

RAYMOND JAMES FINANCIAL INC  
Form 10-K  
November 23, 2011

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the fiscal year ended September 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
For the transition period from            to

Commission file number 1-9109

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

Florida  
(State or other jurisdiction of  
incorporation or organization)

No. 59-1517485  
(I.R.S. Employer  
Identification No.)

880 Carillon Parkway, St. Petersburg,  
Florida  
(Address of principal executive offices)

33716  
(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  
Common Stock, \$.01 Par Value

Name of each exchange on which registered  
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  No

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  No

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  No

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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 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of March 31, 2011, 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 \$3,918,665,338.

The number of shares outstanding of the registrant's common stock as of November 21, 2011 was 126,013,143.

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 23, 2012 are incorporated by reference into Part III.

RAYMOND JAMES FINANCIAL, INC.  
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## PART I

### ITEM 1. BUSINESS

Raymond James Financial, Inc. (“RJF”), the parent company of a business established in 1962 and a public company since 1983, is a financial services holding company headquartered in St. Petersburg, Florida whose subsidiaries are engaged in various financial services businesses predominantly in the United States of America (“U.S.”) and Canada. At September 30, 2011, its principal subsidiaries include 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, FSB (“RJ Bank”). All of these subsidiaries are wholly owned by RJF. RJF and its subsidiaries are hereinafter collectively referred to as “our,” “we” or “us.”

#### PRINCIPAL SUBSIDIARIES

Our principal subsidiary, RJ&A, is the largest full service brokerage and investment firm headquartered in the state of Florida and with over 220 locations throughout the U.S, is one of the largest retail brokerage firms in the country. RJ&A is a self-clearing broker-dealer engaged in most aspects of securities distribution, trading, investment banking and asset management. RJ&A also offers financial planning services for individuals and provides clearing services for RJFS, RJFSA, other affiliated entities and several unaffiliated broker-dealers. In addition, RJ&A has ten institutional sales offices in Europe. RJ&A is a member of the New York Stock Exchange Euronext (“NYSE”) and most regional exchanges in the U.S. It is also a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investors Protection Corporation (“SIPC”).

RJFS is one of the largest independent contractor brokerage firms in the U.S., is a member of FINRA and SIPC, but is not a member of any exchanges. Financial advisors affiliated with RJFS may offer their clients all products and services offered through RJ&A including investment advisory products and services which are offered through its affiliated registered investment advisor, RJFSA. Both RJFS and RJFSA clear all of their business on a fully disclosed basis through RJ&A.

RJ Ltd. is our Canadian broker-dealer subsidiary which engages in both retail and institutional distribution and investment banking. RJ Ltd. is a member of the Toronto Stock Exchange (“TSX”) and the Investment Industry Regulatory Organization of Canada (“IIROC”). Its U.S. broker-dealer subsidiary is a member of FINRA and SIPC.

Eagle is a registered investment advisor serving as the discretionary manager for individual and institutional equity and fixed income portfolios and our internally sponsored mutual funds.

RJ Bank purchases and originates corporate loans secured by corporate assets, commercial and industrial (“C&I”) loans, commercial and residential real estate loans, as well as consumer loans, all of which are funded primarily by cash balances swept from the investment accounts of our broker-dealer subsidiaries’ clients.

#### BUSINESS SEGMENTS

We have eight business segments: “Private Client Group” or “PCG”; “Capital Markets”; “Asset Management”; RJ Bank “Emerging Markets”; “Securities Lending” (formerly named “Stock Loan/Borrow”); “Proprietary Capital” and certain corporate activities combined in the “Other” segment. Our financial information for each of the fiscal years ended September 30, 2011, September 30, 2010, and September 30, 2009 is included in the consolidated financial statements and notes thereto.

#### PRIVATE CLIENT GROUP

We provide securities transaction and financial planning services to approximately two million client accounts through the branch office systems of RJ&A, RJFS, RJFSA, RJ Ltd. and Raymond James Investment Services Limited ("RJIS"), a joint venture in the United Kingdom. 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. We charge sales commissions or asset-based fees for investment services we provide to our Private Client Group clients based on established schedules. Varying discounts may be given, generally based upon the client's level of business, the trade size, service level provided, and other relevant factors. In fiscal year 2011, the portion of revenues from this segment that we consider recurring include sources such as asset-based fees including mutual fund and annuity trailing commissions, and interest income and represented approximately 61% of the Private Client Group's total revenues. Revenues of this segment are correlated with total client assets under administration. As of September 30, 2011, total client assets under administration amounted to \$256 billion.

The majority of our U.S. financial advisors are also licensed to sell insurance and annuity products through our general insurance agency, Planning Corporation of America (“PCA”), a wholly owned subsidiary of RJ&A. Through the financial advisors of our broker-dealer subsidiaries, PCA provides product and marketing support for a broad range of insurance products, principally fixed and variable annuities, life insurance, disability insurance and long-term care coverage.

Our financial advisors offer a number of professionally managed load mutual funds, as well as a selection of no-load funds. RJ&A and RJFS maintain dealer sales agreements with most major distributors of mutual fund shares sold through broker-dealers.

	Private Client Group securities commissions and fees for the fiscal years ended September 30, (\$ in thousands)							
	2011	% of total	2010	% of total	2009	Total		
Equities	\$276,562	15 %	\$251,820	16 %	\$230,121	18 %		
Fixed income products	60,193	3 %	68,867	4 %	76,144	6 %		
Mutual funds	458,555	25 %	419,262	26 %	296,109	23 %		
Fee-based accounts	685,672	38 %	551,107	35 %	412,638	33 %		
Insurance and annuity products	261,045	15 %	234,474	15 %	202,712	16 %		
New issue sales credits	75,590	4 %	59,841	4 %	45,086	4 %		
Total Private Client Group commissions and fees	\$1,817,617	100 %	\$1,585,371	100 %	\$1,262,810	100 %		

Net interest revenue in the Private Client Group is generated by customer balances, predominantly the earnings on margin loans and assets segregated pursuant to regulations, less interest paid on customer cash balances (“Client Interest Program”). Beginning in September 2009, we began a multi-bank sweep program which generates fee revenue in lieu of interest revenue. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in this report for information regarding our net interest revenues.

Clients' transactions in securities are affected on either a cash or margin basis. RJ&A makes margin loans to clients collateralized by the securities purchased or by other securities owned by the client. Interest is charged to clients on the amount borrowed. The interest rate charged to a client on a margin loan is based on current interest rates and on the size of the loan balance in the client's account.

Typically, broker-dealers utilize bank borrowings and equity capital as the primary sources of funds to finance clients' margin account borrowings. RJ&A's source of funds to finance clients' margin account balances has been cash balances in brokerage clients' accounts, which are funds awaiting investment. In addition, pursuant to written agreements with clients, broker-dealers are permitted by the Securities and Exchange Commission (“SEC”) and FINRA rules to lend client securities in margin accounts to other financial institutions. SEC regulations, however, restrict the use of clients' funds derived from pledging and lending clients' securities, as well as funds awaiting investment, to the financing of margin account balances; to the extent not so used, such funds are required to be deposited in a special segregated account for the benefit of clients. The regulations also require broker-dealers, within designated periods of time, to obtain possession or control of, and to segregate, clients' fully paid and excess margin securities.

No single client accounts for a material percentage of this segment's total business.

RJ&A is a full service broker-dealer that employs financial advisors throughout the U.S. RJ&A's financial advisors work in a traditional branch setting supported by local management and administrative staffs. The number of financial advisors per office ranges from one to 30. RJ&A financial advisors are employees and their compensation includes commission payments and participation in the firm's benefit plans. Experienced financial advisors are hired 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 key revenue producers, primarily for recruiting and/or retention purposes. In addition, individuals are trained each year to become financial advisors at the Robert A. James National Training Center in St. Petersburg, Florida.

## Raymond James Financial Services

RJFS is a broker-dealer that supports independent contractor financial advisors in providing products and services to their Private Client Group clients throughout the U.S. The number of financial advisors in RJFS offices ranges from one to 45. Independent contractors are responsible for all of their direct costs and, accordingly, are paid a larger percentage of commissions. They are permitted to conduct, on a limited basis, certain other approved businesses unrelated to their RJFS activities such as offering insurance products, independent registered investment advisory services and accounting and tax services, among others, with the approval of RJFS management.

The Financial Institutions Division (“FID”) is a subdivision of RJFS. Through FID, RJFS services financial institutions such as banks, thrifts and credit unions, and their clients. RJFS also provides custodial, trading and other services (including access to clients' account information and the services of the Asset Management segment) to unaffiliated independent registered investment advisors through its Investment Advisor Division (“IAD”).

## Raymond James Financial Services Advisors

RJFSA is a registered investment advisor that exclusively supports the investment advisory activities of the RJFS financial advisors.

## Raymond James Ltd.

RJ Ltd. is a wholly owned self-clearing broker-dealer subsidiary headquartered in Canada with its own operations and information processing personnel. Financial advisors can affiliate with RJ Ltd. either as employees or independent contractors.

## Raymond James Investment Services Limited

We are a 75% shareholder of RJIS. This entity operates an independent contractor financial advisor network in the United Kingdom. RJIS also provides custodial and execution services to independent investment advisory firms.

The following table presents a summary of Private Client Group financial advisors as of the end of the fiscal year indicated:

	Independent			
	Employees	contractors	2011 total	2010 total
RJ&A	1,311	-	1,311	1,266
RJFS	-	3,193	3,193	3,237
RJ Ltd.	198	254	452	442
RJIS	-	157	157	145
Total financial advisors	1,509	3,604	5,113	5,090

The following table presents a summary of Private Client Group branch locations as of the end of the fiscal year indicated:

	Independent			
	Traditional	Satellite	contractor	
	branches	offices	branches	2011 total 2010 total



RJ&A	176	45	-	221	211
RJFS	-	568	1,385	1,953	1,975
RJ Ltd.	14	24	79	117	115
RJIS	-	-	67	67	63
Total branch locations	190	637	1,531	2,358	2,364

## Raymond James &amp; Associates – Operations and Information Technology

RJ&A's operations personnel are responsible for the execution of orders, processing of securities transactions, custody of client securities, support of client accounts, receipt, identification and delivery of funds and securities, and compliance with certain regulatory and legal requirements for most of our U.S. securities brokerage operations.

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

Our business continuity program has been developed to provide reasonable assurance of business continuity in the event of disruptions at our critical facilities. Business departments have developed operational plans for such disruptions, and we have a staff which devotes their full time to monitoring and facilitating those plans. Our business continuity plan continues to be enhanced and tested to allow for continuous business processing in the event of weather-related or other interruptions of operations at the headquarters complex. We have also developed a business continuity plan for our PCG branches in the event these branches are impacted by severe weather. Each branch is assigned a “contingency branch” in another part of the country that allows the impacted branch the ability to communicate through the contingency branch.

In the area of information security, we have developed and implemented a framework of principles, policies and technology to protect the information assets of the firm and its clients. Safeguards are applied to maintain the confidentiality, integrity and availability of information resources.

## CAPITAL MARKETS

Capital Markets activities consist primarily of equity and fixed income products and services. No single client accounts for a material percentage of this segment's total business.

## Institutional Sales

Institutional sales commissions account for a significant portion of this segment's revenue, which is fueled by a combination of general market activity and the Capital Markets group's ability to identify and promote attractive investment opportunities. Our institutional clients are serviced by institutional equity departments of RJ&A and RJ Ltd.; the RJ&A fixed income department; RJ&A's European offices; Raymond James Financial International, Ltd, an institutional UK broker-dealer headquartered in London, England; and Raymond James European Securities, Inc., a joint venture that is headquartered in Paris, France in which we hold a controlling interest. We charge commissions on equity transactions based on trade size and the amount of business conducted annually with each institution. Fixed income commissions are based on trade size and the characteristics of the specific security involved.

	Capital markets commissions for the fiscal years ended September 30, (\$ in thousands)					
	2011	% of total	2010	% of total	2009	% of total
Equity	\$250,188	67	\$222,481	60	\$198,218	53
Fixed income	125,770	33	147,585	40	174,315	47
Total commissions	\$375,958	100	\$370,066	100	\$372,533	100

Over 100 domestic and overseas professionals located in offices in the U.S. and Europe comprise RJ&A's institutional equity sales and sales trading departments and maintain relationships with approximately 1,200 institutional clients. Some European and U.S. offices also provide services to high net worth clients. RJ Ltd. has approximately 40 institutional equity sales and trading professionals servicing predominantly Canadian, U.S. and European institutional investors from offices in Canada and Europe.

From offices in various locations within the U.S., RJ&A distributes to institutional clients both taxable and tax-exempt fixed income products, primarily municipal, corporate, government agency and mortgage-backed bonds. RJ&A carries inventory positions of taxable and tax-exempt securities to facilitate institutional sales activities.

## Trading

Trading equity securities involves the purchase and sale of securities from and to our clients or other dealers. Profits and losses are derived from the spreads between bid and asked prices, as well as market trends for the individual securities during the period we hold them. RJ&A makes markets in over 900 common stocks. Similar to the equity research department, this operation serves to support both our institutional and Private Client Group sales efforts. The RJ Ltd. trading desks not only support client activity, but also take proprietary positions that are closely monitored within well defined limits. RJ Ltd. also provides specialist services in approximately 150 TSX listed common stocks.

RJ&A trades both taxable and tax-exempt fixed income securities. The taxable and tax-exempt RJ&A 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. RJ&A enters into future commitments such as forward contracts and “to be announced” securities (e.g., securities having a stated coupon and original term to maturity, although the issuer and/or the specific pool of mortgage loans is not known at the time of the transaction). Low levels of proprietary trading positions are also periodically taken by RJ&A for various purposes and are closely monitored within well defined limits. In addition, a subsidiary of RJF, RJ Capital Services, Inc., participates in the interest rate swaps market as a principal, either to economically hedge RJ&A fixed income inventory, for transactions with customers, or for its own account.

## Equity Research

The domestic analysts in RJ&A's research department support our institutional and retail sales efforts and publish research on approximately 900 companies. This research primarily focuses on U.S. companies in specific industries including technology, telecommunications, consumer, financial services, transportation and industrial services, healthcare, real estate and energy. Proprietary industry studies and company-specific research reports are made available to both institutional and individual clients. RJ Ltd. has 15 analysts who publish research on approximately 250 primarily Canadian companies focused in the energy, energy services, mining, forest products, agricultural, technology, clean technology, consumer and industrial products, and real estate sectors. Additionally, we provide coverage of approximately 60 European and approximately 70 Latin American companies through joint ventures in which we hold interests.

## Investment Banking

The nearly 125 professionals of RJ&A's investment banking group reside in various locations within the U.S. and are involved in a variety of activities including public and private equity financing for corporate clients, and merger and acquisition advisory services. RJ Ltd.'s investment banking group consists of approximately 30 professionals who reside in various locations within Canada and provide equity financing and financial advisory services to corporate clients. Our investment banking activities provide a comprehensive range of strategic and financial advisory services tailored to our clients' business life cycles and backed by our strategic industry focus.

Fixed income investment banking includes debt underwriting and public finance activities. The over 70 professionals in the RJ&A public finance division operate out of various offices located throughout the U.S., and serve as a financial advisor, placement agent or underwriter to various issuers who include municipal agencies (including political subdivisions), housing developers and non-profit health care institutions.

RJ&A acts as a consultant, underwriter or selling group member for corporate bonds, mortgage-backed securities, agency bonds, preferred stock and unit investment trusts. When underwriting new issue securities, RJ&A agrees to purchase the issue through a negotiated sale or submits a competitive bid.

### Syndicate

The syndicate department consists of professionals who coordinate the marketing, distribution, pricing and stabilization of lead and co-managed equity underwritings. In addition to lead and co-managed offerings, this department coordinates the firm's syndicate and selling group activities in transactions managed by other investment banking firms.

Raymond James Tax Credit Funds, Inc.

Raymond James Tax Credit Funds, Inc. (“RJTCF”) is the general partner or managing member in a number of limited partnerships and limited liability companies. These partnerships and limited liability companies invest in real estate project entities that qualify for tax credits under Section 42 of the Internal Revenue Code. RJTCF has been an active participant in the tax credit program since its inception in 1986 and currently focuses on tax credit funds for institutional investors that invest in a portfolio of tax credit-eligible multi-family apartments. The investors’ expected returns on their investments in these funds are primarily derived from tax credits and tax losses that investors can use to reduce their federal tax liability. During fiscal 2011, RJTCF invested approximately \$615 million for large institutional investors in 80 real estate transactions for properties located throughout the U.S. Since inception, RJTCF has raised over \$3.5 billion in equity and has sponsored over 70 tax credit funds, with investments in over 1,350 tax credit apartment properties in 45 states and one U.S. Territory.

ASSET MANAGEMENT

Our Asset Management segment includes the operations of Eagle, the Eagle Family of Funds (“Eagle Funds”), the asset management operations of RJ&A (“AMS”), Raymond James Trust, and other fee-based programs. The majority of the revenue for this segment is generated by the investment advisory fees related to asset management services for individual investment portfolios and mutual funds. Investment advisory fees are also earned on assets held in managed and non-managed programs. These fees are computed based on balances either at the beginning of the quarter, the end of the quarter, or average assets. Consistent with industry practice, fees from private client investment portfolios are typically based on asset values at the beginning of the period while institutional fees are typically based on asset values at the end of the period. Asset balances are impacted by both the performance of the market and new sales and redemptions of client accounts/funds. Increasing markets generally positively impact revenues from investment advisory fees as existing accounts increase in value, and individuals and institutions may commit incremental funds in rising markets. No single client accounts for a material percentage of this segment's total business.

Eagle Asset Management, Inc.

Eagle is a registered investment advisor with \$16.1 billion under management and \$800 million in assets under advisement (non-discretionary advised assets) as of September 30, 2011. Eagle offers a variety of equity and fixed income objectives managed by a number of portfolio management teams and a subsidiary investment advisor, Eagle Boston Investment Management, Inc. Eagle's clients include individuals, corporations, pension and profit sharing plans, foundations, endowments, variable annuities and mutual funds. Eagle also serves as investment advisor to the Eagle Funds. Additionally, performance fees may be earned for performing above respective benchmarks. Eagle also earns fees on non-discretionary assets for providing their account models to professional advisors at other firms.

Eagle Fund Distributors, Inc. (“EFD”), a wholly owned subsidiary of Eagle, is a registered broker-dealer engaged in the distribution of the Eagle Funds.

The Eagle Funds utilize unaffiliated sub-advisors for the Capital Appreciation Fund and International Equity Fund. The Small Cap Growth Fund, Mid Cap Growth Fund, Growth and Income Fund, Large Cap Core Fund, Mid Cap Stock Fund, Investment Grade Bond Fund, and Small Cap Core Value Fund are managed by Eagle.

Eagle closed its money market funds during the fourth quarter of fiscal year 2010. Eagle class shares of both a taxable and a tax-exempt money market fund are available to clients of Eagle and its affiliates through an unrelated third-party.

## AMS

AMS manages several investment advisory programs which maintain an approved list of investment managers, provide asset allocation model portfolios, establish custodial facilities, monitor performance of client accounts, provide clients with accounting and other administrative services, and assist investment managers with certain trading management activities. AMS earns fees generally ranging from 0.35% to 0.85% of asset balances per annum, a portion of which is paid to predominately independent investment managers and Eagle who direct the investments within clients' accounts. In addition, AMS offers additional managed accounts managed within fee based asset allocation platforms under our Freedom accounts and other managed programs. Freedom's investment committee manages portfolios of mutual funds, exchange traded funds and separately managed account models on a discretionary basis. AMS earns fees generally ranging from 0.10% to 0.55% of asset balances per annum. For separately managed account models a portion of the fee may be paid to the investment managers who provide the separately managed account models. At September 30, 2011, these managed programs had \$19.6 billion in assets under management, including \$3.6 billion managed by Eagle.

AMS also provides certain services for their non-managed fee-based programs (Passport, Ambassador and other non-managed programs). They provide performance reporting, research, sales, accounting, trading and other administrative services. Advisory services are provided by PCG financial advisors. Client fees are based on the individual account or relationship size and may also be dependent on the type of securities in the accounts. Total client fees generally range from 0.50% to 3.00% of assets, and are predominantly allocated to the PCG segment, with a lesser share of revenue generated from these activities allocated to this Asset Management segment. As of September 30, 2011, these programs had \$38.9 billion in assets. RJFS and RJFSA offer similar fee-based programs called IMPAC (“IMPAC”). All revenues for IMPAC are allocated to either RJFS or RJFSA. As of September 30, 2011, IMPAC had nearly \$10 billion in assets serviced by RJFS financial advisors and RJFSA registered investment advisors (see the Private Client Group segment discussion for additional information).

In addition to the foregoing programs, AMS also administers managed fee-based programs for clients who have contracted for portfolio management services from non-affiliated investment advisors that are not part of the Raymond James consulting services program.

#### Raymond James Trust, National Association

Raymond James Trust, National Association, (“RJT”) provides personal trust services primarily to existing clients of our broker-dealer subsidiaries. Portfolio management of trust assets can be subcontracted to our asset management operations. This subsidiary had a total of approximately \$2 billion in client assets at September 30, 2011, including nearly \$120 million in the donor-advised charitable foundation known as the Raymond James Charitable Endowment Fund.

#### RJ BANK

RJ Bank is a federally chartered savings bank, regulated by the Office of the Comptroller of the Currency (“OCC”), which provides corporate, residential and consumer loans, as well as Federal Deposit Insurance Corporation (“FDIC”) insured deposit accounts, to clients of our broker-dealer subsidiaries and to the general public. RJ Bank is active in corporate loan syndications and bank participations as well as purchases residential whole loan packages to hold for investment. RJ Bank generates revenue principally through the interest income earned on loans and investments, which is offset by the interest expense it pays on client deposits and on its borrowings. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in this report for financial information regarding RJ Bank’s net interest earnings.

RJ Bank operates from a single branch location adjacent to our headquarters complex in St. Petersburg, Florida. Access to RJ Bank's products and services is available nationwide through the offices of our affiliated broker-dealers as well as through telephonic and electronic banking services. RJ Bank’s assets include C&I loans, commercial and residential real estate loans, as well as consumer loans that were purchased or originated by RJ Bank. Corporate loans represent approximately 75% of RJ Bank’s loan portfolio of which 90% are Shared National Credits (“SNC”) or other large syndicated loans. SNCs are loan syndications totaling over \$20 million that are shared among three or more regulated institutions. Purchased loans originated by select large financial institutions represent approximately 85% of RJ Bank’s residential mortgage loan portfolio. RJ Bank’s total liabilities primarily consist of deposits that are cash balances swept from the investment accounts maintained at RJ&A. This cash sweep program, the Raymond James Bank Deposit Program (“RJBDP”), is a multi-bank (RJ Bank and other non-affiliated banks) program under which clients’ cash deposits in their brokerage accounts are re-deposited through a third-party service into interest-bearing



deposit accounts (\$245,000 per bank for individual accounts and \$490,000 for joint accounts) at up to 12 banks. This program enables clients to obtain up to \$2.5 million in individual FDIC deposit insurance coverage (\$5 million for joint accounts) in addition to competitive rates for their cash balances.

RJ Bank does not have any significant concentrations with any one industry or customer (see table of industry concentration in Item 7A, "Market Risk").

### EMERGING MARKETS

Raymond James International Holdings, Inc. (“RJIH”), through its subsidiaries, currently has interests in operations in Latin American countries including Argentina, Uruguay and Brazil. Through these entities we operate securities brokerage, investment banking, asset management and equity research businesses. In fiscal year 2011, approximately 75% of this segments’ investment banking revenues arose from one client. No single client accounts for a material percentage of the remainder of the revenue generated by this segment.

### SECURITIES LENDING

This segment conducts its business through the borrowing and lending of securities from and to other broker-dealers, financial institutions and other counterparties. Generally, we conduct these activities as an intermediary (referred to as “Matched Book”). However, Securities Lending will also loan customer marginable securities held in a margin account containing a debit (referred to as lending from the “Box”) to counterparties. The borrower of the securities puts up a cash deposit on which interest is earned. The lender in turn receives cash and pays interest. These cash deposits are adjusted daily to reflect changes in the current market value of the underlying securities. Additionally, securities are borrowed from other broker-dealers (referred to as borrowing for the “Box”) to facilitate RJ&A’s clearance and settlement obligations. The net revenues of this securities lending business are the interest spreads generated. No single client accounts for a material percentage of this segment’s total business.

### PROPRIETARY CAPITAL

This segment consists of our principal capital and private equity activities including various direct and third-party private equity and merchant banking investments; Raymond James Employee Investment Funds I and II (the “EIF Funds”); and a private equity fund which we sponsor – Raymond James Capital Partners, L.P. As of September 30, 2011, certain of our merchant banking investments include an investment in a manufacturer of crime investigation and forensic supplies, an event photography business, and an indirect investment in an allergy immunotherapy testing and treatment supply company.

We participate in profits or losses through both general and limited partnership interests. Additionally, we incur profits or losses as a result of direct merchant banking investments. The EIF Funds are limited partnerships, for which we are the general partner, that invest in our merchant banking and private equity activities and other unaffiliated venture capital limited partnerships. The EIF Funds were established as compensation and retention vehicles for certain of our qualified key employees.

### OTHER

This segment includes various corporate overhead costs, including interest expense on our senior debt and the loss associated with the securities repurchased as a result of settlements with the SEC and other regulatory authorities regarding the offer and sale of auction rate securities (“ARS”). (See further discussion of the ARS matter in Item 3, “Legal Proceedings”).

### COMPETITION

We are engaged in intensely competitive businesses. We compete with many larger, better capitalized providers of financial services, including other securities firms, most of which are affiliated with major financial services companies, insurance companies, banking institutions and other organizations. We also compete with a number of firms offering on-line 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, service, product selection, location and reputation in local markets.

In the financial services industry, there is significant competition for qualified associates. 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

The following discussion sets forth some of the material elements of the regulatory framework applicable to the financial services industry and provides some specific information relevant to us. The regulatory framework is intended primarily for the protection of our customers and the securities markets, our depositors and the Federal Deposit Insurance Fund and not for the protection of our creditors or shareholders. Under certain circumstances, these rules may limit our ability to make capital withdrawals from RJ Bank or 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. A change in applicable statutes, regulations or regulatory policy may have a material effect on our business.

The financial services industry in the U.S. is subject to extensive regulation under federal and state laws. During our fiscal 2010, the U. S. government enacted financial services reform legislation known as the Dodd-Frank Wall Street Reform & Consumer Protection Act ("Dodd-Frank Act"). Because of the nature of our business and our business practices, we presently do not expect the Dodd-Frank Act to have a significant direct impact on our operations as a whole. However, because many of the implementing regulations will result from further studies by various regulatory agencies, the specific impact on each of our businesses is uncertain.

Effective July 21, 2011, and in accordance with the Dodd-Frank Act, RJF, as the holding company of RJ Bank, became subject to the oversight of the Board of Governors of the Federal Reserve System (the "FRB"). As a result, RJF is subject to periodic examination by the FRB. In addition, the Office of Thrift Supervision ("OTS") merged into the OCC and, therefore, the OCC assumed responsibility from the OTS for the ongoing examination, supervision, and regulation of federal savings associations and rulemaking for all savings associations, state and federal.

The SEC is the federal agency charged with administration of the federal securities laws. 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. In addition, 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. We have offices in Europe, Canada and Latin America.

Much of the regulation of broker-dealers in the U.S. and Canada, however, has been delegated to self-regulatory organizations ("SROs"), principally FINRA, the IIROC and securities exchanges. These SROs adopt and amend rules (which are subject to approval by government agencies) for regulating the industry and 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 can have an adverse impact on the reputation of a broker-dealer.

Our U.S. broker-dealer subsidiaries are required by federal law to belong to SIPC. When the SIPC fund falls below a certain amount, members are required to pay higher annual assessments to replenish the reserves. During fiscal year 2011, certain of our domestic broker-dealer subsidiaries incurred expenses amounting to 0.25% of net operating revenues as defined by SIPC, or approximately \$3.2 million, to SIPC as a special assessment. The SIPC fund provides protection for securities held in customer accounts up to \$500,000 per customer, with a limitation of \$250,000 on claims for cash balances. We have purchased excess SIPC coverage through various syndicates of Lloyd's, a London-based firm that holds an "A+" rating from Standard and Poor's and Fitch Ratings. Excess SIPC is fully

protected by the Lloyd's trust funds and Lloyd's Central Fund. The additional protection currently provided has an aggregate firm limit of \$750 million, including a sub-limit of \$1.9 million per customer for cash above basic SIPC. Account protection applies when a SIPC member fails financially and is unable to meet obligations to clients. This coverage does not protect against market fluctuations.

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 the securities commissions in the jurisdictions of registration as well as by the SROs and the IIROC.

RJ Ltd. is required by the IIROC to belong to the Canadian Investors Protection Fund ("CIPF"), whose primary role is investor protection. The CIPF Board of Directors determines the fund size required to meet its coverage obligations and sets a quarterly assessment rate. Dealer members are assessed the lesser of 1.0% of revenue or a risk-based assessment. The CIPF provides protection for securities and cash held in client accounts up to \$1 million Canadian dollars ("CDN") per client with separate coverage of CDN \$1 million for certain types of accounts. This coverage does not protect against market fluctuations.

See Note 22 of the Notes to Consolidated Financial Statements for further information on SEC, FINRA and IIROC regulations pertaining to broker-dealer regulatory minimum net capital requirements.

Our investment advisory operations, including the mutual funds that we sponsor, are also subject to extensive regulation. Our U.S. asset managers are registered as investment advisors with the SEC and are also required to make notice filings in certain states. Virtually all aspects of the 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.

We are a "unitary savings and loan holding company" as defined by federal law, because we own one savings association, RJ Bank. For the periods through and including September 30, 2011, we were under the supervision of, and subject to the rules, regulations, and periodic examination by, either the OTS or the OCC (upon the July 21, 2011 merger of the OTS with the OCC). Additionally, RJ Bank is subject to the rules and regulations of the FRB and the FDIC. Collectively, these rules and regulations cover all aspects of the banking business including lending practices, safeguarding deposits, capital structure, transactions with affiliates and conduct and qualifications of personnel. Since we were a savings and loan holding company prior to May 4, 1999, we are exempt from certain restrictions that would otherwise apply under federal law to the activities and investments of a savings and loan holding company. These restrictions would become applicable to us if RJ Bank had failed to meet a qualified thrift lender ("QTL") test established by federal law. On September 30, 2011, RJ Bank was granted an exception to the QTL requirement until September 29, 2012. As of September 30, 2010, RJ Bank was in compliance with QTL standards according to the Domestic Building and Loan Association ("DBLA") test. This test required RJ Bank to meet a "business operations test" and a point-in-time "60% of assets test" on the last day of each fiscal year. The business operations test required the business to consist primarily of acquiring the savings of the public and investing in loans. The 60% of assets test required that at least 60% of the assets consist of qualifying assets that thrifts normally hold pursuant to regulations. As of September 30, 2010, RJ Bank met the business operations test and the 60% of assets test with 62% of qualifying assets. In order to meet this point-in-time percentage of assets requirement, RJ Bank held an additional \$3.5 billion in qualifying assets, which was funded by a \$2.4 billion overnight Federal Home Loan Bank of Atlanta ("FHLB") advance, deposits of approximately \$400 million from affiliates, and additional deposits of approximately \$700 million from the RJBDP. The deposits from affiliates were withdrawn and the FHLB advance was repaid on October 1, 2010. The RJBDP deposits were redirected to other RJBDP participating banks during early October 2010. The consequences for financial institutions which fail the QTL test include the requirement to either become a national bank or be prohibited from making or engaging in any non-allowable investments or activities, the establishment of new branch offices and the repayment of dividends.

RJ Bank applied to the OCC in November, 2008 to convert to a national bank. RJ Bank's application to convert to a national bank is still pending and approval is anticipated before the end of the calendar year. This charter conversion also requires, by law, that RJF become a bank holding company. Accordingly, in December, 2008, RJF applied to the FRB to become a bank holding company. RJF re-filed its application to become a bank holding company at the request of the FRB in November, 2011. We anticipate approval before the end of the calendar year. Upon conversion from a thrift to a national bank charter, RJ Bank would no longer be subject to the QTL requirement. RJF will then become a bank holding company and can elect to become a financial holding company.

RJ Bank is subject to various regulatory capital requirements established by bank regulators. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on RJ Bank's financial statements and consequently ours. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, RJ Bank must meet specific capital guidelines that involve quantitative measures of RJ Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. RJ Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Quantitative measures established by regulation to ensure capital adequacy require RJ Bank to maintain minimum amounts and ratios of Total and Tier I capital to risk-weighted assets and Tier I capital to adjusted assets (as defined in the regulations). See Note 22 of the Notes to Consolidated Financial Statements for further information.

In addition, since RJ Bank provides products covered by FDIC insurance, RJ Bank is subject to the Federal Deposit Insurance Act.

Our federally chartered trust company is subject to regulation by the OCC. This regulation focuses on, among other things, ensuring the safety and soundness of RJT's fiduciary services.

As a public company whose common stock is listed on the NYSE, we are subject to corporate governance requirements established by the SEC and NYSE, as well as federal and state law. Under the Sarbanes-Oxley Act, we are required to meet certain requirements regarding business dealings with members of our Board of Directors, the structure of our Audit Committee, and ethical standards for our senior financial officers. Under SEC and NYSE rules, we are required to comply with other standards of corporate governance, including having a majority of independent directors serve on our Board of Directors, and the establishment of independent audit, compensation and corporate governance committees. The Dodd-Frank Act included a number of provisions imposing governance standards, including those regarding "Say-on-Pay" votes for shareholders, incentive compensation clawbacks, compensation committee independence and disclosure concerning executive compensation, employee and director hedging and chairman and CEO positions.

Under Section 404 of the Sarbanes-Oxley Act, we are required to assess the effectiveness of our internal controls over financial reporting and to obtain an opinion from our independent auditors regarding the effectiveness of our internal controls over financial reporting.



EXECUTIVE OFFICERS OF THE REGISTRANT

Executive officers of the registrant (which includes officers of certain significant subsidiaries) who are not Directors of the registrant are as follows:

Jennifer C. Ackart	47	Senior Vice President, Controller
Paul D. Allison	55	Chairman, President and CEO – Raymond James Ltd. since January, 2009; Co-President and Co-CEO – Raymond James Ltd., August, 2008 – January, 2009; Executive Vice President and Vice Chairman, Merrill Lynch Canada, December, 2007 – August, 2008; Executive Vice President and Managing Director, Co-Head of Canada Investment Banking, Merrill Lynch Canada, March, 2001 – December, 2007
James N. Augustine, Jr.	44	Executive Vice President – Fixed Income Capital Markets – Raymond James & Associates, Inc. since October, 2011; Senior Vice President, Director – Fixed Income Sales Management – Raymond James & Associates, Inc., June, 2008 – October, 2011; Senior Managing Director – Fixed Income Sales Management, Bear Stearns, March, 2006 – June, 2008
Richard G. Averitt, III	66	Chairman and CEO – Raymond James Financial Services, Inc.
Angela M. Biever	58	Chief Administrative Officer since May, 2008; Director, RJF, May, 1997 – April, 2008; Vice President, Intel Capital and Managing Director, Consumer Internet Sector, November, 2006 – May, 2008; General Manager, Intel New Business Initiatives, January, 1999 – November, 2006
George Catanese	52	Senior Vice President and Chief Risk Officer since October, 2005; Director, Internal Audit, November, 2001 – October, 2005
Tim Eitel	62	Chief Information Officer – Raymond James & Associates, Inc.
Jeffrey P. Julien	55	Executive Vice President – Finance, Chief Financial Officer and Treasurer, Director and/or officer of several RJF subsidiaries
Paul L. Matecki	55	Senior Vice President – General Counsel, Secretary
Steven M. Raney	46	

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President and CEO – Raymond James Bank, FSB since January, 2006; Partner and Director of Business Development, LCM Group, February, 2005 – December, 2005; various executive positions in the Tampa Bay area, Bank of America, June, 1988 – January, 2005

Richard K. Riess	62	Executive Vice President – Asset Management; CEO and Director of Eagle Asset Management, Inc.
Thomas R. Tremaine	55	Executive Vice President – Operations and Administration – Raymond James & Associates, Inc.
Jeffrey E. Trocin	52	Executive Vice President – Equity Capital Markets – Raymond James & Associates, Inc.
Dennis W. Zank	57	President – Raymond James & Associates, Inc.

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

## EMPLOYEES AND INDEPENDENT CONTRACTORS

Our employees and independent contractors are vital to our success in the financial services industry. As of September 30, 2011, we have approximately 7,600 employees. As of September 30, 2011, we have approximately 3,700 independent contractors with whom we are affiliated.

## OTHER INFORMATION

Our internet address is [www.raymondjames.com](http://www.raymondjames.com). We make available, free of charge, through links to the SEC website, 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. A copy of any document we file with the SEC is available at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that we file electronically with the SEC. The SEC's internet site is [www.sec.gov](http://www.sec.gov). Investors can find financial information on our website under "Our Company – Investor Relations – Financial Reports – SEC Filings." These reports, which include certain XBRL instance files, are available through our website as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We also make available on our website our Annual Report to Shareholders and our proxy statements in PDF format under "Our Company - Investors Relations - Financial Reports."

Additionally, we make available on our website under "Our Company - Investor Relations - Corporate Governance," a number of our corporate governance documents. These include: the Corporate Governance Principles, the charters of the Audit Committee and the Corporate Governance, Nominating and Compensation Committee of the Board of Directors, our Compensation Recoupment Policy, the Senior Financial Officers' Code of Ethics, and the Codes of Ethics for Employees and the Board of Directors. Printed copies of these documents will be furnished to any shareholder upon request. The information on our website is not incorporated by reference into this report.

### Factors affecting "forward-looking statements"

From time to time, we may publish "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, or make oral statements that constitute forward-looking statements. These forward-looking statements may relate to such matters as anticipated financial performance, future revenues or earnings, business prospects, allowance for loan loss levels at RJ Bank, projected ventures, new products, anticipated market performance, recruiting efforts, regulatory approvals, auction rate securities, and other matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, we caution readers that a variety of factors could cause our actual results to differ materially from the anticipated results or other expectations expressed in our forward-looking statements. These risks and uncertainties, many of which are beyond our control, are discussed in Item 1A, "Risk Factors," in this report. We do not undertake any obligation to publicly update or revise any forward-looking statements.

## ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, liquidity and the trading price of our common stock.



## RISKS RELATED TO OUR BUSINESS AND INDUSTRY

We are affected by difficult conditions in the global financial markets and economic and political conditions generally.

We are engaged in various financial services businesses. As such, we are affected by economic and political conditions. These conditions may directly and indirectly impact a number of factors that may be detrimental to our operating results, including the inflation rate, the related impact on the securities markets including changes in volume, interest spreads and price levels of securities, fluctuations in interest and currency rates, reduced investor confidence, and a slowdown in economic activity. These conditions historically have impacted our trading volume and net revenues and affected our profitability. Additionally, a decline in the strength of the U.S. economy can lead to deterioration in credit quality and decreased loan demand. Continued or further credit dislocations or sustained market downturns may result in a decrease in the volume of trades we execute for our clients, a decline in the value of securities we hold in inventory as assets, and potentially reduced investment banking revenues given that associated fees are directly related to the number and size of transactions in which we participate. In addition, declines in the market value of securities generally result in a decline in revenues from fees based on the asset values of client portfolios, and may result in the failure of buyers and sellers of securities to fulfill their settlement obligations, as well as the failure of our clients to fulfill their credit and settlement obligations. Also, we permit our clients to purchase securities on margin. During periods of steep declines in securities prices, the value of the collateral securing client accounts margin purchases may drop below the amount of the purchaser's indebtedness. If the clients are unable to provide additional collateral for these loans, we may lose money on these margin transactions. This may cause us to incur additional expenses defending or pursuing claims or litigation related to counterparty or client defaults.

On August 5, 2011, the credit rating agency Standard & Poor's ("S&P") lowered its long term sovereign credit rating on the U.S. from AAA to AA+, while maintaining a negative outlook. While U.S. lawmakers reached agreement to raise the federal debt ceiling on August 2, 2011, the downgrade reflected S&P's view that the fiscal consolidation plan within that agreement fell short of what would be necessary to stabilize the U.S. government's medium term debt dynamics. The two other major credit rating agencies did not downgrade their previously issued U.S. sovereign credit ratings. Future downgrades of the U.S. sovereign credit rating by one or more of the major credit rating agencies could have material adverse impacts on financial markets and economic conditions in the U.S. and throughout the world and, in turn, could have a material adverse effect on our business, financial condition and liquidity. Because of the unprecedented nature of any negative credit rating actions with respect to U.S. government obligations, the ultimate impacts on global markets and our business, financial condition and liquidity are unpredictable and may not be immediately apparent.

Continued declines in the real estate market over the past few years, with increasing foreclosures and unemployment, have resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities as well as commercial and investment banks. These write-downs, initially of mortgage-backed securities but spreading to credit default swaps and other derivative securities, have in turn caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. RJ Bank is particularly affected by domestic economic conditions. Such conditions include: U.S. interest rates, the rate of unemployment, real estate prices, the level of consumer confidence, changes in consumer spending and the number of personal bankruptcies, among others. The deterioration of these conditions can diminish loan demand, lead to an increase in mortgage and other loan delinquencies, affect corporate loan repayment performance and result in higher reserves and net charge-offs, which can adversely affect our earnings.

Our businesses and earnings are affected by the fiscal and other policies adopted by various regulatory authorities of the U.S., non-U.S. governments, and international agencies. The FRB regulates the supply of money and credit in the

U.S. FRB 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 can also materially decrease the value of certain of our financial assets, most notably debt securities. Changes in FRB policies are beyond our control and, consequently, the impact of these changes on our activities and results of our operations are difficult to predict.

As described in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources,” a worsening of current financial market and economic conditions could materially and adversely affect our business, financial condition, results of operations, and access to credit or the trading price of our common stock.

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

Liquidity, or ready access to funds, is essential to our business. A compromise to our liquidity could have a significant negative effect on our financial condition. Some potential conditions that could negatively affect our liquidity include illiquid or volatile markets, diminished access to debt or equity markets, unforeseen cash or capital requirements and adverse legal settlements or judgments. Our broker-dealer and bank subsidiaries operate in highly regulated industries. These subsidiaries may require access to funds in order to meet certain capital and regulatory requirements. Therefore, these subsidiaries may, in some instances, not be able to pay dividends to fund the obligations of the parent including debt obligations and dividend payments. If existing sources of liquidity do not satisfy our needs, we may have to seek additional outside financing or scale back or curtail our operations, including limiting our efforts to recruit additional financial advisors, selling assets at prices that may be less favorable to us, cutting or eliminating the dividends we pay to our shareholders and reducing our operating expenses. The availability of outside financing, including access to the capital markets and bank lending, depends on a variety of factors, such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services sector and our credit ratings. Our cost and availability of funding may be adversely affected by illiquid credit markets and wider credit spreads. As a result of any future concerns about the stability of the markets generally and the strength of counterparties specifically, lenders may from time to time curtail, or even cease, to provide funding to borrowers. A reduction in our credit ratings could adversely affect our liquidity and competitive position, increase our incremental borrowing costs, limit our access to the capital markets or trigger our obligations under certain financial agreements. As such, we may not be able to successfully obtain additional outside financing to fund our operations on favorable terms, or at all. See Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources,” for additional information on liquidity and how we manage our liquidity 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, changes in interest rates 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. 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 venture capital and merchant banking investments. Market conditions that change from time to time, thereby exposing us to market risk, include fluctuations in interest rates, equity prices, relative exchange rates, and price deterioration or changes in value due to changes in market perception or actual credit quality of an issuer.

Certain of our venture capital and merchant banking 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 venture capital 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 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this report for additional information regarding our exposure to and approaches to managing market 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 do not meet their performance obligations due to bankruptcy, lack of liquidity, operational failure or other reasons.

We actively buy and sell securities from and to clients and counterparties in the normal course of our broker-dealer businesses exposing us to credit risk in the event of default. Although generally collateralized by the underlying security to the transaction, we still face the risk associated with changes in the market value of collateral through settlement date. We also hold securities and derivatives in our trading accounts. Deterioration in the actual or perceived credit quality of the underlying issuers of securities, or the non-performance of issuers and counterparties to 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 agreements to 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 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 impact financial performance.

We also incur credit risk by lending to businesses and individuals including, but not limited to, C&I loans, commercial and residential mortgage loans, home equity lines of credit, and margin and non-purpose loans collateralized by securities as well as by investing in MBS and CMOs.

The credit quality of our loan and investment portfolios held at RJ Bank can have a significant impact on earnings and overall financial performance. Our credit risk and credit losses can increase if our loans or investments are concentrated to borrowers or issuers engaged in the same or similar activities, industries, 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 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 the level of regulatory capital at RJ Bank.

Continued declines in the real estate market or a sustained economic downturn may cause us to have to further 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 RJ Bank's available for sale securities portfolio. 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. Our policies also can adversely affect borrowers, potentially increasing the risk that they may fail to repay their loans or satisfy their obligations to us. See Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in this report for additional information regarding our exposure to and approaches to managing credit risk.

Our business depends on fees generated from the distribution of financial products and on fees earned from the management of client accounts by our asset management subsidiaries.

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 reduced fees 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, renegotiation of contracts and the introduction of new, lower-priced investment products and services. 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. Assets under management balances are impacted by net inflow/outflow 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 impacting our business and financial condition. If we experience losses of managed accounts, our fee revenue will decline. In addition, in periods of declining market values, our asset values under management 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 which 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 we underwrite. 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, we may incur losses as a result of proprietary positions we hold.

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 may continue to make principal investments in private equity funds and other illiquid investments, which are typically private limited partnership interests and securities that are not publicly traded. There is risk that we may be unable to realize our investment objectives by sale or other disposition at attractive prices or that we may otherwise be unable to 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 through resale. 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.

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 adversely affected 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. As a result, 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.

We have experienced increased pricing pressures in areas of our business which may impair our future revenue and profitability.

In recent years, our business has experienced increased 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 increased price competition and decreased trading margins. In the equity market, we have experienced increased pricing pressure from institutional clients to reduce commissions, and this pressure has been augmented by the increased 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.

Growth of our business could increase costs and regulatory risks.

We may incur significant expenses in connection with expansion of our existing businesses or recruitment of financial advisors or in connection with strategic acquisitions or investments, if and to the extent they arise from time to time. Our overall profitability would be negatively affected if investments and expenses associated with such growth are not matched or exceeded by the revenues that are derived from such investment or growth.

Expansion may also create a need for additional compliance, documentation, risk management and internal controls procedures, and often involves the hiring of additional personnel to monitor such procedures. To the extent such procedures are not adequate to appropriately monitor any new or expanded business, we could be exposed to a material loss or regulatory sanction.

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 and location and reputation in local 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. Our ability to develop and retain our client base depends on the reputation, judgment, business generation capabilities and skills of our employees and financial advisors. As such, to compete effectively we must attract, retain and motivate qualified associates, 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 affect on our business, results of operations, financial condition and liquidity.

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. Domestic commercial banks and investment banking boutique firms have entered the broker-dealer business, and large international banks are now serving our markets as well. Legislative and regulatory initiatives which eased restrictions on the sales of securities and underwriting activities by commercial banks have increased competition. We also compete indirectly for investment assets with insurance companies, real estate firms, hedge funds, and others. This increased competition could cause our business to suffer.

Competition for personnel within the financial services industry is intense. The cost of retaining skilled professionals in the financial services industry has escalated considerably, as competition for these professionals has intensified. Employers in the industry 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 a prospective employee's decision to join us. As competition for skilled professionals in the industry increases, we may have to devote significantly more resources to attracting and retaining qualified personnel. 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.

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 in the past and may be subject to additional claims in the future as we seek to hire qualified personnel, some of whom may currently be working for our competitors. Some of these claims may result in material litigation. We could incur substantial costs in defending ourselves against these claims, regardless of their merits. Such claims could also discourage potential employees who currently work for our competitors from joining us.

To remain competitive, our future success also depends in part on our ability to develop and enhance our products and services. In addition, the adoption of new internet, networking or telecommunication technologies or other technological changes could require us to incur substantial expenditures to enhance or adapt our services or infrastructure. An inability to develop new products and services, or enhance existing offerings, could have a material adverse effect on our profitability.

Damage to our reputation could damage our businesses.

Maintaining our reputation is critical to our attracting and maintaining customers, investors and employees. If we fail to deal with, or appear to fail to deal with, various issues that may give rise to reputational risk, we could harm our

business prospects. These issues include, but are not limited to, appropriately dealing with potential conflicts of interest, legal and regulatory requirements, ethical issues, money-laundering, privacy, record-keeping, sales and trading practices, failure to sell securities we have underwritten at the anticipated price levels, and the proper identification of the legal, reputational, credit, liquidity, and market risks inherent in our products. Further, negative publicity regarding us, whether or not true, may also result in harm to our prospects.

We are exposed to operational risk.

Our diverse operations are exposed to risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Our businesses depend on our ability to process and monitor, on a daily basis, a large number of transactions. Our financial, accounting, data processing or other operating systems and facilities may fail to operate properly or become disabled as a result of events that are wholly or partially beyond our control, adversely affecting our ability to process these transactions or provide these services. Operational risk exists in every activity, function or unit of our business, and can take the form of internal or external fraud, employment and hiring practices, an error in meeting a professional obligation, failure to meet corporate fiduciary standards, business disruption or system failures and failed transaction processing. Also, increasing use of automated technology has the potential to amplify risks from manual or system processing errors, including outsourced operations.

See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this report for additional information regarding our exposure to and approaches to managing operational risk.

Our businesses depend on technology.

Our businesses rely extensively on electronic data processing and communications systems. In addition to better serving clients, the effective use of technology increases efficiency and enables the firm 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 will depend, in part, upon our ability to successfully maintain and upgrade the capability of our systems, our ability to address the needs of our clients by using technology to provide products and services that satisfy their demands and our ability to retain skilled information technology employees. Failure of our 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 and damage to our reputation.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the computer systems, software and networks may be vulnerable to human error, natural disasters, power loss, spam attacks, unauthorized access, distributed denial of service (“DDOS”) attacks, computer viruses and other malicious code and other events that could have a security impact. If one or more of these events occur, this could jeopardize our own or our clients’ or counterparties’ confidential and other information processed, stored in and transmitted through our computer systems and networks, or otherwise cause interruptions or malfunctions in our own, our clients’, our counterparties’ or third parties’ operations. We may be required to expend significant additional resources to modify our protective measures, to investigate and remediate vulnerabilities or other exposures or to make required notifications, and we may be subject to litigation and financial losses that are either not insured or are not fully covered through any insurance we maintain.

Extraordinary trading volumes beyond reasonably foreseeable spikes in volumes, could cause our computer systems to operate at an unacceptably slow speed or even fail. While we have made investments to upgrade the reliability and scalability of our systems and added hardware to address extraordinary volumes, there can be no assurance that our systems will be sufficient to handle truly extraordinary and unforeseen circumstances. Systems failures and delays could occur and could cause, among other things, unanticipated disruptions in service to our clients, slower system

response time resulting in transactions not being processed as quickly as our clients desire, decreased levels for client service and client satisfactions and harm to our reputation.

See Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this report for additional information regarding our exposure to and approaches to managing these types of operational risk.

Our operations could be adversely affected by serious weather conditions.

Our principal operations are located in St. Petersburg, Florida. While we have a business continuity plan that permits significant operations to be conducted from our Southfield, Michigan location (see Item 1, “Business” in this report), 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.



We are exposed to litigation risks.

Many aspects of our business involve substantial risks of liability, arising from the normal course of business. 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 employees could result in substantial liability for us. Advisors may not understand investor needs or risk tolerances. Such failures may result in the recommendation or purchase of a portfolio of assets that may not be suitable for the investor. To the extent we fail to know our customers or improperly advise them, we could be found liable for losses suffered by such customers, which could harm our reputation and business. Our Private Client Group business segment has historically had more risk of litigation than our institutional businesses.

In highly volatile markets, 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 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 advice based on our clients' investment objectives (including auction rate securities), 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 effect or cause us significant reputational harm, which in turn could seriously harm our business and our prospects. See Item 3, "Legal Proceedings" of this report for a discussion of our legal matters and Item 7A, "Quantitative and Qualitative Disclosures about Market Risk," in this report 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. One of our most critical estimates is RJ Bank's allowance for loan losses. Conditions in the real estate and credit markets 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, one outcome could be that 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 Policies," for additional information on the nature of these estimates.

Certain of our financial instruments including certain trading assets and liabilities, certain available for sale securities, certain loans 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 judgment. Some of these instruments and other assets and liabilities may have no direct observable inputs, making their valuation particularly subjective, being 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 balance sheet items, which may lead to the possibility that such valuations will be subject to further change or adjustment and could lead to 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. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. From time to time the Financial Accounting Standards Board (“FASB”) and the SEC change 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 a further discussion of some of our significant accounting policies and standards, see the “Critical Accounting Policies” discussion within Item 7 of this report and Note 1 of the Notes to Consolidated Financial Statements.

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

We seek to manage, monitor and control our 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 fully effective. Further, our risk management methods may not effectively predict future risk exposures, which could be significantly greater than the historical measures indicate. 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. A failure to adequately manage our growth, or to effectively manage our risk, could materially and adversely affect our business and financial condition. Our risk management processes include addressing potential conflicts of interest that arise in our business. We have procedures and controls in place to address conflicts of interest. Management of potential conflicts of interest has become increasingly complex as we expand our business activities through more numerous transactions, obligations and interests with and among our clients. The failure to adequately address or the perceived failure to adequately address, conflicts of interest 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 material harm to us.

For more information on how we monitor and manage market and certain other risks, see Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this report.

We are exposed to risk from international markets.

We do business in other parts of the world, including a few developing regions of the world commonly known as emerging markets and, as a result, are exposed to a number of risks, including economic, market, reputational, litigation and regulatory risks, in non-U.S. markets. Our businesses and revenues derived from non-U.S. operations are subject to risk of loss from currency fluctuations, social or political instability, changes in governmental policies or policies of central banks, expropriation, nationalization, confiscation of assets and unfavorable legislative 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/or our reputation. We also invest or trade in the securities of corporations located in non-U.S. jurisdictions. Revenues from the trading of non-U.S. securities also may be subject to negative fluctuations as a result of the above factors. The impact of these fluctuations could be magnified because generally non-U.S. trading markets, particularly in emerging market countries, are smaller, less liquid and more volatile than U.S. trading markets. Additionally, a political, economic or financial disruption in a country or region could adversely impact our business and increase volatility in financial markets generally.

We have 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, including most significantly: property and casualty, workers’ compensation, errors and omissions liability, general liability and the portion of employee-related health care benefits plans we fund, among others.

While we endeavor to purchase insurance coverage that is appropriate to our assessment of risk, 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 in the future our insurance proves to be inadequate or unavailable. In addition, insurance claims may harm our reputation or divert management resources away from operating our business.



## RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Changes in regulations resulting from either the Dodd-Frank act or any new regulations may affect our businesses.

The market and economic conditions over the past few years have led to relatively new legislation and numerous and continuing proposals for changes in the regulation of the financial services industry, including significant additional legislation and regulation in the U.S. and abroad. The Dodd-Frank Act enacted sweeping changes in the supervision and regulation of the financial industry designed to provide for greater oversight of financial industry participants, reduce risk in banking practices and in securities and derivatives trading, enhance public company corporate governance practices and executive compensation disclosures, and provide for greater protections to individual consumers and investors. Certain elements of the Dodd-Frank Act became effective immediately, while the details of many provisions are subject to additional studies and final rule writing by various applicable regulatory agencies. The ultimate impact that the Dodd-Frank Act will have on us, the financial industry and the economy cannot be known until all such rules and regulations called for under the Dodd-Frank Act have been finalized and implemented.

The Dodd-Frank Act may impact the manner in which we market our products and services, manage our business and its operations and interact with regulators, all of which while not currently anticipated to, could materially impact our results of operations, financial condition and liquidity. Certain provisions of the Dodd-Frank Act that may impact our business include, but are not limited to: the establishment of a fiduciary standard for broker-dealers, regulatory oversight of incentive compensation, the imposition of capital requirements on financial holding companies and to a lesser extent, greater oversight over derivatives trading and restrictions on proprietary trading. 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.

Additionally, we are closely monitoring regulatory developments related to the “Volcker Rule.” The Volcker Rule is a specific part of the Dodd-Frank Act originally proposed to restrict U.S. banks from making certain kinds of speculative investments that do not benefit their customers. When the regulations are final, we will be in a position to complete a review of our relevant activities to make plans to implement compliance with the Volcker Rule, which will likely not require full conformance until July 2014, subject to extensions.

We operate in a highly regulated industry in which future developments could adversely affect our business and financial condition.

The securities industry is subject to extensive regulation, and 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 customers’ funds and securities, capital structure of securities firms, anti-money laundering efforts, record keeping and the conduct of directors, officers and employees. If laws or regulations are violated, we could be subject to one or more of the following: civil liability, 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. Any of those events could have a material adverse effect on our business, financial condition and prospects.

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.

Our banking operations also expose us to a risk of loss resulting from failure to comply with banking laws. Our banking operations may be required to increase its regulatory capital and be required to pay even higher FDIC premiums, including special assessments, due to the impact market developments over the past few years have had on the insurance fund of the FDIC.

As a holding company of RJ Bank, we are subject to regulation by the FRB. This regulatory oversight includes, but is not limited to, scrutiny with respect to transactions between our domestic subsidiary bank and its affiliates as well as examination of our activities for potential conflicts of interest through detailed review of specific transactions.

The SEC has proposed certain measures that would establish a new framework to replace the requirements of Rule 12b-1 under the Investment Company Act of 1940, with respect to how mutual funds collect and pay fees to cover the costs of selling and marketing their shares. The proposed changes are subject to public comment which ended November 5, 2010 and, following any adoption which the SEC staff has stated will not occur until 2012, would be phased in over a number of years. As these measures are neither final nor undergoing implementation throughout the financial services industry, the impact of changes such as those currently proposed cannot be predicted at this time. As this regulatory trend continues, it could adversely affect our operations and, in turn, our financial results.

We may also be adversely affected as a result of other changes in federal, state or foreign tax laws, or by changes in the interpretation or enforcement of existing laws and regulations. See the section entitled “Business – Regulation” within Item 1 of this report for additional information regarding our regulatory environment and Item 7A, “Quantitative and Qualitative Disclosures about Market Risk,” in this report regarding our approaches to managing regulatory risk. Regulatory actions brought against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could have a material adverse affect on our business, financial condition or results of operation or cause us serious reputational harm.

Failure to comply with regulatory capital requirements would significantly harm our business.

We are subject to the SEC’s uniform net capital rule (Rule 15c3-1) and the net capital rule of FINRA, 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 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 its requirements. In addition, our Canada based broker-dealer subsidiary is subject to similar limitations under applicable regulation in that jurisdiction.

RJ Bank is subject to various regulatory and capital requirements administered by bank regulators. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, RJ Bank must meet specific capital guidelines that involve quantitative measures of RJ Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. RJ Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require RJ Bank to maintain minimum amounts and ratios of Total and Tier I Capital to risk-weighted assets and Tier I Capital to adjusted assets (as defined in the regulations). Failure to meet minimum capital requirements can trigger certain mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could harm RJ Bank’s operations and our financial condition.

As RJF is a holding company, it depends on dividends, distributions and other payments from its subsidiaries to fund payments of its obligations including, among others, debt service. Regulatory capital requirements applicable to some of our significant subsidiaries may impede access to funds the holding company needs to make payments on any such obligations.

See Note 22 of the Notes to Consolidated Financial Statements within this report for further information on regulations and capital requirements.

Our business and financial condition could be adversely affected by new regulations to which we expect to become subject as a result of becoming a financial holding company.

In September 2008, we announced that we would seek approval from the FRB to become a bank holding company and subsequently elect to become a financial holding company; RJ Bank's application to convert its charter to that of a nationally chartered bank is still pending approval. We anticipate approval of the application to convert RJ Bank's charter before the end of the calendar year. RJF re-filed its application to become a bank holding company at the request of the FRB in November, 2011. We anticipate approval before the end of the calendar year. Although we have a statutory grace period of two years, with the possibility of three one-year extensions for a total grace period of up to five years, to conform existing activities and investments to the restrictions on nonbanking activities that apply to financial holding companies, and although we expect to be able to continue to engage in the vast majority of the activities in which we currently engage after such time, it is possible that certain of our existing activities will be deemed to be impermissible under applicable regulations. In addition, as a financial holding company subject to the supervision and regulation of the FRB, we will become subject to the FRB's risk-based and leverage capital requirements and information reporting requirements. See the section entitled "Business – Regulation" of Item 1 of this report for additional information.



## RISKS RELATED TO OUR COMMON STOCK

The market price of our common stock may continue to be volatile.

The market price of our common stock has been, and is likely to continue to be, volatile and subject to fluctuations. Stocks of financial institutions have experienced significant downward pressure in connection with recent economic conditions and may again experience such pressures in the future. Changes in the stock market generally or as it concerns our industry, as well as geopolitical, economic and business factors unrelated to us, may also affect our stock price. Significant declines in the market price of our common stock or failure of the market price to increase could harm our ability to recruit and retain key employees, reduce our access to debt or equity capital and otherwise harm our business or financial condition.

Our current shareholders may experience dilution in their holdings if we issue additional shares of common stock as a result of future offerings or acquisitions where we use our common stock.

As part of our business strategy, we may seek opportunities for growth through strategic acquisitions in which we may consider issuing equity securities as part of the consideration. Additionally, we may obtain additional capital through the public sale of equity securities. If we sell equity securities, the value of our common stock could experience dilution. Furthermore, these securities could have rights, preferences and privileges more favorable than those of the common stock. Moreover, if we issue additional shares of common stock in connection with equity compensation, future acquisitions, or as a result of financing, an investor's ownership interest in our company will be diluted.

The issuance of any additional shares of common stock or securities convertible into or exchangeable for common stock or that represent the right to receive common stock, or the exercise of such securities, could be substantially dilutive to holders of our common stock. Holders of our shares of common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to our shareholders. The market price of our common stock could decline as a result of sales or issuance of shares of our common stock or securities convertible into or exchangeable for common stock.

Our officers, directors and employees own a substantial amount of our common stock and therefore exercise significant control over our corporate governance and affairs, which may result in their taking actions with which other shareholders do not agree.

Our executive officers, directors and employees control approximately 34% of our outstanding common stock (including restricted stock and exercisable stock options which they hold). These shareholders, if they act together, may be able to exercise substantial influence over the outcome of all corporate actions requiring approval of our shareholders, including the election of directors and approval of significant corporate transactions, which may result in corporate action with which other shareholders do not agree. This concentration of ownership may also have the effect of delaying or preventing a change in control that might affect the market price of our common stock, given that our articles of incorporation require the affirmative vote of two-thirds of all shares outstanding and entitled to vote to approve any of the specified types of business combinations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our headquarters is located on approximately 55 acres within the Carillon office park in St. Petersburg, Florida. The headquarters complex currently includes four main buildings which encompass a total of 883,000 square feet of office space, the RJ Bank building which is a 44,000 square-foot two-story building, and two five-story parking garages. At this St. Petersburg location, we have the ability to add approximately 490,000 square feet of new office space. We also have 30,000 square feet of leased space near the Carillon office park. During fiscal year 2011, we entered into an agreement to purchase approximately 65 acres in Pasco County, Florida, subject to satisfactory due diligence review, for potential future expansion of our office facilities in the Tampa Bay area. Our Michigan operations are conducted from an 88,000 square-foot building on 14 acres in Southfield, Michigan. Our facilities are used to conduct the current operations of our business segments. We own the St. Petersburg headquarters complex and the Southfield building.

We lease offices in various locations throughout the U.S. and in certain foreign countries. With the exception of a company-owned RJ&A branch office building in Crystal River, FL, RJ&A branches are leased with various expiration dates through 2022. RJ Ltd. leases premises for main offices in Vancouver, Calgary and Toronto and for branch offices throughout Canada. These leases have various expiration dates through 2026. RJ Ltd. does not own any land or buildings. See Note 17 of the Notes to Consolidated Financial Statements for further information.

Leases for branch offices of RJFS, the independent contractors of RJ Ltd., and RJIS, are the responsibility of the respective independent contractor financial advisors.

### ITEM 3. LEGAL PROCEEDINGS

#### Auction rate securities matters

In connection with ARS, our principal broker-dealers, RJ&A and RJFS, were subject to investigations by the SEC, certain states led by Florida's Office of Financial Regulation, and the Texas Securities Board regarding the sale of ARS. On June 29, 2011, RJ&A and RJFS finalized settlements with the SEC and other regulatory authorities, concluding investigations by the regulators into RJ&A and RJFS's offer and sale of ARS. Under these settlement agreements we extended an offer to purchase at par, from certain current and former clients, eligible ARS that were purchased through RJ&A or RJFS on or before February 13, 2008, provided the eligible ARS were not transferred away from RJ&A or RJFS prior to January 1, 2006 and those securities were held on February 13, 2008. This offer did not extend to clients whose accounts were owned, managed or advised by or through correspondent broker-dealers or unaffiliated investment advisors or who acted as institutional money managers and did not hold ARS in RJ&A or RJFS accounts. This offer remained open for a period of 75 days from the date which we sent the first offer notice to each respective current or former client and have since expired. No fines were imposed by the SEC under the settlement agreement. A fine in the amount of \$1.75 million was imposed by the state regulators.

As of September 30, 2011, \$245 million of par value ARS were purchased from current or former clients as a result of this settlement; \$16 million of the purchased ARS were redeemed at par by their issuer subsequent to the purchase and prior to September 30, 2011.

We are named in a class action lawsuit, Defer LP vs. Raymond James Financial, Inc., et al., filed in April, 2008 in the United States District Court for the Southern District of New York. The case is similar to those filed against a number of brokerage firms alleging various securities law violations relating to the adequacy of disclosure in connection with the marketing and sale of ARS. The complaint seeks class action status, compensatory damages and costs and disbursements, including attorneys' fees. In September 2010, the court granted our motion to dismiss with respect to all but two counts against defendant RJ&A, while simultaneously limiting the class period to 3½ months beginning November 2007 and ending February 13, 2008. The remaining claims were dismissed with prejudice in September, 2011.

#### Other matters

We are a defendant or co-defendant in various lawsuits and arbitrations incidental to our securities business. We are contesting the allegations in these cases and believe that there are meritorious defenses in each of these lawsuits and arbitrations. In view of the number and diversity of claims against us, the number of jurisdictions in which litigation is pending and the inherent difficulty of predicting the outcome of litigation and other claims, we cannot state with certainty what the eventual outcome of pending litigation or other claims will be. In the opinion of management, based on current available information, review with outside legal counsel, and consideration of amounts provided for in the accompanying consolidated financial statements with respect to these matters, ultimate resolution of these matters will not have a material adverse impact on our financial position or cumulative results of operations. However, resolution of one or more of these matters may have a material effect on the results of operations in any future period, depending upon the ultimate resolution of those matters and upon the level of income for such period.

See Note 17 of the Notes to the Consolidated Financial Statements in this Form 10-K for additional information regarding legal matter contingencies.



## PART II

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

Our common stock is traded on the NYSE under the symbol "RJF." At November 9, 2011 there were approximately 18,000 holders of our common stock. Our transfer agent is Mellon Investor Services LLC and whose address is P.O. Box 358015, Pittsburgh, Pennsylvania 15252. The following table sets forth for the periods indicated the high and low trades for our common stock:

	Fiscal year			
	2011		2010	
	High	Low	High	Low
First quarter	\$33.62	\$25.21	\$26.65	\$21.95
Second quarter	39.68	31.90	28.29	23.71
Third quarter	39.00	31.10	31.25	24.64
Fourth quarter	34.46	24.16	27.91	22.91

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	
	2011	2010
	First quarter	\$0.11
Second quarter	0.13	0.11
Third quarter	0.13	0.11
Fourth quarter	0.13	0.11

See Note 22 of the Notes to Consolidated Financial Statements for information regarding our intentions for paying cash dividends and the related capital restrictions. On August 25, 2011, our Board of Directors declared a quarterly dividend of \$0.13 in cash per share of common stock which was paid on October 18, 2011. On November 22, 2011, our Board of Directors declared a quarterly dividend of \$0.13 in cash per share of common stock payable on January 17, 2012 to shareholders of record as of January 3, 2012.

The following table presents information on a monthly basis for purchases of our stock for the quarter ended September 30, 2011:

Period	Number of shares purchased (1)	Average price per share
July 1, 2011 – July 31, 2011	-	\$-
August 1, 2011 – August 31, 2011	75,000	24.82
September 1, 2011 – September 30, 2011	562,533	25.21
Total	637,533	\$25.17

(1)

We do not have a formal stock repurchase plan. From time to time, our Board of Directors has authorized specific dollar amounts for repurchases at the discretion of our Board's Securities Repurchase Committee. As of September 30, 2011, there is \$60.2 million remaining on the current authorization.

The decision to repurchase securities is subject to cash availability and other factors. Historically we have considered such purchases when the price of our stock approaches 1.5 times book value. During the quarter and fiscal year ended September 30, 2011, we purchased 636,724 shares in open market transactions for a total of \$16 million, or an average price of approximately \$25.16 per share.

We also repurchase shares when employees surrender shares as payment for option exercises. During the fiscal year ended September 30, 2011, we received 71,301 shares that were surrendered by employees as payment for option exercises.

During the fiscal year ended September 30, 2011, 158,469 shares were purchased for the trust fund that was established and funded to acquire our common stock in the open market to be used to settle restricted stock units granted as a retention vehicle for certain employees of our wholly owned Canadian subsidiary (see Note 20 of the Notes to Consolidated Financial Statements for more information on this trust fund).

## ITEM 6. SELECTED FINANCIAL DATA

	Year ended September 30,					
	2011	2010	2009	2008	2007	
	(in thousands, except per share data)					
Operating results:						
Total revenues	\$3,399,886	\$2,979,516	\$2,602,519	\$3,204,932	\$3,109,579	
Net revenues	\$3,334,056	\$2,916,665	\$2,545,566	\$2,812,703	\$2,609,915	
Net income attributable to RJF	\$278,353	\$228,283	\$152,750	\$235,078	\$250,430	
Net income per share – basic	\$2.20	\$ 1.83	\$ 1.25	(1) \$ 1.95	(1) \$ 2.10	(1)
Net income per share - diluted	\$2.19	\$ 1.83	\$ 1.25	(1) \$ 1.93	(1) \$ 2.07	(1)
Weighted-average common shares outstanding - basic	122,448	119,335	117,188	(1) 116,110	(1) 115,268	(1)
Weighted-average common and common equivalent shares outstanding - diluted	122,836	119,592	117,288	(1) 117,140	(1) 117,011	(1)
Cash dividends per common share - declared	\$0.52	\$0.44	\$0.44	\$0.44	\$0.40	
Financial condition:						
Total assets	\$18,006,995	\$17,883,081 (2)	\$18,226,728 (3)	\$20,709,616(4,5)	\$16,228,797(5)	
Long-term debt (6)	\$662,006	\$416,369	\$477,423	\$ 197,910	\$214,864	
Shareholders' equity	\$2,587,619	\$2,302,816	\$ 2,032,463	\$ 1,883,905	\$1,757,814	
Shares outstanding (7)	123,273	121,041	118,799	116,434	116,649	
Book value per share at end of period	\$20.99	\$ 19.03	\$17.11	\$ 16.18	\$15.07	

- (1) Effective for fiscal year 2010, we implemented new accounting guidance that changed the manner in which earnings per share were computed. The new guidance requires unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) to be considered participating securities and, therefore, included in the earnings allocation in computing earnings per share under the two-class method. Our unvested restricted shares and certain restricted stock units granted as part of our share-based compensation are considered participating securities. To enhance comparability, the earnings per share amounts and the weighted-average share amounts outstanding for the years prior to the effective date of the new accounting guidance have been revised from the amounts initially reported, to reflect the amounts which would have been presented had this accounting guidance been effective in those years.
- (2) Total assets include \$3.1 billion in qualifying assets, offset by \$2.4 billion in overnight borrowings and \$700 million in additional RJBDP deposits to meet point-in-time regulatory balance sheet composition requirements related to RJ Bank's qualifying as a thrift institution.
- (3) Total assets include \$1.2 billion in U.S. Treasury securities and \$2 billion in reverse repurchase agreements, offset by \$2.3 billion in additional RJBDP deposits and \$900 million in overnight borrowings to meet point-in-time regulatory balance sheet composition requirements related to RJ Bank's qualifying as a thrift institution.

- (4) Total assets include \$1.9 billion in cash, offset by an equal amount in an overnight borrowing to meet point-in-time regulatory balance sheet composition requirements related to RJ Bank's qualifying as a thrift institution.
- (5) We elect to net-by-counterparty the fair value of certain interest rate swap contracts. See Note 15 of the Notes to Consolidated Financial Statements for additional information. As of October 1, 2008, we adopted new accounting guidance. Under the new guidance, as we elect to net-by-counterparty the fair value of interest rate swap contracts, we must also net-by-counterparty any collateral exchanged as part of the swap agreement. Footnoted periods presented above have been adjusted from the amounts initially reported to reflect this change. The table below shows these adjustments.

	Year ended September 30,	
	2008	2007
	(in thousands)	
Total assets initially reported	\$20,731,859	\$16,254,168
Adjustment arising from change in presentation of derivatives netting	(22,243 )	(25,371 )
Adjusted total assets	\$20,709,616	\$16,228,797

- (6) Includes any long-term portion of loans payable of consolidated variable interest entities (which are non-recourse to us), FHLB advances, our mortgage, the term debt of any joint venture we consolidate, and our senior notes.

(7) Excludes non-vested shares.



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

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of our operations and financial condition. The 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

Results in the businesses in which we operate are highly correlated to the direction of the U.S. equity markets specifically, and more generally, to the overall strength of economic conditions. 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 investors, including their level of participation in the financial markets. They also impact the level of underwriting activity, trading profits and asset valuations. In turn, these decisions affect our business results.

Year ended September 30, 2011 compared with the year ended September 30, 2010

Our net revenues improved by \$417 million, or 14%, to a record \$3.3 billion for the year ended September 30, 2011 as compared to the prior year. Non-interest expenses increased \$323 million, or 13%, to \$2.9 billion, driven primarily by higher variable compensation costs resulting from the increase in commissions, investment banking revenues, and overall firm profitability and the \$41 million loss on ARS repurchased, partially offset by a \$47 million, or 58%, decrease in the bank loan loss provision. We generated record net income of \$278 million, a \$50 million, or 22%, improvement over the prior year period. Excluding the loss on ARS repurchased, net of its associated income tax effect, net income would have been \$303 million, a 33% increase over the prior year level (a non-GAAP measure).

Our financial results during the year were most significantly impacted by:

- A \$58 million, or 36%, increase in the pre-tax income of our PCG segment. This increase resulted from a combination of favorable factors, including the increased activity levels of our private clients due to an improved level of confidence in the equity markets for the first three quarters of the fiscal year, and our continued realization of the benefits of our active recruiting in recent years as evidenced by record financial advisor productivity.
- A \$61 million, or 54%, increase in the pre-tax income generated by RJ Bank. This increase primarily resulted from a significantly lower loan loss provision related to the improved credit quality of our loan portfolio.
- A \$19 million, or 41%, increase in pre-tax income generated by our Asset Management segment. Assets under management increased steadily during the first three quarters of the fiscal year resulting from both increased valuations in the equity markets and the net inflows of client assets. During the fourth quarter, equity markets declined which impacted year end asset levels. However, net inflows for the year were strong, and even though the 4th quarter equity market decline led to a flat twelve month equity market, year over year assets under management increased 7%.
  - A \$6 million, or 7%, decrease in the pre-tax income of our Capital Markets segment. Investment banking revenues in the current fiscal year increased over the prior year; however, results were significantly impacted by decreases in trading profits primarily associated with fixed income securities,

decreases in fixed income institutional sales commissions resulting from the unsettled financial markets, especially during the last two quarters of this fiscal year. Further, expenses increased as we made efforts to expand our capital markets business, including the acquisition of Howe Barnes Hoefler and Arnett, Inc. (“Howe Barnes”).

- Our effective tax rate increased to 39.7% from the prior year rate of 36.9%, primarily resulting from an increase in the average state tax rate component of this blended rate, an increase in certain expenses during the fiscal year which are not deductible for tax purposes, including losses on our company-owned life insurance, and a decrease in the amount of tax credits we realized from our ownership interest in certain low-income housing tax credit partnerships.
  - A pre-tax \$41 million loss on ARS repurchased.

Based on our review of the Dodd-Frank Act, and because of the nature of our businesses and our business practices, we presently do not expect the legislation to have a significant impact on our operations. However, because many of the regulations will result from further studies and are yet to be adopted by various regulatory agencies, the impact is uncertain. Under the legislation, the OTS was merged into the OCC effective on July 21, 2011, at which time RJF, as the holding company of RJ Bank, became subject to the regulation and oversight of the FRB.

RJ Bank's application to the OCC to convert its charter to a national bank is still pending. RJF re-filed its application to become a bank holding company at the request of the FRB in November, 2011. We anticipate approval of these applications prior to the end of the calendar year. Upon conversion, RJ Bank will become a national bank and RJF will become a bank holding company. Subsequent to conversion, RJF will elect to become a financial holding company. We have been planning for the change in RJ Bank's regulator that occurred during the year, and the upcoming change in RJ Bank's charter, for some time.

In April, 2011 we completed our acquisition of Howe Barnes. This acquisition reflects our growth strategy to expand both our capital markets and our private client presence in strategic markets. As of the end of our fiscal year the successful integration of the primary businesses of Howe Barnes into our operations has been completed.

In April, 2011 we completed a sale of \$250 million of 4.25% senior notes, due April 2016. With our resultant liquidity, we believe we are well positioned to execute our growth strategies in each of our core businesses.

In June, 2011 we settled the ARS matter with various regulatory agencies by offering to repurchase certain ARS from our clients, or former clients. As of September 30, 2011, we had purchased \$245 million par value ARS from current or former clients as a result of this settlement. Prior to September 30, 2011, \$16 million of the repurchased ARS were redeemed at par by their issuer. We believe that even though the \$41 million pre-tax loss on auction rate securities repurchased was significant, the resolution of the ARS matter was in the best interest of our clients and the firm.

With respect to the very near term outlook, we anticipate that market conditions in October and November, 2011 will lead to a more difficult December 2011 quarter.

Year ended September 30, 2010 compared with the year ended September 30, 2009

As a result of the improved markets during the year ended September 30, 2010 as compared to the prior year, our net revenues increased by \$371 million, or 15%, to \$2.9 billion. Non-interest expenses increased by \$251 million, or 11%, to \$2.6 billion, primarily from higher compensation costs resulting from the increase in commission revenue compared to the prior year, and partially offset by an \$89 million, or 53%, decrease in the bank loan loss provision. We generated net income of \$228 million, a 49% increase compared to the prior year.

Our financial results during the year were most significantly impacted by:

- A 23% increase in net revenue in our Private Client Group. This increase results primarily from the improved equity markets combined with realization of the benefits of the strong recruiting results in the previous two years.
- Net interest earnings decreased \$79 million, or 20%, resulting predominately from the lower loan balances and lower interest spreads at RJ Bank, coupled with a full year's interest expense on our public debt which was issued in August, 2009.
- Our Asset Management operating results increased as a result of the increase in assets under management from both asset appreciation and net sales.

- Investment banking activity in our capital markets segment increased significantly, reflecting an increase in the number of underwritings resulting in a \$52 million, or 100%, increase in underwriting fees. As a result of the improved equity market conditions, we also realized significantly increased commissions from institutional clients on equity securities which were partially offset by declines in commissions on fixed income products. Trading profits were strong, although did not reach the record level achieved in the prior year.
- The RJ Bank pre-tax earnings of \$112 million reflect a \$32 million, or 40%, improvement as compared to the prior year, the net result of lower net interest income and a significantly lower loan loss provision.

- Our effective tax rate decreased to 37% from the prior year rate of 38.6%, resulting from tax credits we realized from our ownership interest in certain low-income housing tax credit partnerships, certain state and federal tax credits arising from charitable education contributions, and gains on our company-owned life insurance which are non-taxable.

## Segments

The following table presents our consolidated and segment gross revenues and pre-tax income, excluding noncontrolling interests, for the years indicated:

	Year ended September 30,		
	2011	2010	2009
	(in thousands)		
<b>Total company</b>			
Revenues	\$3,399,886	\$2,979,516	\$2,602,519
Pre-tax income excluding noncontrolling interests	461,247	361,908	248,774
<b>PCG</b>			
Revenues	2,185,990	1,903,101	1,557,462
Pre-tax income	218,811	160,470	84,873
<b>Capital Markets</b>			
Revenues	664,276	591,949	533,254
Pre-tax income	77,990	84,236	73,481
<b>Asset Management</b>			
Revenues	226,511	196,817	177,359
Pre-tax income	66,176	46,981	30,411
<b>RJ Bank</b>			
Revenues	281,992	276,770	343,366
Pre-tax income	172,993	112,009	80,011
<b>Emerging Markets</b>			
Revenues	43,184	16,639	14,891
Pre-tax income (loss)	4,531	(5,446 )	(4,886 )
<b>Securities Lending</b>			
Revenues	6,432	8,837	10,269
Pre-tax income	1,488	2,721	3,651
<b>Proprietary Capital</b>			
Revenues	16,805	17,029	12,742
Pre-tax income	4,391	1,728	1,035
<b>Other</b>			
Revenues	10,524	8,056	7,153

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Pre-tax loss	(85,133 )	(40,791 )	(19,802 )
Intersegment eliminations			
Revenues	(35,828 )	(39,682 )	(53,977 )
Pre-tax income	-	-	-

## Net interest analysis

We have certain assets and liabilities, not only held in our RJ Bank segment but also held in our PCG and Capital Markets segments, which are subject to changes in interest rates; these changes in interest rates have an impact on our overall financial performance. Given the relationship of our interest sensitive assets to liabilities held in each of these segments, an increase in short-term interest rates would result in an overall increase in our net earnings (we currently have more assets than liabilities with a yield that would be affected by a change in short-term interest rates). Such an increase in short-term interest rates would have the most significant favorable impact on our RJ Bank and PCG segments. The amount of benefit would be dependent upon a variety of factors, including but not limited to the change in balances, the rapidity and magnitude of the increase in rates, and the interest rates paid on client cash balances.

The following table presents average balance data and interest income and expense data, as well as the related net interest income:

	Year Ended September 30,								
	2011			2010			2009		
	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost	Average balance	Interest inc./exp.	Average yield/cost
	(\$ in thousands)								
Interest-earning assets:									
Margin balances	\$1,495,931	\$52,361	3.50 %	\$1,355,665	\$46,650	3.44 %	\$1,185,086	\$37,617	3.17 %
Assets segregated pursuant to regulations and other segregated assets	2,099,190	8,424	0.40 %	1,861,977	7,685	0.41 %	4,572,808	14,786	0.32 %
Bank loans, net of unearned income (1)	6,291,748	270,057	4.25 %	6,439,827	257,988	3.97 %	7,497,579	320,167	4.24 %
Available for sale securities	402,229	10,815	2.69 %	529,056	17,846	3.37 %	650,777	24,373	3.75 %
Trading instruments		20,549			18,146			13,112	
Stock borrow		6,035			8,448			10,269	
Interest-earning assets of consolidated variable interest entities		2			13			71	
Other		24,075			14,116			23,189	
Total interest income		392,318			370,892			443,584	

## Interest-bearing liabilities:

Brokerage client liabilities	3,456,009	3,422	0.10 %	2,958,026	3,688	0.12 %	5,788,338	10,958	0.19 %
Bank deposits (1)	6,967,727	12,543	0.18 %	6,882,537	16,053	0.23 %	8,331,432	24,023	0.29 %
Stock loan		1,807			3,530			3,838	
Borrowed funds		3,969			6,099			7,946	
Senior notes	473,112	31,320	6.62 %	299,953	26,091	8.60 %	33,709	2,899	8.60 %
Loans payable of consolidated variable interest entities		6,049			4,457			4,853	
Other		6,720			2,933			2,436	
<b>Total interest expense</b>		<b>65,830</b>			<b>62,851</b>			<b>56,953</b>	
<b>Net interest income</b>		<b>\$326,488</b>			<b>\$308,041</b>			<b>\$386,631</b>	

(1) See Results of Operations – RJ Bank in this MD&A for further information.



Year ended September 30, 2011 compared with the year ended September 30, 2010 – Net interest analysis

Net interest income for the year ended September 30, 2011 increased by \$18 million, or 6%, as compared to the prior year. Net interest income is earned primarily by our PCG and RJ Bank segments, which are discussed separately below. In addition to the activity in those segments, our net interest income was negatively impacted during the year ended September 30, 2011 by the \$5 million of interest expense associated with our April 2011 issuance of \$250 million of 4.25% senior notes.

Net interest income in the PCG segment increased \$12 million, or 21%, resulting primarily from increased client margin balances and slightly higher interest rates thereon. Interest earned in our Canadian operations increased due to an increase in both interest rates and the balance of segregated assets.

RJ Bank's net interest income for the year increased \$12 million, or 5%, primarily resulting from an increase in net interest margin inclusive of the \$6 million first quarter correction of an accumulated interest income understatement in prior years related to purchased residential mortgage loan pools. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Year ended September 30, 2010 compared with the year ended September 30, 2009 – Net interest analysis

Net interest income decreased \$79 million, or 20%, as compared to the prior year. Net interest income is earned primarily by our PCG and RJ Bank segments, which are discussed separately below. In addition, our net interest income was negatively impacted by the \$23 million increase in interest expense associated with an entire year of interest on our senior notes, which were issued in August, 2009.

RJ Bank's net interest income decreased \$63 million, or 19%, resulting from a decline in both average interest earning assets and net interest spreads. Refer to the discussion of the specific components of RJ Bank's net interest income in the RJ Bank section of this MD&A.

Complementing the impact of the implementation of the multi-bank sweep aspect of the RJB DP, which replaced a portion of the foregone interest earnings in the PCG segment with fee income, net interest income in the PCG segment increased \$5 million, or 10%, versus the prior year due to higher margin balances and increased net interest spreads on segregated cash. In addition to this increase in net interest income, the PCG segment realized a \$33 million increase in fee income generated by the multi-bank sweep aspect of the RJB DP during the year.

## Results of operations – Private Client Group

The following table presents consolidated financial information for our PCG segment for the years indicated:

	Year ended September 30,						
	2011	% change		2010	% change	2009	
	(\$ in thousands)						
<b>Revenues:</b>							
Securities commissions and fees	\$1,817,617	15	%	\$1,585,371	26	%	\$1,262,810
Interest	76,237	21	%	63,128	(4)	%	65,589
<b>Account and service fees:</b>							
Client account and service fees	123,277	4	%	118,233	38	%	85,957
Mutual fund and annuity service fees	110,281	35	%	81,990	5	%	78,086
Client transaction fees	34,162	(9)	%	37,440	-	%	37,596
Correspondent clearing fees	3,454	2	%	3,390	(12)	%	3,831
Account and service fees – all other	215	26	%	170	795	%	19
Sub-total account and service fees	271,389	13	%	241,223	17	%	205,489
Other	20,747	55	%	13,379	(43)	%	23,574
<b>Total revenues</b>	<b>2,185,990</b>	<b>15</b>	<b>%</b>	<b>1,903,101</b>	<b>22</b>	<b>%</b>	<b>1,557,462</b>
<b>Interest expense</b>	<b>8,741</b>	<b>22</b>	<b>%</b>	<b>7,194</b>	<b>(52)</b>	<b>%</b>	<b>14,891</b>
<b>Net revenues</b>	<b>2,177,249</b>	<b>15</b>	<b>%</b>	<b>1,895,907</b>	<b>23</b>	<b>%</b>	<b>1,542,571</b>
<b>Non-interest expenses:</b>							
Sales commissions	1,332,207	14	%	1,168,055	26	%	929,202
Admin & incentive compensation and benefit costs	343,097	11	%	310,184	11	%	279,666
Communications and information processing	70,369	17	%	59,974	2	%	58,607
Occupancy and equipment	77,099	-	%	77,349	(2)	%	79,072
Business development	55,538	13	%	49,126	(11)	%	55,488
Clearance and other	80,468	13	%	71,263	27	%	55,952
<b>Total non-interest expenses</b>	<b>1,958,778</b>	<b>13</b>	<b>%</b>	<b>1,735,951</b>	<b>19</b>	<b>%</b>	<b>1,457,987</b>
<b>Income before taxes and including noncontrolling interests</b>	<b>218,471</b>	<b>37</b>	<b>%</b>	<b>159,956</b>	<b>89</b>	<b>%</b>	<b>84,584</b>
<b>Noncontrolling interests</b>	<b>(340)</b>			<b>(514)</b>			<b>(289)</b>
<b>Pre-tax income excluding noncontrolling interests</b>	<b>\$218,811</b>	<b>36</b>	<b>%</b>	<b>\$160,470</b>	<b>89</b>	<b>%</b>	<b>\$84,873</b>
<b>Margin on net revenues</b>	<b>10.0</b>	<b>%</b>		<b>8.5</b>	<b>%</b>		<b>5.5</b>

Year ended September 30, 2011 compared with the year ended September 30, 2010– Private Client Group

Pre-tax income in the PCG segment increased \$58 million, or 36%, for the year as compared to the prior year.

Net revenues increased \$281 million, or 15%. PCG's margins were 10% of net revenues compared to 8.5% in the prior year. Securities commissions and fees increased \$232 million, or 15%, resulting from a number of favorable factors. Equity market conditions for the first ten months of fiscal year 2011 were improved as compared to the prior

year. Asset values increased for most of the year and prior to the decline in the markets commencing in August, 2011, favorably impacting fees arising from client assets in fee-based accounts. Total client assets under administration increased 3% as compared to the prior year end level, to \$256 billion. While our number of financial advisors increased only slightly year over year, average financial advisor productivity reached record levels, increasing 15% over the prior year. Average financial advisor productivity increased in both our employee and our independent contractor business models. We are realizing the benefits both from improved market conditions and from the financial advisors that joined us during our very active 2008-2009 recruiting period.

Mutual fund and annuity service fees increased \$28 million, or 35%, primarily as a result of an increase in mutual fund networking and omnibus fees as well as education and marketing fees, both of which are earned from mutual fund and insurance companies whose products we distribute. During the current year, we have been in the process of changing our data sharing arrangements with many mutual fund companies from networking to an omnibus arrangement. The fees earned from omnibus arrangements are greater than those under networking arrangements in order to compensate us for the additional reporting requirements performed by the broker-dealer under omnibus arrangements.

Client transaction fees decreased \$3 million, or 9%, primarily as a result of certain mutual fund relationships converting during the current year to a no-transaction fee program. Under this program, we receive increased fees from mutual fund companies which are included within mutual fund and annuity service fee revenue described above, but our clients no longer pay us transaction fees on mutual fund trades within certain of our managed programs.

While total segment revenues increased 15%, the portion that we consider to be recurring was consistent with the prior year at 61%. Assets in fee-based accounts at September 30, 2011 increased 11% to \$67.5 billion as compared to \$60.9 billion in the prior year. Recurring commission and fee revenues include trailing commissions from mutual funds, variable annuities and insurance products, mutual fund service fees and interest.

PCG interest revenues increased by \$13 million, or 21%, resulting from an increase in client margin balances and a slight increase in the interest rate earned on both customer reserve (segregated assets) balances and client margin balances. Interest earned in our Canadian operations increased due to an increase in both interest rates and customer reserve balances.

Other revenues increased by \$7 million, or 55%, primarily resulting from a \$3 million increase in certain investments held by our Canadian subsidiary and a \$2 million increase in foreign currency gains resulting from an increase in cross currency trades executed by our Canadian operation during the year.

Sales commission expense increased by \$164 million, or 14%, directly related to the 15% increase in commission and fee revenues. Administrative and incentive compensation expenses increased \$33 million, or 11%. The increase primarily results from annual increases in salaries and benefits and increases in incentive compensation related to the higher level of profitability. Clearance and other expenses increased \$9 million, or 12%, as compared to the prior year. The increase is primarily due to clearance expense which is generally correlated with the increase in securities commissions and fees revenues.

Year ended September 30, 2010 compared with the year ended September 30, 2009 – Private Client Group

PCG pre-tax results increased \$76 million, or 89%, as compared to the prior year on an increase of \$353 million, or 23%, in net revenues. PCG's margins increased to 8.5% of net revenues, a 55% improvement over the prior year. While primarily driven by increased commissions resulting from the realization of the benefits of the strong recruiting results in the previous two years, a combination of market appreciation and an increase in assets under management from new clients also contributed to the strong PCG results.

Securities commissions and fees increased \$323 million, or 26%. Net commissions, after consideration of sales commission expenses, increased \$84 million, or 25%, as compared to the prior year. The net commission expense as a percentage of commission revenues was relatively flat year over year. The number of financial advisors as of September 30, 2010 was also relatively flat as compared to September 30, 2009, but up over 10% since the beginning of fiscal 2008. Recruiting of successful financial advisors and improved market conditions drove a 15% increase in average gross production per financial advisor during the past year.

PCG results also include the interest revenue and fees earned on client margin balances and cash segregated for regulatory purposes net of the interest expense paid on client cash balances. The \$5 million increase in net interest earnings for the current year as compared to the prior year was complemented by a \$33 million increase in financial service fees from the RJB DP, a multi-bank cash sweep program. The increase in these fees was partially offset by a decline in fees received from the sale of money market funds. Interest results are further discussed in the Net Interest section of this MD&A.

Non-interest expenses increased \$278 million, or 19%, over the prior year. Of this increase, 86% (nearly \$239 million) was in sales commission expense, a result of the increase in commission revenues. All of the other components of non-interest expense in aggregate increased by 7.4% over the comparable period. The most significant component of this increase resulted from a \$15 million, or 27% increase in Clearance and Other expenses, also driven by the increase in commission and client activity. We incurred expenses arising from a FINRA arbitration panel's decision against RJ&A related to a claim of raiding financial advisors. We settled this matter, the impact of which has been reflected in our fiscal year 2010 results. Partially offsetting the increases, business development expense decreased during fiscal year 2010 due to lower recruiting costs than incurred in the prior year. Recruiting was extremely active during fiscal 2008 and 2009 due to consolidation of, and uncertainties arising within, certain of our broker-dealer competitors.

## Results of operations – Capital Markets

The following table presents consolidated financial information for our Capital Markets segment for the years indicated:

	2011	Year ended September 30,		2010	2009	
		% change			% change	
	(\$ in thousands)					
Revenues:						
Institutional sales commissions:						
Equity	\$250,188	12	%	\$222,481	12	% \$198,218
Fixed income	125,770	(15)	)%	147,585	(15)	)% 174,315
Underwriting fees	110,066	23	%	89,216	87	% 47,599
Tax credit funds syndication fees	36,062	141	%	14,941	238	% 4,416
Mergers and acquisitions fees	83,131	44	%	57,783	42	% 40,607
Private placement fees	1,940	1	%	1,914	87	% 1,025
Trading profits	19,981	(37)	)%	31,654	(24)	)% 41,407
Interest	21,579	19	%	18,191	34	% 13,608
Other	15,559	90	%	8,184	(32)	)% 12,059
Total revenues	664,276	12	%	591,949	11	% 533,254
Interest expense	16,612	30	%	12,814	19	% 10,808
Net revenues	647,664	12	%	579,135	11	% 522,446
Non-interest expenses:						
Sales commissions	127,974	-		128,432	(2)	)% 130,463
Admin & incentive compensation and benefit costs	320,209	22	%	262,791	19	% 220,030
Communications and information processing	44,907	18	%	37,925	7	% 35,350
Occupancy and equipment	23,273	19	%	19,575	-	19,565
Business development						