STATEMENT OF FINANCIAL CONDITION

March 31, 2021
(Unaudited)

RAYMOND JAMES

RAYMOND JAMES & ASSOCIATES, INC.
(a wholly owned subsidiary of Raymond James Financial, Inc.)

STATEMENT OF FINANCIAL CONDITION
(Unaudited)

$ in millions, except per share amount		**March 31, 2021**
Assets:		
Cash and cash equivalents	$	2,560
Assets segregated pursuant to regulations ($5,250 at fair value)		9,011
Collateralized agreements		404
Financial instruments, at fair value:		
Trading assets ($363 pledged as collateral)		541
Derivative assets		54
Other investments ($7 pledged as collateral)		71
Brokerage client receivables, net		2,229
Receivables from brokers, dealers and clearing organizations, net		211
Other receivables, net		413
Loans to financial advisors, net		680
Property and equipment, net		395
Deferred income taxes, net		28
Goodwill and identifiable intangible assets, net		348
Other assets		412
Total assets	**$**	**17,357**
Liabilities and stockholder's equity:		
Collateralized financings	$	278
Financial instrument liabilities, at fair value:		
Trading liabilities		209
Derivative liabilities		50
Brokerage client payables		10,738
Payables to brokers, dealers and clearing organizations		173
Accrued compensation, commissions and benefits		471
Payables to affiliates, net		1,241
Other payables		520
Other borrowings		11
Total liabilities		13,691
Commitments and contingencies (see Note 14)		
Stockholder's equity:		
Common stock; $.10 par value; 4,000,000 shares authorized; 1,083,500 shares issued and outstanding		—
Additional paid-in capital		1,737
Retained earnings		1,929
Total stockholder's equity		3,666
Total liabilities and stockholder's equity	**$**	**17,357**

See accompanying Notes to Statement of Financial Condition (Unaudited).

RAYMOND JAMES & ASSOCIATES, INC.
(a wholly owned subsidiary of Raymond James Financial, Inc.)

NOTES TO STATEMENT OF FINANCIAL CONDITION
(Unaudited)
March 31, 2021

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Organization

Raymond James & Associates, Inc. ("RJ&A," "we," "our," "us," the "firm" or the "Company"), a wholly owned subsidiary of Raymond James Financial, Inc. ("RJF" or "Parent") is engaged in various financial services activities, including providing investment management services for retail and institutional clients, the underwriting, distribution, trading and brokerage of equity and debt securities and clearing services for both affiliated and unaffiliated broker-dealers. Raymond James Financial Services, Inc. ("RJFS") is an affiliate of RJ&A and is also a wholly owned subsidiary of RJF. RJ&A is registered with the Securities and Exchange Commission and is registered as a Municipal Advisor with the Municipal Securities Rulemaking Board. We are a member of the Financial Industry Regulatory Authority ("FINRA"), National Futures Association ("NFA") and various exchanges. Through our membership in the NFA, we are regulated by the Commodity Futures Trading Commission.

Basis of presentation

Accounting estimates and assumptions

We conform to our Parent's fiscal year end of September 30. The preparation of the Statement of Financial Condition in conformity with United States ("U.S.") generally accepted accounting principles ("GAAP") requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the date of the Statement of Financial Condition. Actual results could differ from those estimates and could have a material impact on the Statement of Financial Condition.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Our cash equivalents include money market funds or highly liquid investments with original maturities of 3 months or less, other than those used for trading purposes.

Assets segregated pursuant to regulations

In accordance with Rule 15c3-3 of the Securities Exchange Act of 1934, RJ&A, as a broker-dealer carrying client accounts, is subject to requirements to maintain cash or qualified securities in a segregated reserve account for the exclusive benefit of its clients. The amounts included in "Assets segregated pursuant to regulations" on our Statement of Financial Condition represent cash and cash equivalents and U.S. Treasuries on deposit in our segregated reserve accounts for regulatory purposes. Such securities are carried at fair value on our Statement of Financial Condition.

Collateralized agreements and financings

Securities purchased under agreements to resell and securities sold under agreements to repurchase

We purchase securities under short-term agreements to resell ("reverse repurchase agreements"). Additionally, we sell securities under agreements to repurchase ("repurchase agreements"). Both reverse repurchase agreements and repurchase agreements are accounted for as collateralized financings and are carried at contractual amounts plus accrued interest. We receive collateral with a fair value that is typically equal to or in excess of the principal amount loaned under reverse repurchase agreements to mitigate credit exposure. To ensure that the market value of the underlying collateral remains sufficient, collateral values are evaluated on a daily basis, and collateral is obtained from or returned to the counterparty when contractually required. Under repurchase agreements, we are required to post collateral in an amount that typically exceeds the carrying value of these agreements. In the event that the market value of the securities we pledge as collateral declines, we may have to post additional collateral or reduce borrowing amounts. Reverse repurchase agreements and repurchase agreements are included in “Collateralized agreements” and “Collateralized financings,” respectively, on our Statement of Financial Condition. See Note 5 for additional information regarding collateralized agreements and financings. Refer to the allowance for credit losses section below for further information related to our allowance for credit losses related to collateralized agreements.

Securities borrowed and securities loaned

We act as an intermediary between broker-dealers and other financial institutions whereby we borrow securities from one broker-dealer and then either lend them to another broker-dealer or use them to cover short positions. Where permitted, we have also loaned, to broker-dealers and other financial institutions, securities owned by the firm, our clients, or others we have received as collateral. Both securities borrowed and securities loaned transactions are accounted for as collateralized financings and are recorded at the amount of cash advanced or received. In securities borrowed transactions, we are required to deposit cash with the lender in an amount which is generally in excess of the market value of securities borrowed. With respect to securities loaned, we generally receive cash in an amount in excess of the market value of securities loaned. We evaluate the market value of securities borrowed and loaned on a daily basis, with additional collateral obtained or refunded as necessary. Securities borrowed and securities loaned are included in “Collateralized agreements” and “Collateralized financings,” respectively, on our Statement of Financial Condition. See Note 5 for additional information regarding collateralized agreements and financings. Refer to the allowance for credit losses section below for further information related to our allowance for credit losses related to collateralized agreements.

Financial instruments, financial instrument liabilities, at fair value

“Financial instruments” and “Financial instrument liabilities” are recorded at fair value. Fair value is defined by GAAP as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability.

In determining the fair value of our financial instruments in accordance with GAAP, we use various valuation approaches, including market and/or income approaches. Fair value is a market-based measurement considered from the perspective of a market participant. As such, our fair value measurements reflect assumptions that we believe market participants would use in pricing the asset or liability at the measurement date. GAAP provides for the following three levels to be used to classify our fair value measurements.

Level 1 - Financial instruments included in Level 1 are highly liquid instruments valued using unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 - Financial instruments reported in Level 2 include those that have pricing inputs that are other than unadjusted quoted prices in active markets, but which are either directly or indirectly observable as of the reporting date (i.e., prices for similar instruments).

Level 3 - Financial instruments reported in Level 3 have little, if any, market activity and are measured using one or more inputs that are significant to the fair value measurement and unobservable. These valuations require judgment or estimation. These instruments are generally valued using discounted cash flow techniques.

GAAP requires that we maximize the use of observable inputs and minimize the use of unobservable inputs when performing our fair value measurements. The availability of observable inputs can vary from instrument to instrument and in certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an instrument’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement of an instrument requires judgment and consideration of factors specific to the instrument.

Valuation techniques and inputs

The fair values for certain of our financial instruments are derived using pricing models and other valuation techniques that involve management judgment. The price transparency of financial instruments is a key determinant of the degree of judgment involved in determining the fair value of our financial instruments. Financial instruments which are actively traded will generally have a higher degree of price transparency than financial instruments that are less frequently traded. In accordance with GAAP, the criteria used to determine whether the market for a financial instrument is active or inactive is based on the particular asset or liability. For equity securities, our definition of actively traded is based on average daily trading volume. We have determined the market for certain other types of financial instruments to be uncertain or inactive as of March 31, 2021.

As a result, the valuation of these financial instruments included management judgment in determining the relevance and reliability of market information available. The level within the fair value hierarchy, specific valuation techniques, and other significant accounting policies pertaining to financial instruments at fair value on our Statement of Financial Condition are described as follows.

Trading assets and trading liabilities

Trading assets and trading liabilities include debt securities, equity securities, brokered certificates of deposit, and other securities. These instruments are recorded at fair value.

When available, we use quoted prices in active markets to determine the fair value of our trading instruments. Such instruments are classified within Level 1 of the fair value hierarchy.

When trading instruments are traded in secondary markets and quoted market prices for identical instruments do not exist, we utilize valuation techniques, including matrix pricing to estimate fair value. Matrix pricing generally utilizes spread-based models periodically re-calibrated to observable inputs such as market trades or to dealer price bids in similar securities in order to derive the fair value of the instruments. Valuation techniques may also rely on other observable inputs such as yield curves, interest rates and expected principal repayments and default probabilities. We utilize prices from third-party pricing services to corroborate our estimates of fair value. Depending upon the type of security, the pricing service may provide a listed price, a matrix price or use other methods including broker-dealer price quotations. Securities valued using these techniques are classified within Level 2 of the fair value hierarchy.

We offset our long and short positions in our Statement of Financial Condition for identical securities recorded at fair value as part of our trading assets (long positions) and trading liabilities (short positions).

Derivative assets and derivative liabilities

Our derivative assets and derivative liabilities are recorded at fair value and are included in “Derivative assets” and “Derivative liabilities” on our Statement of Financial Condition. To reduce credit exposure on certain of our derivative transactions, we may enter into a master netting arrangement that allows for net settlement of all derivative transactions with each counterparty. In addition, the credit support annex allows parties to the master netting agreement to mitigate their credit risk by requiring the party which is out of the money to post collateral. We accept collateral in the form of cash or other marketable securities. Where permitted, we elect to net-by-counterparty certain derivatives entered into under a legally enforceable master netting agreement and, therefore, the fair value of those derivatives are netted by counterparty on our Statement of Financial Condition. As we elect to net-by-counterparty the fair value of such derivatives, we also net-by-counterparty cash collateral exchanged as part of those derivative agreements. We may also require certain counterparties to make a deposit at the inception of a derivative agreement, referred to as “initial margin.” This initial margin is included in “Other payables” on our Statement of Financial Condition.

Our derivatives primarily consist of to-be-announced (“TBA”) security contracts we enter into as part of our fixed income business to facilitate client transactions or to actively manage risk exposures that arise from our client activity, including a portion of our trading inventory. We use quoted prices in active markets to determine the fair value of the TBA securities, which are classified within Level 1 of the fair value hierarchy.

Other investments

Other investments primarily consist of securities pledged as collateral with clearing organizations and are recorded at fair value. Our securities pledged as collateral with clearing organizations include U.S. Treasury securities which are categorized within Level 1 of the fair value hierarchy.

Brokerage client receivables, net

Brokerage client receivables include amounts due on cash and margin transactions and are generally collateralized by securities owned by the clients. The receivables from asset management clients are primarily for accrued asset management fees. Brokerage client receivables are reported at their outstanding principal balance, net of any allowance for credit losses. Refer to the allowance for credit losses section below for further information related to our allowance for credit losses.

Securities beneficially owned by customers, including those that collateralize margin or other similar transactions, are not reflected on our Statement of Financial Condition. See Note 5 for additional information regarding this collateral.

Receivables from brokers, dealers and clearing organizations, net

Receivables from brokers, dealers and clearing organizations primarily consist of deposits placed with clearing organizations, which includes initial margin and receivables related to sales of securities which have traded, but not yet settled including amounts receivable for securities failed to deliver. We present "Receivables from brokers, dealers and clearing organizations, net" on our Statement of Financial Condition, net of any allowance for credit losses. However, these receivables generally have minimal credit risk due to the low probability of clearing organization default and the short-term nature of receivables related to securities settlements and therefore, the allowance for credit losses on such receivables is not significant. Any allowance for credit losses for these receivables is estimated using assumptions based on historical experience, current facts and other factors. We update these estimates through periodic evaluations against actual trends experienced. See Note 6 for additional information regarding these receivables.

Other receivables, net

Other receivables primarily include accrued fees from product sponsors and receivables from various banks related to our clients' deposits that are swept to such banks as part of the Raymond James Bank Deposit Program. Net receivables related to contracts with customers were $244 million as of March 31, 2021. We present "Other receivables, net" on our Statement of Financial Condition, net of any allowance for credit losses.

As permitted under the CECL guidance, we include accrued interest receivables related to our financial assets in "Other receivables, net" on the Statement of Financial Condition instead of with the related financial instrument. We reverse any uncollectible accrued interest generally when the related financial asset is moved to nonaccrual status. As we write off uncollectible amounts in a timely manner, we do not recognize an allowance for credit losses against the accrued interest receivable, which is primarily related to loans to financial advisors.

Loans to financial advisors, net

We offer loans to financial advisors for recruiting and retention purposes. The decision to extend credit to a financial advisor or other key revenue producer is generally based on their ability to generate future revenues. Loans offered are generally repaid over a five to ten year period, with interest recognized as earned, and are contingent upon affiliation with us. These loans are not assignable by the financial advisor and may only be assigned by us to a successor in interest. There is no fee income associated with these loans. In the event that the financial advisor is no longer affiliated with us, any unpaid balance of such loan becomes immediately due and payable to us. Based upon the nature of these financing receivables, affiliation status is the primary credit risk factor within this portfolio.

We present the outstanding balance of loans to financial advisors on our Statement of Financial Condition, net of the allowance for credit losses. Refer to the allowance for credit losses section that follows for further information related to our allowance for credit losses on our loans to financial advisors. See Note 7 for additional information on our loans to financial advisors.

Loans to financial advisors are considered past due once they are 30 days or more delinquent as to the payment of contractual interest or principal. Loans are placed on nonaccrual status when we determine that full payment of contractual principal and interest is in doubt, or the loan is past due 180 days or more as to contractual interest or principal. When a loan is placed on nonaccrual status, the accrued and unpaid interest receivable is written-off. Interest is recognized on a cash basis until the loan qualifies for return to accrual status. Loans are returned to an accrual status when the loans have been brought contractually current with the original terms and have been maintained on a current basis for a reasonable period, generally six months.

When we determine that it is likely a loan will not be collected in full, the loan is evaluated for a potential write down of the carrying value. After consideration of the borrower's ability to restructure the loan, sources of repayment, and other factors affecting the borrower's ability to repay the debt, the portion of the loan deemed a confirmed loss, if any, is charged-off. A charge-off is taken against the allowance for credit losses for the difference between the amortized cost and the amount we estimate will ultimately be collected. Additional charge-offs are taken if there is an adverse change in the expected cash flows.

Allowance for credit losses

In June 2016, the Financial Accounting Standards Board issued new guidance related to the measurement of credit losses on financial instruments (ASU 2016-13), which replaces the incurred credit loss and other models with the Current Expected Credit Losses ("CECL") model. This guidance involves several aspects of the accounting for credit losses related to certain financial instruments including assets measured at amortized cost, was effective for our fiscal year beginning October 1, 2020 and was adopted on a modified retrospective approach. The impact of adoption of this new standard resulted in an increase in our allowance for credit losses of $21 million recorded within Loans to financial advisors, net in our Statement of Financial Condition and a corresponding reduction in the beginning balance of retained earnings of approximately $19 million, net of tax. The measurement of expected credit losses includes historical experience, current conditions and reasonable and supportable economic forecasts.

We evaluate our loans to financial advisors and certain other financial assets to estimate an allowance for credit losses for the remaining life of the financial instrument. The remaining life of our financial assets is determined by considering contractual terms and expected prepayments, among other factors.

We employ multiple methodologies in estimating an allowance for credit losses and our approaches differ by type of financial asset and the risk characteristics within each financial asset type. For certain of our financial assets with collateral maintenance provisions (e.g., collateralized agreements and margin loans), we apply the practical expedient allowed under the CECL model in estimating an allowance for credit losses. We reasonably expect that borrowers (or counterparties, as applicable) will replenish the collateral as required. As a result, we estimate zero credit losses to the extent that the fair value equals or exceeds the related carrying value of the financial asset. When the fair value of the collateral securing the financial asset is less than the carrying value, qualitative factors such as historical experience (adjusted for current risk characteristics and economic conditions) as well as reasonable and supportable forecasts are considered in estimating the allowance for credit losses on the unsecured portion of the financial asset.

We generally estimate the allowance for credit losses on our financial advisor loan portfolio on a collective basis using a credit risk model. The allowance for credit losses on collectively evaluated loans is comprised of two components: (a) a quantitative allowance; and (b) a qualitative allowance, which is based on an analysis of model limitations and other factors not considered by the quantitative models.

The quantitative allowance for credit losses on collectively evaluated loans to financial advisors is estimated using a credit risk model that incorporates average annual loan-level loss rates and estimated prepayments based on historical data. The qualitative component of our estimate considers internal and external factors that are not incorporated into the quantitative estimate, including the reasonable and supportable forecast period. After testing the reasonableness of a variety of economic forecast scenarios, we select a single forecast scenario. Our forecast incorporates assumptions related to macroeconomic indicators including, but not limited to, U.S. gross domestic product, equity market indices and unemployment rates.

When a loan does not share similar risk characteristics (e.g. historical or expected credit loss patterns) with other loans, the loan is evaluated for credit losses on an individual basis. In estimating an allowance for credit losses on our individually-evaluated loans to financial advisors, we generally take into account the affiliation status of the financial advisor (i.e., whether the advisor is actively affiliated with us or has terminated affiliation with us), the borrower's ability to restructure the loan, sources of repayment, and other factors affecting the borrower's ability to repay the debt.

See Note 7 for further information related to loans to financial advisors and the related allowances for credit losses.

Property and equipment, net

Property and equipment is recorded in our Statement of Financial Condition at cost less accumulated depreciation and amortization. Property and equipment primarily consists of software, buildings, leasehold improvements, and furniture. Software includes both purchased software and internally developed software including development in progress. Buildings primarily consists of owned facilities. Leasehold improvements are generally costs associated with interior office space. Equipment primarily consists of communications and technology hardware.

Depreciation of assets (other than land) is primarily calculated using the straight-line method over the estimated useful lives of the assets outlined in the following table.

Asset type	Estimated useful life
Buildings, building components and land improvements	10 to 40 years
Furniture, fixtures and equipment	3 to 5 years
Software	2 to 10 years
Leasehold improvements	Lesser of useful life or lease term

Costs for significant internally developed software projects are capitalized when the costs relate to development of new applications or modification of existing internal-use software that results in additional functionality. Additions, improvements and expenditures that extend the useful life of an asset are capitalized.

Intangible assets, net

Certain identifiable intangible assets we acquire, such as customer relationships and seller relationship agreements, are amortized over their estimated useful lives on a straight-line basis and are evaluated for potential impairment whenever events or changes in circumstances suggest that the carrying value of an asset or asset group may not be fully recoverable.

Goodwill

Goodwill represents the cost of acquired businesses in excess of the fair value of the related net assets acquired. Impairment exists when the carrying value of a reporting unit exceeds its respective fair value.

In the course of our evaluation of a potential impairment to goodwill, we may elect either a qualitative or a quantitative assessment. Our qualitative assessments consider macroeconomic indicators, including but not limited to trends in equity and fixed income markets and other revenue-generating activities, gross domestic product, unemployment rates, interest rates, and housing markets. We also consider regulatory changes, market capitalization of the Parent company, reporting unit specific results, and changes in key personnel and strategy. We assess these and other qualitative factors to determine whether the existence of events or circumstances indicates that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If we determine it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then performing a quantitative impairment analysis is not required. However, if we conclude otherwise, then we perform a quantitative impairment analysis.

If we either elect not to perform a qualitative assessment, or we elect to perform a qualitative assessment but are unable to qualitatively conclude that no impairment has occurred, then we perform a quantitative evaluation. In our quantitative assessment, we estimate the fair value of the reporting unit with which the goodwill is associated and compare it to the carrying value. We estimate the fair value of our reporting units using an income approach based on either a discounted cash flow model that includes significant assumptions about future operating results and cash flows, or, if appropriate, a market approach. If the carrying value of a reporting unit is greater than the estimated fair value, an impairment charge is recognized for the excess.

We have elected January 1 as our annual goodwill impairment evaluation date, evaluating balances as of December 31. See Note 9 for additional information regarding the outcome of our goodwill impairment assessments.

Leases

We recognize assets and liabilities on the balance sheet related to the rights and obligations created by lease agreements with terms greater than 12 months. We recognize right-of-use assets ("ROU assets") and lease liabilities in "Other assets" and "Other payables" on our Statement of Financial Condition.

We have operating leases for the premises we occupy in many of our locations, including our branch office operations. At inception, we determine if an arrangement to utilize a building or piece of equipment is a lease and, if so, the appropriate lease classification. All of our leases are operating leases. If the arrangement is determined to be a lease, we recognize an ROU asset and a corresponding lease liability on our Statement of Financial Condition. ROU assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments arising from the lease. We elected the practical expedient, where leases with an initial term of 12 months or less are not recorded as an ROU asset or lease liability. Our lease terms include any noncancelable periods and may reflect periods covered by options to extend when it is reasonably certain that we will exercise those options.

We record our lease ROU assets at the amount of the lease liability plus any prepaid rent and initial direct costs, less any lease incentives and accrued rent. We record lease liabilities at commencement date based on the present value of lease payments over the lease term, which is discounted using our commencement date incremental borrowing rate, or at the imputed rate within the lease, as appropriate. Our incremental borrowing rate considers the weighted-average yields on RJF's senior notes payable, adjusted for collateralization and tenor. Variable lease costs associated with payments for common area maintenance charges and other variable costs are not reflected in the measurement of ROU assets and lease liabilities. For our real estate leases, we elected the practical expedient to account for the lease and non-lease components as a single lease. See Note 10 for further information on leases.

Contingent liabilities

We recognize liabilities for contingencies when there is an exposure that, when fully analyzed, indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Whether a loss is probable, and if so, the estimated range of possible loss, is based upon currently available information and is subject to significant judgment, a variety of assumptions, and uncertainties. When a loss is probable and a range of possible loss can be estimated, we accrue the most likely amount within that range; if the most likely amount of possible loss within that range is not determinable, the minimum amount in the range of loss is accrued. No liability is recognized for those matters which, in management's judgment, the determination of a reasonable estimate of loss is not possible, or for which a loss is not determined to be probable.

We record liabilities related to legal and regulatory proceedings in "Other payables" on our Statement of Financial Condition. The determination of these liability amounts requires significant judgment on the part of management. Management considers many factors including, but not limited to: the amount of the claim; the amount of the loss in the client's account; the basis and validity of the claim; the possibility of wrongdoing on the part of one of our employees or financial advisors; previous results in similar cases; and legal precedents and case law. Each legal proceeding or significant regulatory matter is reviewed in each accounting period and the liability balance is adjusted as deemed appropriate by management. Any change in the liability amount is recorded in our Statement of Financial Condition. The actual costs of resolving legal matters or regulatory proceedings may be substantially higher or lower than the recorded liability amounts for such matters. See Note 14 for additional information.

Share-based and other compensation

We participate, along with other affiliated companies, in various qualified and non-qualified savings and stock incentive plans of RJF. RJF allocates the cost of providing these plans to RJ&A based on actual cost per employee.

Certain employees participate in RJF's Stock Incentive Plan, which provides for the issuance of restricted stock unit ("RSU") and stock option awards. RJF estimates the market value of share-based awards on the date of grant.

The profit sharing plan and employee stock ownership plan are qualified plans that provide certain death, disability or retirement benefits for all employees who meet certain service requirements. The plans are noncontributory. Contributions by RJF, if any, are determined annually by RJF's Board of Directors on a discretionary basis. Benefits become fully vested after five years of qualified service, at 65 or if a participant separates from service due to death or disability.

RJ&A participates in RJF's 401(k) plan which is a qualified plan that may provide for a discretionary contribution or a matching contribution each year. Matching contributions are 75% of the first $1,000 and 25% of the next $1,000 of eligible compensation deferred by each participant annually.

<u>Deferred compensation plans</u>

Certain employees participate in RJF's various deferred compensation plans that provide a return to the participant based upon the performance of various referenced investments. For certain of these plans, RJF invests directly, as a principal in such investments, related to their obligations to perform under the deferred compensation plans. For the Voluntary Deferred Compensation Plan ("VDCP"), Long Term Incentive Plan ("LTIP"), and other certain plans, RJF purchases and holds life insurance on the lives of certain current and former participants to earn a competitive rate of return for participants and to provide a source of funds available to satisfy their obligation under the plan.

The LTIP is a non-qualified deferred compensation plan that provides benefits to employees who meet certain compensation or production requirements. Contributions to the qualified plans and the LTIP are approved annually by RJF's Board of Directors or a committee thereof.

The VDCP is a non-qualified and voluntary opportunity for certain highly compensated employees to defer compensation. Eligible participants may elect to defer a percentage or specific dollar amount of their compensation into the VDCP.

Income taxes

The results of our operations are included in the consolidated federal and certain consolidated state income tax returns of RJF. As a result of the inclusion in consolidated filings, the majority of income taxes payable and receivable reported on the Statement of Financial Condition are payable to and receivable from RJF. Federal and state income taxes are computed, under a tax sharing agreement with RJF, based on the separate return method.

The objective of accounting for income taxes is to recognize the amount of taxes payable or refundable for the current year. We utilize the asset and liability method to provide income taxes on all transactions recorded in our Statement of Financial Condition. This method requires that income taxes reflect the expected future tax consequences of temporary differences between the carrying amounts of assets or liabilities for book and tax purposes. Accordingly, a deferred tax asset or liability for each temporary difference is determined based on the tax rates that we expect to be in effect when the underlying items of income and expense are realized. Judgment is required in assessing the future tax consequences of events that have been recognized in our Statement of Financial Condition or tax returns. Variations in the actual outcome of these future tax consequences could materially impact our financial position or liquidity. See Note 13 for further information on our income taxes.

NOTE 3 – FAIR VALUE

Our “Financial instruments” and “Financial instrument liabilities” on our Statement of Financial Condition are recorded at fair value under GAAP. For further information about such instruments and our significant accounting policies related to fair value, see Note 2. The following table presents assets and liabilities measured at fair value on a recurring basis. Netting adjustments represent the impact of counterparty and collateral netting on our derivative balances included on our Statement of Financial Condition. See Note 4 for additional information.

$ in millions	Level 1	Level 2	Level 3	Netting adjustments	Balance as of March 31, 2021
Assets at fair value on a recurring basis:					
Assets segregated pursuant to regulations	$ 5,250	$ —	$ —	$ —	$ 5,250
Trading assets					
Municipal obligations	—	159	—	—	159
Corporate obligations	3	31	—	—	34
Government and agency obligations	—	94	—	—	94
Agency mortgage-backed securities (“MBS”) and agency collateralized mortgage obligations (“CMOs”)	—	193	—	—	193
Non-agency CMOs and asset-backed securities	—	6	—	—	6
Total debt securities	3	483	—	—	486
Equity securities	7	1	—	—	8
Brokered certificates of deposit	—	42	—	—	42
Other	—	—	5	—	5
Total trading assets	10	526	5	—	541
Derivative assets - interest rate	70	—	—	(16)	54
Other investments - government and agency obligations (1)	71	—	—	—	71
Total assets at fair value on a recurring basis	$ 5,401	$ 526	$ 5	$ (16)	$ 5,916
Liabilities at fair value on a recurring basis:					
Trading liabilities					
Corporate obligations	$ —	$ 22	$ —	$ —	$ 22
Government and agency obligations	122	—	—	—	122
Agency MBS and agency CMOs	—	22	—	—	22
Total debt securities	122	44	—	—	166
Equity securities	42	—	—	—	42
Other	—	—	1	—	1
Total trading liabilities	164	44	1	—	209
Derivative liabilities					
Interest rate	64	—	—	(18)	46
Other	—	—	4	—	4
Total derivative liabilities	64	—	4	(18)	50
Total liabilities at fair value on a recurring basis	$ 228	$ 44	$ 5	$ (18)	$ 259

(1) These assets are comprised of U.S. Treasuries purchased to meet certain deposit requirements with clearing organizations.

As of March 31, 2021, 34% of our assets and 2% of our liabilities were measured at fair value on a recurring basis.

Financial instruments that are not recorded at fair value on the Statement of Financial Condition

Many, but not all, of the financial instruments we hold were recorded at fair value on the Statement of Financial Condition. The following financial instruments were not carried at fair value in accordance with GAAP on our Statement of Financial Condition at March 31, 2021.

Short-term financial instruments: The carrying value of short-term financial instruments, including cash and cash equivalents, assets segregated pursuant to regulations, and the majority of collateralized agreements and collateralized financings, are recorded at amounts that approximate the fair value of these instruments. These financial instruments generally expose us to limited credit risk, have no stated maturities or have short-term maturities, and have interest rates that approximate market rates. Under the fair value hierarchy, cash and cash equivalents and assets segregated pursuant to regulations are classified as Level 1 and collateralized agreements and financings are classified as Level 2.

Receivables and other assets: Brokerage client receivables, receivables from brokers, dealers and clearing organizations, other receivables, and certain other assets are recorded at amounts that approximate fair value and are classified primarily as Level 2 under the fair value hierarchy.

Loans to financial advisors, net: These financial instruments are primarily comprised of loans provided to financial advisors and key revenue producers, primarily for recruiting and retention purposes. Loans to financial advisors, net are recorded at amounts that approximate fair value and are classified as Level 2 under the fair value hierarchy. Refer to Note 2 for information regarding loans to financial advisors, net.

Payables: Brokerage client payables, payables to brokers, dealers and clearing organizations, and other payables are recorded at amounts that approximate fair value and are classified as Level 2 under the fair value hierarchy.

NOTE 4 - DERIVATIVE ASSETS AND DERIVATIVE LIABILITIES

Our derivative assets and derivative liabilities are recorded at fair value and are included in “Derivative assets” and “Derivative liabilities” on our Statement of Financial Condition. The significant accounting policies governing our derivatives, including our methodologies for determining fair value, are described in Note 2.

Derivative balances included on our Statement of Financial Condition

The following table presents the gross fair value and notional amount of derivatives by product type, the amounts of counterparty and cash collateral netting on our Statement of Financial Condition, as well as collateral posted and received under credit support agreements that do not meet the criteria for netting under GAAP.

	March 31, 2021		
$ in millions	**Derivative assets**	**Derivative liabilities**	**Notional amount**
Derivatives not designated as hedging instruments			
Interest rate	$ 70	$ 64	$ 11,367
Other	—	4	42
Total gross fair value/notional amount	**70**	**68**	**$ 11,409**
Offset on the Statement of Financial Condition			
Counterparty netting	(16)	(16)	
Cash collateral netting	—	(2)	
Total amounts offset	**(16)**	**(18)**	
Net amounts presented on the Statement of Financial Condition	**54**	**50**	
Gross amounts not offset on the Statement of Financial Condition	—	—	
Total	**$ 54**	**$ 50**	

Risks associated with our derivatives and related risk mitigation

Credit risk

We are exposed to credit losses in the event of nonperformance by our counterparties to interest rate derivatives. We may require collateral from counterparties in the form of cash deposits or other marketable securities to support certain of these obligations as established by the credit threshold specified by the agreement and/or as a result of monitoring the credit standing of the counterparties.

Interest rate risk

We are exposed to interest rate risk related to certain of our interest rate derivatives. We monitor our risk exposure on our derivatives based on established counterparty limits.

NOTE 5 – COLLATERALIZED AGREEMENTS AND FINANCINGS

Collateralized agreements are comprised of reverse repurchase agreements and securities borrowed. Collateralized financings are comprised of repurchase agreements and securities loaned. We enter into these transactions in order to facilitate client activities, acquire securities to cover short positions and finance certain firm activities. The significant accounting policies governing our collateralized agreements and financings are described in Note 2.

Our reverse repurchase agreements, repurchase agreements, securities borrowing and securities lending transactions are governed by master agreements that are widely used by counterparties and that may allow for net settlements of payments in the normal course, as well as offsetting of all contracts with a given counterparty in the event of bankruptcy or default of one of the parties to the transaction. For Statement of Financial Condition purposes, we do not offset our reverse repurchase agreements, repurchase agreements, securities borrowed and securities loaned because the conditions for netting as specified by GAAP are not met. Although not offset on the Statement of Financial Condition, these transactions are included in the following table.

	Collateralized agreements			Collateralized financings		
$ in millions	Reverse repurchase agreements	Securities borrowed	Total	Repurchase agreements	Securities loaned	Total
March 31, 2021						
Gross amounts of recognized assets/liabilities	$ 180	$ 224	$ 404	$ 222	$ 56	$ 278
Gross amounts offset on the Statement of Financial Condition	—	—	—	—	—	—
Net amounts presented on the Statement of Financial Condition	180	224	404	222	56	278
Gross amounts not offset on the Statement of Financial Condition	(180)	(219)	(399)	(222)	(55)	(277)
Net amount	**$ —**	**$ 5**	**$ 5**	**$ —**	**$ 1**	**$ 1**

The total amount of collateral received under reverse repurchase agreements and the total amount of collateral posted under repurchase agreements exceeds the carrying value of these agreements on our Statement of Financial Condition.

Collateral received and pledged

We receive cash and securities as collateral, primarily in connection with reverse repurchase agreements, securities borrowed, derivative transactions and client margin loans. The collateral we receive reduces our credit exposure to individual counterparties.

In many cases, we are permitted to deliver or repledge financial instruments we have received as collateral to satisfy our collateral requirements under our repurchase agreements, securities lending agreements or other secured borrowings, to satisfy deposit requirements with clearing organizations, or to otherwise meet either our or our clients' settlement requirements.

The following table presents financial instruments at fair value that we received as collateral, were not included on our Statement of Financial Condition, and that were available to be delivered or repledged, along with the balances of such instruments that were delivered or repledged, to satisfy one of our purposes previously described.

$ in millions	**March 31, 2021**
Collateral we received that was available to be delivered or repledged	$ 2,889
Collateral that we delivered or repledged	$ 834

Encumbered assets

We pledge certain of our assets to collateralize either repurchase agreements or other secured borrowings, maintain lines of credit, or to satisfy our collateral or settlement requirements with counterparties or clearing organizations who may or may not have the right to deliver or repledge such instruments. The following table presents information about our assets that have been pledged for one of the purposes previously described.

$ in millions	March 31, 2021	
Had the right to deliver or repledge	$	370
Did not have the right to deliver or repledge	$	64

Repurchase agreements, repurchase-to-maturity transactions and securities loaned accounted for as secured borrowings

The following table presents the remaining contractual maturity of repurchase agreements and securities lending transactions accounted for as secured borrowings.

$ in millions	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
March 31, 2021					
Repurchase agreements:					
Government and agency obligations	$ 121	$ —	$ —	$ —	$ 121
Agency MBS and agency CMOs	101	—	—	—	101
Total repurchase agreements	**222**	**—**	**—**	**—**	**222**
Securities loaned:					
Equity securities	56	—	—	—	56
Total collateralized financings	**$ 278**	**$ —**	**$ —**	**$ —**	**$ 278**

As of March 31, 2021 we did not have any "repurchase-to-maturity" agreements, which are repurchase agreements where a security is transferred under an agreement to repurchase and the maturity date of the repurchase agreement matches the maturity date of the underlying security.

NOTE 6 – RECEIVABLES FROM AND PAYABLES TO BROKERS, DEALERS AND CLEARING ORGANIZATIONS

	March 31, 2021	
$ in millions	Receivables from brokers, dealers and clearing organizations, net	Payables to brokers, dealers and clearing organizations
Securities failed to deliver/receive	$ 99	$ 109
Open transactions, net	—	53
Dividends and interest	13	11
Deposits with clearing organizations	99	—
Total	**$ 211**	**$ 173**

Securities failed to deliver represent receivables for securities sold that we have not delivered, the settlement date has passed, and the cash owed to us has not been received. Securities failed to receive represent payables for securities purchased that we have not yet received, or paid for, and the settlement date has passed. Open transactions are amounts receivable and payable for securities that have not reached the contractual settlement dates and are recorded net on the Statement of Financial Condition.

Deposits with clearing organizations consist of cash and cash equivalents held by other clearing organizations or exchanges. Securities on deposit with clearing organizations are accounted for at fair value and are included in "Other investments" on our Statement of Financial Condition. See Note 3 for additional information on these securities.

NOTE 7 - LOANS TO FINANCIAL ADVISORS, NET

Loans to financial advisors are primarily comprised of loans originated as a part of our recruiting activities. See Note 2 for a discussion of our accounting policies related to loans to financial advisors and the related allowance for credit losses. The following table presents the balances for our loans to financial advisors and the related accrued interest receivable.

$ in millions	March 31, 2021
Currently affiliated with the firm (1)	$ 693
No longer affiliated with the firm (2)	9
Total loans to financial advisors	**702**
Allowance for credit losses	(22)
Loans to financial advisors, net	**$ 680**
Accrued interest receivable on loans to financial advisors	$ 3

(1) These loans were predominately current.

(2) These loans were predominately past due for a period of 180 days or more and on nonaccrual status.

The allowance for credit losses as of March 31, 2021 was determined using the CECL methodology, which we adopted on October 1, 2020. See Note 2 for further information on the CECL adoption.

The accrued interest receivable presented in the preceding table is reported in "Other receivables, net" on the Statement of Financial Condition.

NOTE 8 – PROPERTY AND EQUIPMENT, NET

The following table presents the components of our property and equipment, net.

$ in millions	March 31, 2021
Land	$ 10
Software, including development in progress	513
Buildings, building components, leasehold and land improvements	318
Furniture, fixtures, and equipment	266
Total property and equipment	**1,107**
Less: Accumulated depreciation and amortization	(712)
Total property and equipment, net	**$ 395**

NOTE 9 - GOODWILL AND IDENTIFIABLE INTANGIBLE ASSETS, NET

Our goodwill and identifiable intangible assets result from various acquisitions. See Note 2 for a discussion of our goodwill and intangible assets accounting policies. The following table presents our goodwill and net identifiable intangible asset balances.

$ in millions	March 31, 2021
Goodwill	$ 312
Identifiable intangible assets, net	36
Total goodwill and identifiable intangible assets, net	**$ 348**

Goodwill

There were no changes in the amount of goodwill during the six months ended March 31, 2021.

Qualitative assessments

As described in Note 2, we perform goodwill impairment testing on an annual basis or when an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. We performed our latest annual goodwill impairment testing as of our January 1, 2021 evaluation date, evaluating balances as of December 31, 2020. In that testing, we performed a qualitative assessment for each of our reporting units that had goodwill.

Our qualitative assessments consider macroeconomic indicators, such as trends in equity and fixed income markets, gross domestic product, unemployment rates, interest rates, and housing markets. We also consider regulatory changes, reporting unit specific results, and changes in key personnel and strategy. Changes in these indicators, and our ability to respond to such changes, may trigger the need for impairment testing at a point other than our annual assessment date. Based upon the outcome of these qualitative assessments, no impairment was identified. No events have occurred since such assessments that would cause us to update this impairment testing.

Identifiable intangible assets, net

The following table sets forth our identifiable intangible asset balances, net of accumulated amortization, and activity.

$ in millions	**Six months ended March 31, 2021**
Net identifiable intangible assets as of beginning of year	$ 39
Amortization expense	(3)
Net identifiable intangible assets as of March 31, 2021	$ 36

The following table summarizes our identifiable intangible assets by type.

	March 31, 2021	
$ in millions	**Gross carrying value**	**Accumulated amortization**
Customer relationships	$ 75	$ (40)
Seller relationship agreements	4	(3)
Total	**$ 79**	**$ (43)**

NOTE 10 - LEASES

As of March 31, 2021, our lease commitments resulted in ROU assets of $296 million and lease liabilities of $321 million, which were included in “Other assets” and “Other payables,” respectively, on our Statement of Financial Condition. The weighted-average remaining lease term and discount-rate for our leases was 6.6 years and 3.68%, respectively, as of March 31, 2021. See Note 2 for a discussion of our accounting policies related to leases.

Lease liabilities

The maturities by fiscal year of our lease liabilities as of March 31, 2021 are presented in the following table.

	$ in millions
Remainder of 2021	$ 41
2022	83
2023	65
2024	50
2025	37
Thereafter	83
Gross lease payments	359
Less: interest	(38)
Present value of lease liabilities	**$ 321**

Lease payments in the preceding table exclude $123 million of legally binding minimum lease payments for leases signed but not yet commenced. These leases are estimated to commence between fiscal year 2021 and 2022 with lease terms ranging from one year to 11 years.

NOTE 11 – RELATED PARTY TRANSACTIONS

Pursuant to formal clearing agreements, we clear trades for affiliated entities including RJFS. We confirm securities trades, process securities movements, record transactions with clients in their accounts and collect securities commissions on behalf of such affiliates.

Receivables from affiliates of $35 million are included in “Other receivables, net” on our Statement of Financial Condition at March 31, 2021. In addition, at March 31, 2021, RJ&A had purchased $39 million of receivables related to trailing commissions from mutual funds and annuity products from RJFS.

Total “Payables to affiliates, net” amounted to $1.24 billion on our Statement of Financial Condition at March 31, 2021 and includes amounts payable for related party transactions conducted in the normal course of business. The related party transactions that give rise to these receivables and payables are settled monthly with cash transfers with the exception of intercompany loans. The “Payables to affiliates, net” balance on our Statement of Financial Condition included a $1.24 billion intercompany loan and interest payable to our Parent, which we have invested in cash and cash equivalents on its behalf or otherwise deployed in our normal business activities.

NOTE 12 – OTHER BORROWINGS

Secured and unsecured financing arrangements

On February 19, 2019, RJF and RJ&A entered into an unsecured revolving credit facility agreement (the “Credit Facility”). As of March 31, 2021, the Credit Facility had a maturity date of February 2024 and the lenders include a number of financial institutions. This committed unsecured borrowing facility provides for maximum borrowings of up to $500 million, with a sublimit of $300 million for RJF. RJ&A may borrow up to $500 million under the Credit Facility, depending on the amount of outstanding borrowings of RJF. The interest rates on borrowings under the Credit Facility are variable and based on the London Inter-bank Offered Rate (“LIBOR”), as adjusted for RJF’s credit rating. There were no borrowings outstanding on the Credit Facility as of March 31, 2021. There is a facility fee associated with the Credit Facility, which also varies with RJF’s credit rating. Based upon RJF’s credit rating as of March 31, 2021, the variable rate facility fee, which is applied to the committed amount, was 0.175% per annum. In April 2021, we amended our Credit Facility, maintaining the $500 million maximum borrowing amount, but extending the term through April 2026 and incorporating a lower cost of borrowing under the facility and certain favorable covenant modifications.

In addition to the Credit Facility, we maintain various secured and unsecured lines of credit, which are generally utilized to finance certain fixed income securities or for cash management purposes. Borrowings during the year were generally day-to-day and there were no borrowings outstanding on these arrangements as of March 31, 2021. The interest rates for these arrangements are variable and are based on the Fed Funds rate, LIBOR, or a lender's prime rate, as applicable.

We also have other collateralized financings included in "Collateralized financings" on our Statement of Financial Condition. See Note 5 for information regarding our other collateralized financing arrangements.

Mortgage notes payable

Mortgage notes payable included in Other borrowings within our Statement of Financial Condition were $11 million as of March 31, 2021 and pertain to mortgage loans on certain of our corporate headquarters offices located in St. Petersburg, Florida. These mortgage loans are secured by land, buildings, and improvements. These mortgage loans bear a fixed interest rate of 5.7% with repayment terms of monthly interest and principal debt service and have a January 2023 maturity.

NOTE 13 – INCOME TAXES

For a discussion of our income tax accounting policies and other income tax-related information see Note 2.

Income taxes

The cumulative effects of temporary differences that gave rise to significant portions of the deferred tax asset/(liability) items were as follows:

$ in millions		**Six months ended March 31, 2021**
Deferred tax assets:		
Accrued expenses	$	18
Deferred compensation		97
Lease liabilities		80
Other		5
Total deferred tax assets		**200**
Deferred tax liabilities:		
Goodwill and identifiable intangible assets		(32)
Property and equipment		(66)
Lease ROU assets		(74)
Total deferred tax liabilities		**(172)**
Net deferred tax asset	**$**	**28**

No valuation allowance associated with our deferred tax asset was required at March 31, 2021, as management believes it is more likely than not that the deferred tax asset was realizable based on the ability to net losses against consolidated taxable income of the affiliated group in accordance with the tax sharing agreement and expectations of future taxable income.

As of March 31, 2021, our liability for uncertain tax positions was approximately $12 million which is not significantly different than the balance as of September 30, 2020.

As of March 31, 2021, the total amount of uncertain tax positions that, if recognized, would affect the effective rate was $10 million. Although management cannot predict with any degree of certainty the timing of ultimate resolution of matters under review by various taxing jurisdictions, it is reasonably possible that the Company's gross uncertain tax liability may decrease within the next 12 months by up to $3 million as a result of the expiration of statutes of limitations and the completion of tax authorities' examinations. We recognize the accrual of interest and penalties related to income tax matters in interest expense and other expense, respectively. As of March 31, 2021, accrued interest and penalties included in the unrecognized tax benefits liability was approximately $2 million.

The results of our operations are included in the consolidated income tax returns of RJF in the U.S. federal jurisdiction and certain consolidated states. We also file separate income tax returns in certain states and local jurisdictions. With few exceptions, we are generally no longer subject to U.S. federal, state and local income tax examination by tax authorities for years prior to fiscal year 2017 for federal tax returns and fiscal year 2016 for state and local tax returns. The various state audits in process are expected to be completed in fiscal year 2021.

NOTE 14 – COMMITMENTS, CONTINGENCIES AND GUARANTEES

Commitments and contingencies

Underwriting commitments

In the normal course of business, we enter into commitments for debt and equity underwritings. As of March 31, 2021, we had two such open underwriting commitments, which were subsequently settled in open market transactions and did not result in significant losses.

Lending commitments and other credit-related financial instruments

RJ&A enters into margin lending arrangements which allow customers to borrow against the value of qualifying securities. Margin loans are collateralized by the securities held in the customer's account at RJ&A. Collateral levels and established credit terms are monitored daily and we require customers to deposit additional collateral or reduce balances as necessary.

We offer loans to prospective financial advisors for recruiting and retention purposes (see Note 2 and Note 7 for further discussion of our loans to financial advisors). These offers are contingent upon certain events occurring, including the individuals joining us and meeting certain conditions outlined in their offer.

Other commitments

As a part of our fixed income public finance operations, we enter into forward commitments to purchase agency MBS. At March 31, 2021, we had $263 million of principal amount of outstanding forward MBS purchase commitments, which were expected to be purchased within 90 days following commitment. In order to hedge the market interest rate risk to which we would otherwise be exposed between the date of the commitment and the date of sale of the MBS, we enter into TBA security contracts with investors for generic MBS at specific rates and prices to be delivered on settlement dates in the future. We may be subject to loss if the timing of, or the actual amount of, the MBS differs significantly from the term and notional amount of the TBA security contract to which we entered. These TBA securities and related purchase commitments are accounted for at fair value. As of March 31, 2021, the fair value of the TBA securities and the estimated fair value of the purchase commitments were insignificant.

For information regarding our lease commitments, including the maturities of our lease liabilities, see Note 10.

Guarantees

We are required by federal law to be members of the Securities Investors Protection Corporation ("SIPC"). The SIPC fund provides protection up to $500 thousand per client for securities and cash held in client accounts, including a limitation of $250 thousand on claims for cash balances. Account protection applies when a SIPC member fails financially and is unable to meet its obligations to clients. This coverage does not protect against market fluctuations.

Legal and regulatory matter contingencies

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

We are subject to regular reviews and inspections by regulatory authorities and self-regulatory organizations. Reviews can result in the imposition of sanctions for regulatory violations, ranging from non-monetary censures to fines and, in serious cases, temporary or permanent suspension from conducting business, or limitations on certain business activities. In addition, regulatory agencies and self-regulatory organizations institute investigations from time to time, among other things, into industry practices, which can also result in the imposition of such sanctions.

We may contest liability and/or the amount of damages, as appropriate, in each pending matter. Over the last several years, the level of litigation and investigatory activity (both formal and informal) by government and self-regulatory agencies in the financial services industry continues to be significant. There can be no assurance that material losses will not be incurred from claims that have not yet been asserted or are not yet determined to be material.

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

There are certain matters for which we are unable to estimate the upper end of the range of reasonably possible loss. With respect to legal and regulatory matters for which management has been able to estimate a range of reasonably possible loss as of March 31, 2021, we estimated the upper end of the range of reasonably possible aggregate loss to be approximately $160 million in excess of the aggregate accruals for such matters. Refer to Note 2 for a discussion of our criteria for recognizing liabilities for contingencies.

NOTE 15 – NET CAPITAL REQUIREMENTS

As a registered broker-dealer, we are subject to the requirements of the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934. As a member firm of FINRA, we are subject to FINRA’s capital requirements, which are substantially the same as Rule 15c3-1. Rule 15c3-1 provides for an “alternative net capital requirement,” which we have elected. Regulations require that minimum net capital, as defined, be equal to the greater of $1.5 million or 2% of aggregate debit items arising from client balances. FINRA may impose certain restrictions, such as restricting withdrawals of equity capital, if a member firm were to fall below a certain threshold or fail to meet minimum net capital requirements. The following table presents our net capital position.

$ in millions	**March 31, 2021**
(Alternative Method elected)	
Net capital as a percent of aggregate debit items	61.5 %
Net capital	$ 1,644
Less: required net capital	(53)
Excess net capital	**$ 1,591**

NOTE 16 – SUBSEQUENT EVENTS

Management considered subsequent events through May 27, 2021. There were no subsequent events that required recognition or disclosure that are not otherwise described in the preceding footnotes.

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