RAYMOND JAMES FINANCIAL INC
Form 10-Q
August 07, 2018

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

FORM 10-Q
(Mark one)
x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018
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	No. 59-1517485
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

880 Carillon Parkway, St. Petersburg, Florida 33716
(Address of principal executive offices) (Zip Code)
(727) 567-1000
(Registrant’s telephone number, including area code)
None
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files). Yes x No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o
	Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date.

145,888,459 shares of common stock as of August 6, 2018

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES

INDEX

2

PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS
RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Unaudited)

$ in thousands, except share amounts	June 30, 2018	September 30, 2017
Assets:		
Cash and cash equivalents	$3,179,751	$3,669,672
Assets segregated pursuant to regulations and other segregated assets	2,687,365	3,476,085
Securities purchased under agreements to resell	343,052	404,462
Securities borrowed	164,256	138,319
Financial instruments owned, at fair value:		
Trading instruments (includes $537,169 and $357,099 pledged as collateral)	670,350	564,263
Available-for-sale securities (includes $21,305 and $- pledged as collateral)	2,668,211	2,188,282
Derivative assets	217,522	318,775
Private equity investments	164,457	198,779
Other investments (includes $26,487 and $6,640 pledged as collateral)	214,882	220,980
Brokerage client receivables, net	2,899,385	2,766,771
Receivables from brokers, dealers and clearing organizations	237,301	268,021
Other receivables	671,621	652,769
Bank loans, net	18,987,806	17,006,795
Loans to financial advisors, net	928,488	873,272
Investments in real estate partnerships held by consolidated variable interest entities	99,091	111,743
Property and equipment, net	471,603	437,374
Deferred income taxes, net	231,816	313,486
Goodwill and identifiable intangible assets, net	641,787	493,183
Other assets	885,365	780,425
Total assets	$36,364,109	$34,883,456
Liabilities and equity:		
Bank deposits	$19,478,561	$17,732,362
Securities sold under agreements to repurchase	115,464	220,942
Securities loaned	386,651	383,953
Financial instruments sold but not yet purchased, at fair value:		
Trading instruments	258,881	221,449
Derivative liabilities	292,225	356,964
Brokerage client payables	5,066,586	5,411,829
Payables to brokers, dealers and clearing organizations	195,560	172,714
Accrued compensation, commissions and benefits	1,005,598	1,059,996
Other payables	864,713	567,045
Other borrowings	900,326	1,514,012
Senior notes payable	1,549,493	1,548,839
Total liabilities	30,114,058	29,190,105
Commitments and contingencies (see Note 14)		
Equity		
Preferred stock; $.10 par value; 10,000,000 shares authorized; -0- shares issued and outstanding	—	—
	1,561	1,542

Common stock; $.01 par value; 350,000,000 shares authorized; 156,126,130 and 154,228,235 shares issued as of June 30, 2018 and September 30, 2017, respectively, and 145,754,690 and 144,096,521 shares outstanding as of June 30, 2018 and September 30, 2017, respectively		
Additional paid-in capital	1,780,994	1,645,397
Retained earnings	4,814,603	4,340,054
Treasury stock, at cost; 10,343,288 and 10,084,038 common shares as of June 30, 2018 and September 30, 2017, respectively	(413,202)	(390,081)
Accumulated other comprehensive loss	(26,593)	(15,199)
Total equity attributable to Raymond James Financial, Inc.	6,157,363	5,581,713
Noncontrolling interests	92,688	111,638
Total equity	6,250,051	5,693,351
Total liabilities and equity	$36,364,109	$34,883,456

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Unaudited)

	Three months ended June 30,		Nine months ended June 30,	
in thousands, except per share amounts	2018	2017	2018	2017
Revenues:				
Securities commissions and fees	$1,115,465	$1,017,908	$3,336,311	$2,994,405
Investment banking	115,069	104,191	285,786	267,993
Investment advisory and related administrative fees	153,627	117,378	447,083	335,901
Interest income	271,342	204,224	751,917	579,550
Account and service fees	201,264	174,084	577,056	485,856
Net trading profit	11,371	23,404	45,278	59,770
Other	22,764	21,918	70,297	68,714
Total revenues	1,890,902	1,663,107	5,513,728	4,792,189
Interest expense	(54,307)	(38,560)	(138,340)	(111,203)
Net revenues	1,836,595	1,624,547	5,375,388	4,680,986
Non-interest expenses:				
Compensation, commissions and benefits	1,207,512	1,082,382	3,556,927	3,124,563
Communications and information processing	91,651	77,819	272,067	226,047
Occupancy and equipment costs	49,503	46,507	149,018	140,057
Business development	56,944	39,305	133,543	116,186
Investment sub-advisory fees	23,028	20,133	68,470	57,206
Bank loan loss provision	5,226	6,209	13,791	13,097
Acquisition-related expenses	—	3,366	3,927	17,118
Losses on extinguishment of debt	—	—	—	8,282
Other	84,689	71,885	216,830	332,671
Total non-interest expenses	1,518,553	1,347,606	4,414,573	4,035,227
Income including noncontrolling interests and before provision for income taxes	318,042	276,941	960,815	645,759
Provision for income taxes	85,800	91,590	366,725	204,160
Net income including noncontrolling interests	232,242	185,351	594,090	441,599
Net income/(loss) attributable to noncontrolling interests	(16)	1,927	143	(1,147)
Net income attributable to Raymond James Financial, Inc.	$232,258	$183,424	$593,947	$442,746
Earnings per common share – basic	$1.59	$1.27	$4.08	$3.09
Earnings per common share – diluted	$1.55	$1.24	$3.99	$3.02
Weighted-average common shares outstanding – basic	145,634	143,712	145,156	143,059
Weighted-average common and common equivalent shares outstanding – diluted	149,447	147,103	148,787	146,347
Net income attributable to Raymond James Financial, Inc.	$232,258	$183,424	$593,947	$442,746
Other comprehensive income/(loss), net of tax:				
Net change in unrealized gain/(loss) on available-for-sale securities and non-credit portion of other-than-temporary impairment losses	(3,848)	1,776	(32,428)	(418)
Net change in unrealized gain/(loss) on currency translations, net of the impact of net investment hedges	(6,290)	7,423	(8,512)	10,647
Net change in unrealized gain/(loss) on cash flow hedges	6,068	(3,775)	29,546	23,494
Total comprehensive income	$228,188	$188,848	$582,553	$476,469

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

	Nine months ended June 30,	
$ in thousands, except per share amounts	2018	2017
Common stock, par value $.01 per share:		
Balance beginning of year	$1,542	$1,513
Share issuances	19	27
Balance end of period	1,561	1,540
Additional paid-in capital:		
Balance beginning of year	1,645,397	1,498,921
Employee stock purchases	23,923	20,229
Exercise of stock options and vesting of restricted stock units, net of forfeitures	33,677	31,556
Restricted stock, stock option and restricted stock unit expense	76,825	72,036
Other	1,172	826
Balance end of period	1,780,994	1,623,568
Retained earnings:		
Balance beginning of year	4,340,054	3,834,781
Net income attributable to Raymond James Financial, Inc.	593,947	442,746
Cash dividends declared	(119,288)	(98,644)
Other	(110)	—
Balance end of period	4,814,603	4,178,883
Treasury stock:		
Balance beginning of year	(390,081)	(362,937)
Purchases/surrenders	(8,706)	(9,265)
Exercise of stock options and vesting of restricted stock units, net of forfeitures	(14,415)	(20,507)
Balance end of period	(413,202)	(392,709)
Accumulated other comprehensive loss:		
Balance beginning of year	(15,199)	(55,733)
Net change in unrealized loss on available-for-sale securities and non-credit portion of other-than-temporary impairment losses, net of tax	(32,428)	(418)
Net change in unrealized gain/(loss) on currency translations, net of the impact of net investment hedges, net of tax	(8,512)	10,647
Net change in unrealized gain on cash flow hedges, net of tax	29,546	23,494
Balance end of period	(26,593)	(22,010)
Total equity attributable to Raymond James Financial, Inc.	$6,157,363	$5,389,272
Noncontrolling interests:		
Balance beginning of year	$111,638	$146,431
Net income attributable to noncontrolling interests	143	(1,147)
Capital contributions	—	9,776
Distributions	(18,841)	(39,968)
Derecognition resulting from sales	—	(4,628)
Other	(252)	1,014

Balance end of period	92,688	111,478
Total equity	$6,250,051	$5,500,750

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine months ended June 30,	
$ in thousands	2018	2017
Cash flows from operating activities:		
Net income attributable to Raymond James Financial, Inc.	$593,947	$442,746
Net income/(loss) attributable to noncontrolling interests	143	(1,147)
Net income including noncontrolling interests	594,090	441,599
Adjustments to reconcile net income including noncontrolling interests to net cash provided by operating activities:		
Depreciation and amortization	71,930	62,149
Deferred income taxes	98,846	(56,948)
Premium and discount amortization on available-for-sale securities and loss/(gain) on other investments	2,855	(23,468)
Provisions for loan losses, legal and regulatory proceedings and bad debts	33,679	159,131
Share-based compensation expense	80,724	76,419
Compensation expense/(benefit) payable in common stock of an acquiree	(5,850)	12,810
Unrealized gain on company owned life insurance, net of expenses	(19,657)	(30,076)
Losses on extinguishment of debt	—	8,282
Other	21,659	18,129
Net change in:		
Assets segregated pursuant to regulations and other segregated assets	765,346	1,497,360
Securities purchased under agreements to resell, net of securities sold under agreements to repurchase	(47,701)	21,010
Securities loaned, net of securities borrowed	(23,567)	(229,170)
Loans provided to financial advisors, net of repayments	(72,877)	(41,779)
Brokerage client receivables and other accounts receivable, net	(149,237)	(68,688)
Trading instruments, net	(88,299)	10
Derivative instruments, net	76,850	78,879
Other assets	(48,812)	54,043
Brokerage client payables and other accounts payable	(183,746)	(678,686)
Accrued compensation, commissions and benefits	(51,965)	(17,288)
Proceeds from sales of securitizations and loans held for sale, net of purchases and originations of loans held for sale	(65,119)	44,369
Net cash provided by operating activities	989,149	1,328,087
Cash flows from investing activities:		
Additions to property, buildings and equipment, including software	(96,114)	(152,715)
Increase in bank loans, net	(1,875,301)	(1,731,114)
Proceeds from sales of loans held for investment	140,478	287,669
Purchases of available-for-sale securities	(899,243)	(1,424,706)
Available-for-sale securities maturations, repayments and redemptions	359,537	198,654
Proceeds from sales of available-for-sale securities	—	65,656
Business acquisition, net of cash acquired	(159,200)	—
Other investing activities, net	32,215	84,701
Net cash used in investing activities	(2,497,628)	(2,671,855)

(continued on next page)

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(continued from previous page)

	Nine months ended June 30,	
$ in thousands	2018	2017
Cash flows from financing activities:		
Proceeds from borrowings on the RJF Credit Facility	300,000	—
Repayment of borrowings on the RJF Credit Facility	(300,000)	—
Repayments of short-term borrowings, net	(610,000)	—
Proceeds from Federal Home Loan Bank advances	850,000	850,000
Repayments of Federal Home Loan Bank advances and other borrowed funds	(853,686)	(653,461)
Proceeds from senior note issuances, net of debt issuance costs paid	—	508,489
Extinguishment of senior notes payable	—	(350,000)
Acquisition-related contingent consideration received, net of payments	—	2,992
Exercise of stock options and employee stock purchases	54,695	51,183
Increase in bank deposits	1,746,199	2,048,334
Purchases of treasury stock	(23,788)	(32,179)
Dividends on common stock	(107,215)	(95,322)
Distributions to noncontrolling interests, net	(14,101)	(27,782)
Net cash provided by financing activities	1,042,104	2,302,254
Currency adjustment:		
Effect of exchange rate changes on cash	(23,546)	6,541
Net increase/(decrease) in cash and cash equivalents	(489,921)	965,027
Cash and cash equivalents at beginning of year	3,669,672	1,650,452
Cash and cash equivalents at end of period	$3,179,751	$2,615,479
Supplemental disclosures of cash flow information:		
Cash paid for interest	$127,069	$92,930
Cash paid for income taxes	$191,760	$243,585

See accompanying Notes to Condensed Consolidated Financial Statements (Unaudited).

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
June 30, 2018

NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION

Organization

Raymond James Financial, Inc. ("RJF," the "firm" or the "Company") is a financial holding company whose broker-dealer subsidiaries are engaged in various financial services businesses, including the underwriting, distribution, trading and brokerage of equity and debt securities and the sale of mutual funds and other investment products. In addition, other subsidiaries of RJF provide investment management services for retail and institutional clients, corporate and retail banking services, and trust services. For further information about our business segments, see Note 20 of this Form 10-Q. As used herein, the terms "we," "our" or "us" refer to RJF and/or one or more of its subsidiaries.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements include the accounts of RJF and its consolidated subsidiaries that are generally controlled through a majority voting interest. We consolidate all of our 100% owned subsidiaries. In addition, we consolidate any variable interest entity ("VIE") in which we are the primary beneficiary. Additional information on these VIEs is provided in Note 2 and Note 10 of our Annual Report on Form 10-K (the "2017 Form 10-K") for the year ended September 30, 2017, as filed with the United States ("U.S.") Securities and Exchange Commission ("SEC") and in Note 9 of this Form 10-Q. When we do not have a controlling interest in an entity, but we exert significant influence over the entity, we apply the equity method of accounting. All material intercompany balances and transactions have been eliminated in consolidation.

Accounting estimates and assumptions

Certain financial information that is normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") but not required for interim reporting purposes has been condensed or omitted. These unaudited condensed consolidated financial statements reflect, in the opinion of management, all adjustments necessary for a fair presentation of the consolidated financial position and results of operations for the periods presented.

The nature of our business is such that the results of any interim period are not necessarily indicative of results for a full year. These unaudited condensed consolidated financial statements should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto included in our 2017 Form 10-K. To prepare condensed consolidated financial statements in conformity with GAAP, we must make certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and could have a material impact on the condensed consolidated financial statements.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period's presentation.

NOTE 2 – UPDATE OF SIGNIFICANT ACCOUNTING POLICIES

A summary of our significant accounting policies is included in Note 2 of our 2017 Form 10-K. There have been no significant changes to our significant accounting policies since September 30, 2017.

Loans to financial advisors, net

As more fully described in Note 2 of our 2017 Form 10-K, we offer loans to financial advisors and certain other key revenue producers, primarily for recruiting, transitional cost assistance, and retention purposes. We present the outstanding balance of “Loans to financial advisors, net” on our Condensed Consolidated Statements of Financial Condition, net of the allowance for doubtful accounts. Of the gross balance outstanding, the portion associated with financial advisors who are no longer affiliated with us was approximately $21 million and $22 million at June 30, 2018 and September 30, 2017, respectively. Our allowance for doubtful accounts was approximately $9 million and $8 million at June 30, 2018 and September 30, 2017, respectively.

Recent accounting developments

Accounting guidance recently adopted

Income Taxes - In March 2018, the Financial Accounting Standards Board ("FASB") issued ASU 2018-05, which amended income tax accounting guidance to include guidance issued by the SEC related to the implementation of the Tax Cuts and Jobs Act (the "Tax Act"), which we applied during our first fiscal quarter of 2018 when it was issued by the SEC. See Note 13 for more information.

Reclassification of certain tax effects from accumulated other comprehensive income ("AOCI") - In February 2018, the FASB issued guidance (ASU 2018-02) allowing companies to reclassify to retained earnings the tax effects related to items within AOCI that the FASB refers to as having been stranded as a result of the Tax Act. We early adopted this amended guidance on January 1, 2018 on a modified retrospective approach. The amount reclassified from AOCI to retained earnings related to the Tax Act was insignificant. See Note 15 for more information.

Derivatives and hedging (accounting for hedging activities) - In August 2017, the FASB issued new guidance amending its hedge accounting model (ASU 2017-12). Among other things, the new guidance:

- Expands the ability to hedge nonfinancial and financial risk components.
- Reduces complexity in fair value hedges of interest rate risk.
- Eliminates the requirement to separately measure and report hedge ineffectiveness.
- Generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item.
- Modifies accounting for components excluded from the assessment of hedge effectiveness.
- Eases certain documentation and hedge effectiveness assessment requirements.

The new guidance is required to be applied to cash flow and net investment hedges that exist on the date of adoption on a modified retrospective basis. Changes to presentation and disclosure requirements are only required on a prospective basis. We early-adopted this new guidance on April 1, 2018 and the adoption had no effect on our financial position and results of operations.

Accounting guidance not yet adopted

Revenue recognition - In May 2014, the FASB issued new guidance regarding revenue recognition (ASU 2014-09). The new guidance is a comprehensive new revenue recognition model that requires a company to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. It also provides guidance on accounting for certain contract costs and requires additional disclosures. This new revenue recognition guidance, including subsequent amendments, is first effective for our fiscal year beginning on October 1, 2018 and allows for full retrospective adoption or modified retrospective adoption. Although permitted for fiscal years beginning after December 15, 2016, we do not plan to early adopt. Upon adoption, we plan to use a modified retrospective approach, with a cumulative effect adjustment to opening retained earnings. Our implementation efforts include analyzing contracts related to revenues within the scope of the new guidance and reviewing potential changes to our existing revenue recognition accounting policies. We are also evaluating the impact to our disclosures as a result of adopting this new guidance. Based on our implementation efforts to date, we expect that we will be required to change our current presentation of certain costs from a net presentation within revenues to a gross presentation, particularly with respect to merger & acquisitions advisory transactions and underwriting transactions. We are still evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

RAYMOND JAMES FINANCIAL, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (Unaudited)

Financial instruments - In January 2016, the FASB issued new guidance related to the accounting for financial instruments (ASU 2016-01). Among its provisions, including subsequent amendments, this new guidance:

- Requires equity investments (other than those accounted for under the equity method or those that result from the consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any.
- Simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment.
- Eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.
- Requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.
- Requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.

This new guidance, including subsequent amendments, is effective for our fiscal year beginning on October 1, 2018, generally under a modified retrospective approach, with the exception of the amendments related to equity investments without a readily determinable fair value and the use of an exit price notion to measure financial instruments for disclosure purposes, which will be applied prospectively as of the date of adoption. Early adoption is generally not permitted. Upon adoption, our investments in equity securities classified as available-for-sale prior to the adoption date will be accounted for at fair value with unrealized gains/(losses) reflected in earnings. Previously, such unrealized gains/(losses) were reflected in other comprehensive income. The adoption of this new guidance is not expected to have a material impact on our financial position and results of operations.

Lease accounting - In February 2016, the FASB issued new guidance related to the accounting for leases (ASU 2016-02). The new guidance requires the recognition of assets and liabilities on the balance sheet related to the rights and obligations created by lease agreements with terms greater than twelve months, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement and presentation of expenses and cash flows arising from a lease will primarily depend upon its classification as a finance or operating lease. The new guidance requires new disclosures to help financial statement users better understand the amount, timing and cash flows arising from leases. This new guidance, including subsequent amendments, is first effective for our fiscal year beginning on October 1, 2019. Although permitted, we do not plan to early adopt. Upon adoption, we will use a modified retrospective approach, with a cumulative effect adjustment to opening retained earnings. Our implementation efforts include reviewing existing leases and service contracts, which may include embedded leases. We are in the process of identifying changes to our business processes, systems and controls to support adoption of the new guidance. This new guidance will impact our financial position and results of operations. We are evaluating the magnitude of such impact.

Credit losses - In June 2016, the FASB issued new guidance related to the measurement of credit losses on financial instruments (ASU 2016-13). The amended guidance involves several aspects of the accounting for credit losses related to certain financial instruments including assets measured at amortized cost, available-for-sale debt securities and certain off-balance sheet commitments. The new guidance broadens the information that an entity must consider in developing its estimated credit losses expected to occur over the remaining life of assets measured either collectively or individually to include historical experience, current conditions and reasonable and supportable forecasts, replacing the existing incurred credit loss model and other models with the Current Expected Credit Losses (“CECL”) model. The new guidance expands the disclosure requirements regarding an entity’s assumptions, models, and methods for estimating credit losses and requires new disclosures of the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. This new guidance is first effective for our fiscal year beginning October 1, 2020 and will be adopted under a modified retrospective approach. Early adoption is permitted although not prior to our fiscal year beginning October 1, 2019. We have begun our implementation and evaluation efforts by establishing a cross-functional team to assess the required changes to our credit loss estimation methodologies and systems, as well as determine additional data and resources required to comply with the new guidance. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations, which will depend on, among other things, the current and expected macroeconomic conditions and the nature and characteristics of financial assets held by us on the date of adoption.

Statement of Cash Flows (classification of certain cash receipts and cash payments) - In August 2016, the FASB issued amended guidance related to the Statement of Cash Flows (ASU 2016-15). The amended guidance involves several aspects of the classification of certain cash receipts and cash payments including debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies (including bank-owned life insurance policies), distributions received from equity method investees, beneficial interests in securitization transactions and separately identifiable cash flows and application of the predominance principle. This amended guidance is first effective for our fiscal year beginning October 1, 2018 and will be adopted under a retrospective approach. Although permitted, we do not plan to early adopt. The adoption of this new guidance will impact our Consolidated Statement of Cash Flows and will not have an impact on our financial position and results of operations.

Statement of Cash Flows (restricted cash) - In November 2016, the FASB issued new guidance related to the classification and presentation of changes in restricted cash on the Statement of Cash Flows (ASU 2016-18). Current GAAP does not provide guidance to address how to classify and present changes in restricted cash or restricted cash equivalents that occur when there are transfers between cash, cash equivalents and restricted cash or restricted cash equivalents and when there are direct cash receipts into restricted cash or restricted cash equivalents or direct cash payments made from restricted cash or restricted cash equivalents. Under the new guidance, an entity should present in their Statement of Cash Flows the changes during the period in the total of cash and cash equivalents and amounts described as restricted cash or restricted cash equivalents when reconciling the beginning-of-period and ending-of-period total amounts shown on the statement of cash flows. This guidance is first effective for our fiscal year beginning October 1, 2018 and will be adopted under a retrospective approach. Although permitted, we do not plan to early adopt. The adoption of this new guidance will impact our Consolidated Statement of Cash Flows and will not have an impact on our financial position and results of operations.

Definition of a business - In January 2017, the FASB issued amended guidance related to the definition of a business (ASU 2017-01). This amended guidance clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. This guidance is first effective for our fiscal year beginning October 1, 2018 and will be adopted on a prospective basis. Early adoption is permitted. Given the adoption of this amended guidance is dependent upon the nature of future events and circumstances, we are unable to estimate the impact, if any, the adoption of this new guidance will have on our financial position and results of operations.

Goodwill - In January 2017, the FASB issued amended guidance to simplify the subsequent measurement of goodwill, eliminating “Step 2” from the goodwill impairment test (ASU 2017-04). In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under this amended guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and subsequently recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. This guidance is first effective for our fiscal year beginning October 1, 2019 and will be adopted on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We will adopt this simplification guidance in the earliest period it applies to our facts and circumstances.

Callable debt securities - In March 2017, the FASB issued new guidance that requires certain premiums on callable debt securities to be amortized to the earliest call date instead of the contractual life of the security (ASU 2017-08). Discounts on callable debt securities will continue to be amortized to the contractual maturity date. This guidance is first effective for our fiscal year beginning on October 1, 2019 and will be adopted using a modified retrospective approach. Early adoption is permitted. We are evaluating the impact the adoption of this new guidance will have on our financial position and results of operations.

Share-based payment awards (modifications) - In May 2017, the FASB issued amended guidance that clarifies when changes to the terms or conditions of share-based payment awards require an entity to apply modification accounting (ASU 2017-09). The amended guidance states an entity should account for the effects of a modification unless certain criteria are met which include that the modified award has the same fair value, vesting conditions and classification as the original award. This amended guidance is first effective for our fiscal year beginning October 1, 2018 and will be adopted on a prospective basis. Early adoption is permitted. Given that this guidance applies to specific transactions and would only become relevant in certain circumstances, we are unable to estimate the impact, if any, this amended guidance may have on our financial position and results of operations.

Share-based payment awards (nonemployee) - In June 2018, the FASB issued amended guidance that aligns the measurement and classification guidance for share-based payments to nonemployees with the g