

RAYMOND JAMES FINANCIAL INC  
Form 10-K  
November 28, 2008

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, 2008

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

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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

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, 2008, 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 \$2,173,106,435.

The number of shares outstanding of the registrant's common stock as of November 19, 2008 was 120,296,903.

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 19, 2009 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 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, 2008, its principal subsidiaries include Raymond James & Associates, Inc. ("RJA"), Raymond James Financial Services, Inc. ("RJFS"), Raymond James Ltd. ("RJ Ltd."), Eagle Asset Management, Inc. ("Eagle"), Heritage Asset Management, Inc. ("Heritage") and Raymond James Bank, FSB ("RJBank"). All of these subsidiaries are wholly owned by RJF. RJF and its subsidiaries are hereinafter collectively referred to as the "Company".

#### PRINCIPAL SUBSIDIARIES

RJF's principal subsidiary, RJA, is the largest full service brokerage and investment firm headquartered in the state of Florida and one of the largest retail brokerage firms in North America. RJA is a self-clearing broker-dealer engaged in most aspects of securities distribution, trading, investment banking and asset management. RJA also offers financial planning services for individuals and provides clearing services for RJFS, other affiliated entities and several unaffiliated broker-dealers. In addition, RJA has six institutional sales offices in Europe. RJA is a member of the New York Stock Exchange ("NYSE"), American Stock Exchange, and most regional exchanges in the U.S. It is also a member of the Financial Industry Regulatory Authority ("FINRA") and Securities Investors Protection Corporation ("SIPC").

RJFS is one of the largest independent contractor brokerage firms in the U.S. Financial Advisors affiliated with RJFS may offer their clients all products and services offered by RJA. RJFS is a member of FINRA and SIPC, but not of any exchange, as it clears all of its business on a fully disclosed basis through RJA.

RJ Ltd. is the Company's 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.

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

Heritage acts as the manager of the Company's internally sponsored Heritage Family of Mutual Funds.

RJBank provides traditional banking products and services to the clients of the Company's broker-dealer subsidiaries and to the general public.

#### BUSINESS SEGMENTS

The Company has eight business segments: Private Client Group; Capital Markets; Asset Management; RJBank; Emerging Markets; Stock Loan/Borrow; Proprietary Capital and certain corporate activities combined in the "Other" segment. Financial information concerning RJF for each of the fiscal years ended September 30, 2008, September 30, 2007, and September 30, 2006, is included in the consolidated financial statements and notes thereto.



## PRIVATE CLIENT GROUP

The Company provides securities transaction and financial planning services to approximately 1.8 million client accounts through the branch office systems of RJA, RJFS, RJ Ltd., and Raymond James Investment Services Limited ("RJIS"), a joint venture in the United Kingdom. The Company's Financial Advisors offer a broad range of investments and services, including both third party and proprietary products, and a variety of financial planning services. The Company charges sales commissions or asset-based fees for investment services it provides to its 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 2008, asset-based fees, including mutual fund and insurance trail annuity commissions, represented 59% of the Private Client Group's commission and fees.

The majority of the Company's U.S. Financial Advisors are also licensed to sell insurance and annuity products through its general insurance agency, Planning Corporation of America ("PCA"), a wholly owned subsidiary of RJA. Through the Financial Advisors of the Company's 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.

The Company's Financial Advisors offer a number of professionally managed load mutual funds, as well as a selection of no-load funds. RJA and RJFS maintain dealer sales agreements with most major distributors of mutual fund shares sold through broker-dealers, including funds managed by Heritage. Commissions on such sales generally range up to 5% of the dollar value of the transaction. The majority of mutual fund purchases includes a front-end sales charge or occur at net asset value ("NAV") in fee-based accounts. In addition, there is typically an annual charge in the form of a fund expense.

Private Client Group Securities Commission and Fees  
For the Fiscal Years Ended:

|                                   | September<br>30,<br>2008 |               | September<br>30,<br>2007 |               | September<br>30,<br>2006 |               |
|-----------------------------------|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
|                                   |                          | % of<br>Total |                          | % of<br>Total |                          | % of<br>Total |
|                                   | (\$ in 000's)            |               |                          |               |                          |               |
| Listed Equities                   | \$ 187,891               | 12%           | \$ 188,120               | 13%           | \$ 188,031               | 15%           |
| OTC Equities                      | 58,814                   | 4%            | 56,847                   | 4%            | 55,706                   | 5%            |
| Fixed Income                      | 54,097                   | 4%            | 36,414                   | 3%            | 37,911                   | 3%            |
| Products                          |                          |               |                          |               |                          |               |
| Mutual Funds                      | 379,964                  | 25%           | 354,647                  | 24%           | 294,586                  | 23%           |
| Fee-Based Accounts                | 550,489                  | 36%           | 487,988                  | 34%           | 390,691                  | 31%           |
| Insurance and<br>Annuity Products | 219,878                  | 14%           | 233,878                  | 16%           | 228,888                  | 18%           |
| New Issue Sales                   | 69,204                   | 5%            | 94,005                   | 6%            | 66,938                   | 5%            |
| Credits                           |                          |               |                          |               |                          |               |
| Total Private Client<br>Group     |                          |               |                          |               |                          |               |
| Commissions And<br>Fees           | \$ 1,520,337             | 100%          | \$ 1,451,899             | 100%          | \$ 1,262,751             | 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. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in this report for financial information regarding the Company's net interest revenues.

Clients' transactions in securities are effected on either a cash or margin basis. In margin transactions, the client pays a portion of the purchase price, and RJA makes a loan to the client for the balance, collateralized by the securities purchased or by other securities owned by the client. Interest is charged to clients on the amount borrowed to finance margin transactions. The financing of margin purchases is an important source of revenue to RJA, since the interest rate paid by the client on funds loaned by RJA exceeds RJA's cost of short-term funds. The interest 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. RJA's primary source of funds to finance clients' margin account balances has been cash balances in brokerage clients' accounts (Client Interest Program), 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.

#### Raymond James & Associates

RJA employs 1,180 Financial Advisors in 156 retail branch offices and 50 satellite offices concentrated in the Southeast, Midwest, Southwest and Mid-Atlantic regions of the U.S. RJA'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 31. RJA Financial Advisors are employees and their compensation includes both commission payments and participation in the firm's benefit plans (including Profit Sharing and ESOP programs). Experienced Financial Advisors are hired from a wide variety of competitors. In addition, between 40 and 50 new Financial Advisors are trained each year at the Robert A. James National Training Center in St. Petersburg, Florida.

#### Raymond James Financial Services

RJFS supports 3,149 independent contractor Financial Advisors in providing products and services to their Private Client Group clients in 1,364 offices and 570 satellite offices throughout all 50 states. The number of Financial Advisors in RJFS offices ranges from one to 43. Independent contractors are responsible for all of their direct costs and, accordingly, are paid a larger percentage of commissions and fees. They are permitted to conduct 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 the RJFS compliance department.

The Financial Institutions Division ("FID") is a subdivision of RJFS. Through FID, RJFS offers securities to customers of financial institutions such as banks, thrifts and credit unions. FID consists of 588 Financial Advisors in 196 branches and 243 satellite offices. 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 investment advisors through its Investment Advisor Division ("IAD"). IAD's 93 investment advisory firms are able to conduct daily business online with RJFS.

#### Raymond James Ltd.

RJ Ltd. is a self-clearing broker-dealer in Canada with its own operations and information processing personnel. RJ Ltd. has 19 private client branches with 202 employee Financial Advisors and 189 independent Financial Advisors in 70 branch locations.

#### Raymond James Investment Services Limited

The Company is a 75% shareholder of RJIS. This entity operates an independent contractor network in the United Kingdom which currently has 42 branch locations and 89 Financial Advisors. RJIS also provides custodian and execution services to independent investment advisory firms.

### RJA – Operations and Information Technology

RJA'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, compliance with certain regulatory and legal requirements and general office administration for most of the Company's securities brokerage operations. At September 30, 2008, RJA employed 777 persons in its operations areas who provide services primarily to the Private Client Group, but also support the Company's other segments.

The Company's businesses are supported by, and are dependent upon, an extensive system of electronic data processing. These computer systems are largely developed and maintained by the 838 employees in the Company's information technology department.

Since the Company's principal operations are located in St. Petersburg, the Company has continued to enhance certain aspects of its business continuity plan to deal with the possible impact of future hurricanes or other events by expanding its operational and processing capabilities in Southfield, Michigan. As of September 30, 2008, 25% and 7% of the employees in RJA's operational and information technology areas, respectively, are located in Southfield. The Company's business continuity plan is designed to permit continued operation of critical business functions in the event of disruptions to the St. Petersburg facility; all mission critical business departments have developed operational plans for such disruptions, and the Company has a staff which devotes their full time to monitoring and facilitating those plans. The Company maintains computer capacity to support mission critical functions at its Southfield location, and conducts some of its daily operational activities from that site. Systems have been designed so that the Company can transfer all mission critical processing activities to Southfield. Personnel have been identified who are assigned responsibility for this role, including some personnel who will be required to temporarily relocate to Southfield to carry out these activities if necessary.

### 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. The Company's institutional clients are serviced by the RJA and RJ Ltd. Institutional Equity Departments, the RJA Fixed Income Department, RJA's European offices, and Raymond James Financial International Ltd, an institutional UK broker-dealer located in London. The Company charges its 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<br>30,<br>2008 | % of<br>Total | September<br>30,<br>2007 | % of<br>Total | September<br>30,<br>2006 | % of<br>Total |
|--------------------------|---------------|--------------------------|---------------|--------------------------|---------------|
| (\$ in 000's)            |               |                          |               |                          |               |

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|              |            |      |            |      |            |      |
|--------------|------------|------|------------|------|------------|------|
| Equity       | \$ 237,920 | 70%  | \$ 210,343 | 83%  | \$ 217,840 | 84%  |
| Fixed Income | 99,870     | 30%  | 44,454     | 17%  | 41,830     | 16%  |
| Total        | \$ 337,790 | 100% | \$ 254,797 | 100% | \$ 259,670 | 100% |
| Commissions  |            |      |            |      |            |      |

The 117 domestic and overseas professionals in RJA's Institutional Equity Sales and Sales Trading Departments maintain relationships with over 1,250 institutional clients, principally in North America and Europe. In addition to the Company's headquarters in St. Petersburg, Florida, RJA has institutional equity sales offices in New York City, Boston, Chicago, Los Angeles, San Francisco, London, Geneva, Brussels, Dusseldorf, Luxembourg and Paris. European offices also provide services to high net worth clients. RJ Ltd. has 32 institutional equity sales and trading professionals servicing predominantly Canadian institutional investors from offices in Montreal, Toronto and Vancouver.

RJA distributes to its institutional clients both taxable and tax-exempt fixed income products, primarily municipal, corporate, government agency and mortgage backed bonds. RJA carries inventory positions of taxable and tax-exempt securities in both the primary and secondary markets to facilitate its institutional sales activities. In addition to St. Petersburg, the Fixed Income Department maintains institutional sales and trading offices in New York City, Chicago and 20 other cities throughout the U.S.

#### Equity Research

The 47 domestic senior analysts in RJA's research department support the Company's institutional and retail sales efforts and publish research on approximately 701 companies. This research primarily focuses on U.S. companies in specific industries including Technology, Telecommunications, Consumer, Financial Services, Business 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 an additional 15 analysts who publish research on approximately 200 companies focused in the Energy, Energy Services, Mining, Forest Products, Biotechnology, Technology, Clean Technology, Consumer and Industrial Products, REIT and Income Trust sectors. These analysts, combined with nine additional analysts located in France (whose services are obtained through a joint venture there), represent the Company's global research effort within the Capital Markets segment.

#### Equity Trading

Trading equity securities in the over-the-counter ("OTC") and TSX markets involves the purchase and sale of securities from/to clients of the Company 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 holding period. RJA makes markets in approximately 678 common stocks in listed and OTC markets. Similar to the equity research department, this operation serves to support both the Company's institutional and Private Client Group sales efforts. The RJ Ltd. Institutional and Private Client Group trading desks not only support client activity, but also take proprietary positions. RJ Ltd. also provides specialist services through its Registered Traders in approximately 124 TSX listed common stocks.

#### Equity Investment Banking