bearing assets and liabilities in the Net Interest section of this MD&A.

For an overview of our PCG segment operations, refer to the information presented in Item I, Business in this Form 10-K.

Operating results

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Revenues:					
Securities commissions and fees:					
Fee-based accounts	$2,040,839	28 %	$1,589,124	8 %	$1,472,877
Mutual funds	646,614	2 %	631,102	(7)%	680,375
Insurance and annuity products	385,493	2 %	377,329	4 %	363,352
Equity products	303,015	26 %	240,855	(11)%	270,435
Fixed income products	118,062	23 %	95,908	29 %	74,448
New issue sales credits	72,281	64 %	44,088	(41)%	75,015
Sub-total securities commissions and fees	3,566,304	20 %	2,978,406	1 %	2,936,502
Interest	152,711	42 %	107,281	7 %	100,594
Account and service fees:					
Mutual fund and annuity service fees	290,661	14 %	255,405	2 %	249,232
RJBDP fees	270,030	99 %	135,460	63 %	83,059
Client account and service fees	98,500	4 %	95,010	2 %	93,117
Client transaction fees	22,205	10 %	20,258	7 %	18,971
Account and service fees – all other	2,898	—	2,898	8 %	2,685
Sub-total account and service fees	684,294	34 %	509,031	14 %	447,064
Other	34,279	7 %	32,000	(10)%	35,398
Total revenues	4,437,588	22 %	3,626,718	3 %	3,519,558
Interest expense	(15,955)	56 %	(10,239)	(13)%	(11,752)
Net revenues	4,421,633	22 %	3,616,479	3 %	3,507,806
Non-interest expenses:					
Sales commissions	2,653,287	21 %	2,193,099	1 %	2,169,823
Admin & incentive compensation and benefit costs	713,043	20 %	595,541	8 %	552,762
Communications and information processing	193,902	16 %	166,507	6 %	157,729
Occupancy and equipment costs	146,394	17 %	125,555	4 %	121,115
Business development	98,138	11 %	88,535	(4)%	92,473
Jay Peak matter	130,000	550 %	20,000	NM	—
Brokerage, clearing, exchange and other	113,919	31 %	86,678	21 %	71,661
Total non-interest expenses	4,048,683	24 %	3,275,915	3 %	3,165,563
Pre-tax income	$372,950	10 %	$340,564	—	$342,243

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Selected key metrics

Client Asset Balances:

$ in billions	As of September 30, 2017	% change	2016	% change	2015
PCG assets under administration	$659.5	15 %	$574.1	27 %	$453.3
PCG assets in fee-based accounts	$294.5	27 %	$231.0	29 %	$179.4

Financial advisors and Branch locations:

	September 30, 2017 (1)	2016	2015
Employees	3,041	3,098	2,738
Independent Contractors	4,305	4,048	3,858
Total financial advisors	7,346	7,146	6,596
Branch locations	2,994	2,890	2,702

(1) During the year ended September 30, 2017, we refined the criteria to determine our financial advisor population, which resulted in a decrease in our previously reported counts of approximately 100 advisors as of our date of adoption. The impact of the change in our methodology did not have a significant impact on the prior periods, and thus we have not revised the number of financial advisors reported in prior periods.

PCG assets under administration increased 15% over September 30, 2016, resulting from net client inflows and equity market appreciation. Our net client inflows were primarily attributable to strong financial advisor recruiting results. PCG assets in fee-based accounts as a percentage of overall PCG assets under administration increased compared to September 30, 2016 due, in part, to clients moving to fee-based alternatives versus traditional transaction-based accounts in response to the recently implemented DOL regulatory changes. PCG assets under administration increased as of September 30, 2016 compared with September 30, 2015 due to strong financial advisor recruiting results as well as our fiscal year 2016 acquisitions of Alex. Brown and 3Macs.

The net increase in financial advisors as of September 30, 2017 compared to September 30, 2016 resulted from strong financial advisor recruiting and high levels of retention throughout fiscal year 2017. The client asset levels and productivity measures associated with those financial advisors recruited during the fiscal year exceed our historical benchmark averages. Notwithstanding the future impact of changes in the overall economy, and more specifically their impact on the markets, we believe that this increase in financial advisors is a positive indication of potential future revenue growth in this segment.

Year ended September 30, 2017 compared with the year ended September 30, 2016

Net revenues increased $805 million, or 22% to $4.42 billion. Pre-tax income, which was negatively impacted by the Jay Peak settlement, increased $32 million, or 10% to $373 million.

Securities commissions and fees increased $588 million, or 20%, primarily due to strong recruiting results, the acquisitions of Alex. Brown and 3Macs in late fiscal 2016 and a stronger market environment compared to the prior year.

Account and service fees increased $175 million, or 34%, primarily due to higher RJBDP fees resulting from an increase in short-term interest rates during fiscal year 2017. Mutual fund and annuity service fees also increased, reflecting higher EMS fees and mutual fund omnibus fees. The increase in EMS fees is primarily due to increased assets in the program. The increase in omnibus fees is a result of an increase in the number of positions invested in fund families on the omnibus platform.

The portion of total segment revenues that we consider to be recurring was 79% for fiscal 2017, an increase from 77% for fiscal 2016. Recurring revenues include asset-based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund and annuity service fees, fees earned on funds in our RJBDP program, and interest, all of which contributed to the increase.

As previously discussed, net interest income in the PCG segment increased $40 million, or 41%.

Non-interest expenses increased $773 million, or 24%. Sales commissions increased $460 million, or 21%, relatively in line with the increase in securities commissions and fees. Expenses related to the Jay Peak matter increased by $110 million to reflect the amount of the settlement in fiscal 2017. Administrative and incentive compensation and benefits expense increased $118 million, or 20%, primarily resulting from additional staffing levels, primarily in operations and information technology functions, to support our continued growth and increased regulatory and compliance requirements.

Year ended September 30, 2016 compared with the year ended September 30, 2015

Net revenues in fiscal 2016 increased $109 million, or 3%, to $3.62 billion. Pre-tax income decreased $2 million, to $341 million. PCG’s pre-tax margin on net revenues decreased to 9.4% as compared to 9.8% in fiscal 2015. The 3Macs and Alex. Brown acquisitions were completed toward the end of fiscal year 2016 and therefore the impact of these acquisitions on this segment’s operations were not significant to our fiscal year 2016 results.

Securities commissions and fees in fiscal 2016 increased $42 million, or 1%. Revenues earned in fiscal year 2016 on fee-based accounts increased $116 million, or 8%, commissions earned on fixed income products increased $21 million, or 29%, and commission revenues on insurance and annuity products increased $14 million, or 4%. Offsetting these increases, commissions on mutual funds decreased $49 million, or 7%, new issue sales credits declined $31 million, or 41%, and commissions on equity products decreased $30 million, or 11%, all of which reflect the challenging equity market conditions during significant portions of fiscal year 2016.

Total account and service fees in fiscal year 2016 increased $62 million, or 14%. RJBDP fees increased $52 million, or 63%, primarily resulting from increased average balances in the program as well as the December 2015 increase in interest rates. Mutual fund and annuity service fees increased $6 million, or 2%, primarily as a result of an increase in money market processing fees and omnibus fees arising from increased client assets and positions which are paid to us by companies whose products we distribute.

The portion of total segment revenues that we consider to be recurring was approximately 77% for fiscal 2016, an increase from 75% from fiscal 2015. Recurring commission and fee revenues include asset-based fees, trailing commissions from mutual funds and variable annuities/insurance products, mutual fund and annuity service fees, fees earned on funds in our RJBDP program, and interest.

As previously discussed, net interest income in the PCG segment increased $8 million, or 9%.

Non-interest expenses in fiscal year 2016 increased $110 million, or 3%. Administrative & incentive compensation and benefit costs increased $43 million, or 8%, resulting in part from annual increases in salaries, increases in employee benefit plan costs and additional staffing levels, primarily in PCG operations and information technology functions, to support our continuing growth during fiscal year 2016. Sales commission expense in fiscal year 2016 increased $23 million, or 1%, which is consistent with the 1% increase in securities commissions and fees revenues. Expenses related to the Jay Peak matter were $20 million in fiscal 2016 and there were no expenses related to this matter in fiscal 2015. Communications and information processing expense increased $9 million, or 6%, due to increases in software consulting and other information technology expenses associated with our continued investment in our platform and improving our compliance and regulatory systems.

Results of Operations – Capital Markets

Our Capital Markets segment conducts fixed income institutional sales and equity securities trading, equity research, investment banking and the syndication and related management of investments that qualify for tax credits. We primarily conduct these activities in the U.S., Canada and Europe.

We earn institutional sales commissions for the sale of both equity and fixed income products, which are driven primarily through trade volume, resulting from a combination of participation in public offerings, general market activity, and by the Capital Markets group’s ability to find attractive investment opportunities and promote those opportunities to clients.

This segment also includes trading which involves the purchase of securities from, and the sale of securities to, our clients as well as other dealers who may be purchasing or selling securities for their own account or acting as agent for their clients. Profits and losses related to this trading activity are primarily derived from the spreads between bid and ask prices, as well as market trends for the individual securities during the period we hold them. In our fixed income businesses, we also enter into interest rate swaps and futures contracts to facilitate client transactions or to actively manage risk exposures.

We provide various investment banking services, including public and private equity and debt financing activities, including our public finance activities, merger and acquisition advisory, and other advisory services. Revenues from investment banking activities are driven principally by our role in the transaction and the number and dollar value of the transactions with which we are involved. For an overview of our Capital Markets segment operations, refer to the information presented in Item I, Business in this Form 10-K.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Operating results

$ in thousands	Year ended September 30, 2017	% change	2016	% change	2015
Revenues:					
Securities commissions and fees:					
Equity	$222,942	(2)%	$228,346	(8)%	$247,414
Fixed income	267,749	(15)%	316,144	11 %	283,828
Sub-total securities commissions and fees	490,691	(10)%	544,490	2 %	531,242
Equity underwriting fees	72,845	34 %	54,492	(27)%	74,229
Merger & acquisition and advisory fees	228,422	54 %	148,503	(8)%	162,270
Fixed income investment banking	43,234	5 %	41,024	(3)%	42,149
Tax credit funds syndication fees	54,098	(9)%	59,424	33 %	44,601
Sub-total investment banking	398,599	31 %	303,443	(6)%	323,249
Investment advisory fees	21,623	(27)%	29,684	6 %	27,905
Net trading profit	78,155	(11)%	87,966	60 %	55,021
Interest	27,095	9 %	24,867	9 %	22,738
Other	18,072	(32)%	26,701	63 %	16,425
Total revenues	1,034,235	2 %	1,017,151	4 %	976,580
Interest expense	(20,552)	33 %	(15,435)	17 %	(13,149)
Net revenues	1,013,683	1 %	1,001,716	4 %	963,431
Non-interest expenses:					
Sales commissions	176,197	(14)%	204,965	3 %	198,691
Admin & incentive compensation and benefit costs	469,468	8 %	433,136	1 %	428,501
Communications and information processing	70,140	(3)%	72,305	1 %	71,630
Occupancy and equipment costs	33,920	(1)%	34,250	1 %	34,006
Business development	38,389	(4)%	39,892	(9)%	44,058
Losses and non-interest expenses of real estate partnerships held by consolidated VIEs	13,663	40 %	9,788	142 %	4,050
Brokerage, clearing, exchange and other	84,702	11 %	76,189	(2)%	77,801
Total non-interest expenses	886,479	2 %	870,525	1 %	858,737
Income before taxes and including noncontrolling interests	127,204	(3)%	131,191	25 %	104,694
Noncontrolling interests	(14,032)		(7,982)		(2,315)
Pre-tax income excluding noncontrolling interests	$141,236	1 %	$139,173	30 %	$107,009

Noncontrolling interests is primarily comprised of the net pre-tax impact (which are net losses) from the consolidation of certain low-income housing tax credit funds, with noncontrolling interests reflecting the portion of such losses that we do not own.

Year ended September 30, 2017 compared with the year ended September 30, 2016

Net revenues increased $12 million, or 1%, to $1.01 billion, led by higher merger & acquisition and advisory fees and equity underwriting revenues, partially offset by lower institutional sales commissions. Pre-tax income increased $2 million, or 1% to $141 million.

Total commission revenues decreased $54 million, or 10%. Institutional fixed income commissions decreased $48 million, or 15%, driven by lower client trading volumes, as fixed income was faced with a challenging operating environment characterized by low levels of volatility and a flattening yield curve. Institutional equity sales commissions decreased $5 million, or 2%, primarily reflecting the impact of low levels of volatility.

Merger & acquisition and advisory fees increased $80 million, or 54%, primarily due to a stronger volume of both domestic and foreign merger & acquisition activity in the current year compared to low levels in the prior year, as well as higher average fees per transaction. Fiscal year 2017 also benefited from the impact of a full year of revenues related to our June 2016 acquisition of Mummert & Company Corporate Finance GmbH (“Mummert”).

Equity underwriting fees increased $18 million, or 34%, primarily due to the improved equity market conditions compared with a difficult fiscal 2016. The total number of both lead-managed and co-managed underwritings increased significantly over the prior year levels.

Net revenues related to our public finance underwriting and advisory activities remained solid during our 2017 fiscal year and increased slightly compared with fiscal 2016.

Despite the uncertainty related to the outcome of any corporate tax reform initiatives, our tax credit funds reflected good performance during the fiscal year. This uncertainty did depress new investment activity amongst syndicators of Low-Income Housing Tax Credit Fund (“LIHTC”) investments during the year and, as a result, our tax credit fund syndication fees decreased $5 million, or 9%, from prior year levels. Depending on the scope of any enacted tax reform legislation, there could also be a significant negative impact on the future results of our tax credit fund business.

Net trading profit decreased $10 million, or 11%, compared with a strong fiscal 2016, primarily due to lower market volatility.

Non-interest expenses increased $16 million, or 2%. Administrative & incentive compensation and benefit expenses increased $36 million, or 8%, primarily resulting from the increase in incentive compensation as a result of the increase in investment banking net revenues. Offsetting the increase, sales commission expenses decreased $29 million, or 14%, primarily as a result of lower institutional fixed income commission revenues during the year.

Year ended September 30, 2016 compared with the year ended September 30, 2015

Net revenues in fiscal year 2016 increased $38 million, or 4%, to $1.00 billion. Fiscal year 2016 pre-tax income increased $32 million, or 30%, to $139 million.

Commission revenues in fiscal year 2016 increased $13 million, or 2%. Institutional fixed income commissions increased $32 million, or 11%, benefiting from increased activity both in the anticipation of, and the aftermath resulting from the December 2015 Federal Reserve Bank action to increase short-term interest rates, as well as the interest rate volatility in the markets during much of fiscal year 2016. Offsetting the increase, institutional equity sales commissions decreased $19 million, or 8%, resulting primarily from decreased equity underwriting activities throughout most of fiscal year 2016.

Equity underwriting fees decreased in fiscal year 2016 by $20 million, or 27%, while merger & acquisition and advisory fees decreased $14 million, or 8%. The late September 2015 decline in the equity markets, coupled with market uncertainty in advance of the December 2015 Federal Reserve Bank announcement and their related commentary on interest rates, combined to result in an unfavorable market environment for equity activities during much of fiscal year 2016. As a result, we experienced lower volumes in both our merger & acquisition advisory and equity underwriting activities throughout most of fiscal year 2016. While merger & acquisition and advisory fees are a volatile revenue source in general, the number of merger & acquisition transactions in fiscal year 2016 was low. Most of the decrease in our equity underwriting revenues resulted from our domestic operations. Revenues from our Canadian activities were relatively unchanged from the low amount generated in fiscal year 2015. The number of both lead-managed and co-managed equity underwritings in both our domestic and Canadian operations decreased during fiscal year 2016 compared to fiscal year 2015.

We experienced solid performance in our public finance underwritings in fiscal year 2016, which positively impacted both our securities commissions and fee revenues and our investment banking revenues. The combined revenues resulting from these public finance business activities increased 1% over the fiscal year 2015 level.

Tax credit fund syndication fee revenues increased $15 million, or 33%, due to an increase in the volume of tax credit fund partnership interests sold during fiscal year 2016. As a market leader amongst syndicators of LIHTC investments, we achieved a new milestone in fiscal year 2016 by selling over $1 billion of such investments to institutional investors. Additionally, we recognized nearly $7 million in revenues that were associated with partnership interests sold in prior years which had been deferred in those years. Fiscal year 2016 recognition of these previously deferred revenues resulted from the favorable resolution of certain conditions associated with the partnership interests. As of September 30, 2016, approximately $11 million of previously deferred revenues remained to be recognized in future revenues, whenever such conditions for revenue recognition are fully satisfied.

Our net trading profit in fiscal year 2016 increased $33 million, or 60%. Trading profits generated in our fixed income operations increased approximately $27 million, reflecting solid results in most product categories. Our fiscal year 2015 equity capital markets operations included $5 million of realized trading losses attributable to an equity underwriting position held in our Canadian subsidiary that did not recur in fiscal year 2016.

Other revenues increased $10 million, or 63%. These revenues include $5 million in fiscal year 2016 arising from revenues associated with our annual analyst best picks. Foreign exchange gains associated with certain of our international operations increased $4 million during fiscal year 2016.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Management's Discussion and Analysis

Non-interest expenses in fiscal year 2016 increased $12 million, or 1%. Sales commission expense increased $6 million, or 3%, consistent with the 2% increase in institutional sales commission revenues. Administrative & incentive compensation and benefit expenses increased $5 million, or 1%, consistent with annual increases in salaries and increases in employee benefit plan costs. Our business development expenses decreased $4 million, or 9%, reflecting the outcome of heightened expense management in fiscal year 2016.

Results of Operations – Asset Management

Our Asset Management segment provides investment advisory and asset management services to individual and institutional investors, and also sponsors a family of mutual funds. Investment advisory fee revenues are earned on the assets held in either managed or non-discretionary asset-based programs. In managed programs, decisions are made by in-house or third-party portfolio managers or investment committees about how to invest the assets in accordance with such programs' objectives. In non-discretionary asset-based programs, we provide administrative support, which may include trade execution, record-keeping and periodic investor reporting. We generally earn higher fees for managed programs than for non-discretionary asset-based programs, as we provide additional services, such as portfolio management, to managed programs. These fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average daily assets. Asset balances are impacted by both the performance of the market and the new sales (inflows) and redemptions (outflows) of client accounts/funds. Rising equity markets have historically had a positive impact on investment advisory fee revenues as existing accounts increase in value, and individuals and institutions may commit incremental funds in rising markets. For an overview of our Asset Management segment operations, refer to the information presented in Item I, Business in this Form 10-K.

Operating results

	Year ended September 30,				
$ in thousands	2017	% change	2016	% change	2015
Revenues:					
Investment advisory and related administrative fees:					
Managed programs	$326,405	21 %	$270,623	—	$271,609
Non-discretionary asset-based administration	91,087	23 %	74,130	10 %	67,286
Sub-total investment advisory and related administrative fees	417,492	21 %	344,753	2 %	338,895
Account and service fees and Other	70,243	18 %	59,668	12 %	53,483
Total revenues	487,735	21 %	404,421	3 %	392,378
Interest expense	(77)	7 %	(72)	(6)%	(77)
Net revenues	487,658	21 %	404,349	3 %	392,301
Non-interest expenses:					
Compensation and benefits	123,119	9 %	112,998	11 %	101,723
Communications and information processing	30,109	11 %	27,027	7 %	25,286
Occupancy and equipment costs	5,046	14 %	4,423	(3)%	4,564
Business development	9,673	2 %	9,500	(4)%	9,911
Investment sub-advisory fees	75,497	33 %	56,751	3 %	54,938
Other	67,509	17 %	57,911	3 %	56,177
Total non-interest expenses	310,953	16 %	268,610	6 %	252,599
Income before taxes and including noncontrolling interests	176,705	30 %	135,739	(3)%	139,702
Noncontrolling interests	4,969		3,581		4,652
Pre-tax income excluding noncontrolling interests	$171,736	30 %	$132,158	(2)%	