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

Form 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2021
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: 001-34963

LPL Financial Holdings Inc.

(Exact name of registrant as specified in its charter)

Delaware	**20-3717839**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

4707 Executive Drive, San Diego, California 92121

(Address of Principal Executive Offices) (Zip Code)

(800) 877-7210

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock - par value $0.001 per share	LPLA	The Nasdaq Global Select Market

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. x Yes o No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

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. o

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

The number of shares of Common Stock, par value $0.001 per share, outstanding as of July 27, 2021 was 80,245,533.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended ("Exchange Act"), with the Securities and Exchange Commission ("SEC"). Our SEC filings are available to the public from the SEC's internet site at SEC.gov.

We post the following filings to LPL.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual reports on Form 10-K, our proxy statements, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Copies of all such filings are available free of charge by request via email (investor.relations@lpl.com), telephone ((617) 897-4574) or mail (LPL Financial Investor Relations at 75 State Street, 22nd Floor, Boston, MA 02109). The information contained or incorporated on our website is not a part of this Quarterly Report on Form 10-Q.

We may use our website as a means of disclosing material information and for complying with our disclosure obligations under Regulation Fair Disclosure promulgated by the SEC. These disclosures are included on our website in the "Investor Relations" or "Press Releases" sections. Accordingly, investors should monitor these portions of our website, in addition to following the Company's press releases, SEC filings, public conference calls and webcasts.

When we use the terms "LPLFH", "LPL", "we", "us", "our" and "the Company", we mean LPL Financial Holdings Inc., a Delaware corporation, and its consolidated subsidiaries, taken as a whole, unless the context otherwise indicates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in Part I, *"Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations"* and other sections of this Quarterly Report on Form 10-Q regarding:

- the Company's future financial and operating results, outlook, growth, plans, business strategies, liquidity and future share repurchases, including statements regarding future resolution of regulatory matters, legal proceedings and related costs;
- the Company's future revenues and expenses;
- future affiliation models and capabilities;
- market and macroeconomic trends;
- projected savings and anticipated improvements to the Company's operating model, services and technologies as a result of its investments, initiatives, programs and acquisitions;
- expected impacts of the coronavirus disease 2019 ("COVID-19") pandemic on the Company's businesses; and
- any other statements that are not related to present facts or current conditions or that are not purely historical, constitute forward-looking statements.

These forward-looking statements are based on the Company's historical performance and its plans, estimates and expectations as of August 3, 2021. The words "anticipates," "believes," "expects," "may," "plans," "predicts," "will" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Forward-looking statements are not guarantees that the future results, plans, intentions or expectations expressed or implied by the Company will be achieved. Matters subject to forward-looking statements involve known and unknown risks and uncertainties, including economic, legislative, regulatory, competitive and other factors, which may cause actual financial or operating results, levels of activity or the timing of events to be materially different from those expressed or implied by forward-looking statements. Important factors that could cause or contribute to such differences include:

- changes in general economic and financial market conditions, including retail investor sentiment;
- changes in interest rates and fees payable by banks participating in the Company's client cash programs, including the Company's success in negotiating agreements with current or additional counterparties;
- the Company's strategy and success in managing client cash program fees;
- fluctuations in the levels of advisory and brokerage assets, including net new assets, and the related impact on revenues;
- effects of competition in the financial services industry;
- the success of the Company in attracting and retaining financial advisors and institutions, and their ability to market effectively financial products and services;

- whether retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company;
- changes in growth and profitability of the Company’s fee-based business, including the Company’s centrally managed advisory platform;
- the effect of current, pending and future legislation, regulation and regulatory actions, including disciplinary actions imposed by federal and state regulators and self-regulatory organizations;
- the cost of settling and remediating issues related to regulatory matters or legal proceedings, including actual costs of reimbursing customers for losses in excess of our reserves;
- changes made to the Company’s services and pricing, including in response to competitive developments and current, pending and future legislation, regulation and regulatory actions, and the effect that such changes may have on the Company’s gross profit streams and costs;
- execution of the Company’s capital management plans, including its compliance with the terms of the Company’s amended and restated credit agreement (“Credit Agreement”) and the indentures governing the Company’s senior unsecured notes (the “Indentures”);
- the price, availability and trading volumes of shares of the Company’s common stock, which will affect the timing and size of future share repurchases by the Company, if any;
- execution of the Company’s plans and its success in realizing the synergies, expense savings, service improvements or efficiencies expected to result from its investments, initiatives and acquisitions, including its acquisition involving the wealth management business of Waddell & Reed Financial, Inc., expense plans and technology initiatives;
- the performance of third-party service providers to which business processes have been transitioned;
- the Company’s ability to control operating risks, information technology systems risks, cybersecurity risks and sourcing risks;
- the effects of the COVID-19 pandemic, including efforts to contain it; and
- the other factors set forth in Part I, *“Item 1A. Risk Factors”* in the Company’s 2020 Annual Report on Form 10-K, as may be amended or updated in the Company’s Quarterly Reports on Form 10-Q.

Except as required by law, the Company specifically disclaims any obligation to update any forward-looking statements as a result of developments occurring after the date of this Quarterly Report on Form 10-Q, even if its estimates change, and you should not rely on statements contained herein as representing the Company’s views as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

PART I — FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

LPL is a leader in the markets we serve, supporting more than 19,000 financial advisors, and approximately 800 institution-based investment programs and 450 registered investment adviser ("RIA") firms nationwide. We are steadfast in our commitment to the advisor-centered model and the belief that Americans deserve access to objective guidance from a financial advisor. At LPL, independence means that advisors have the freedom they deserve to choose the business model, services, and technology resources that allow them to run their perfect practice. And they have the freedom to manage their client relationships, because they know their clients best. Our mission is to take care of our advisors, so they can take care of their clients.

We do that through a singular focus on providing our advisors with the front-, middle- and back-office support they need to serve the large and growing market for comprehensive financial advice from an advisor. We believe that we are the only company that offers advisors the unique combination of an integrated technology platform, comprehensive self-clearing services and open architecture access to a wide range of non-proprietary products, all delivered in an environment unencumbered by conflicts from product manufacturing, underwriting and market-making.

We believe investors achieve better outcomes when working with a financial advisor. We strive to make it easy for advisors to do what is best for their clients, while protecting advisors and investors and promoting freedom and choice through access to a wide range of diligently evaluated non-proprietary products.

Executive Summary

Financial Highlights

Results for the second quarter of 2021 included net income of $119.1 million, or $1.46 per diluted share, which compares to $101.7 million, or $1.27 per diluted share, for the second quarter of 2020.

Asset Growth Trends

Total advisory and brokerage assets were $1.1 trillion as of June 30, 2021, up 46% from $761.7 billion as of June 30, 2020. Total net new assets were $106.0 billion for the three months ended June 30, 2021, compared to $13.0 billion for the same period in 2020.

Net new advisory assets were $54.9 billion for the three months ended June 30, 2021, compared to $10.2 billion for the same period in 2020. As of June 30, 2021, our advisory assets were $577.6 billion, up 54% from $375.3 billion as of June 30, 2020, which represented 52% of total advisory and brokerage assets served.

Net new brokerage assets were $51.1 billion for the three months ended June 30, 2021, compared to $2.8 billion for the same period in 2020. As of June 30, 2021, our brokerage assets were $534.7 billion, up from $386.4 billion as of June 30, 2020, an increase of 38%.

Gross Profit Trends

Gross profit, a non-GAAP financial measure, was $601.6 million for the three months ended June 30, 2021, and increased 23% from $488.2 million for the three months ended June 30, 2020. Gross profit is calculated as total revenues, less advisory and commission expenses and brokerage, clearing and exchange fees. We believe that gross profit can provide investors with useful insight into the Company's core operating performance before indirect costs that are general and administrative in nature. See the *"How We Evaluate Our Business"* section for additional information on gross profit.

Shareholder Capital Returns

We returned $20.0 million of capital in the form of dividends to shareholders during the three months ended June 30, 2021.

COVID-19 Response

In response to the COVID-19 pandemic, we have taken measures to protect the health and safety of our employees, as well as the stability and continuity of our operations. For example, we have equipped and enabled a substantial majority of employees to work remotely, enhanced cleaning protocols throughout our corporate offices, and have worked closely with our vendors to maintain service continuity throughout the increased market volatility and operational volumes that have occurred during the pandemic. We also made extra support available to our advisors by extending service hours and providing additional resources to enable them to deliver differentiated services to their clients. Please consult Part I, *“Item 1A. Risk Factors”* in our 2020 Annual Report on Form 10-K for more information about the risks associated with COVID-19.

Our Sources of Revenue

Our revenues are derived primarily from fees and commissions from products and advisory services offered by our advisors to their clients, a substantial portion of which we pay out to our advisors, as well as fees we receive from our advisors for the use of our technology, custody, clearing, trust and reporting platforms. We also generate asset-based revenues through our bank sweep vehicles and money market programs and the access we provide to a variety of product providers with the following product lines:

- Alternative Investments
- Annuities
- Exchange Traded Products
- Insurance Based Products
- Mutual Funds
- Retirement Plan Products
- Separately Managed Accounts
- Structured Products
- Unit Investment Trusts

Under our self-clearing platform, we custody the majority of client assets invested in these financial products, for which we provide statements, transaction processing and ongoing account management. In return for these services, mutual funds, insurance companies, banks and other financial product sponsors pay us fees based on asset levels or number of accounts managed. We also earn interest from margin loans made to our advisors’ clients.

We regularly review various aspects of our operations and service offerings, including our policies, procedures and platforms, in response to marketplace developments. We seek to continuously improve and enhance aspects of our operations and service offerings in order to position our advisors for long-term growth and to align with competitive and regulatory developments. For example, we regularly review the structure and fees of our products and services, including related disclosures, in the context of the changing regulatory environment and competitive landscape for advisory and brokerage accounts.

How We Evaluate Our Business

We focus on several key metrics in evaluating the success of our business relationships and our resulting financial position and operating performance. Our key operating, business and financial metrics are as follows:

Operating Metrics (dollars in billions)(1)	As of and for the Three Months Ended June 30, 2021	March 31, 2021	June 30, 2020
Advisory and Brokerage Assets			
Advisory assets(2)(3)	$ 577.6	$ 496.7	$ 375.3
Brokerage assets(2)(4)	534.7	461.6	386.4
Total Advisory and Brokerage Assets(2)	**$ 1,112.3**	**$ 958.3**	**$ 761.7**
Advisory assets as a % of total Advisory and Brokerage Assets	51.9 %	51.8 %	49.3 %
Net New Assets			
Net new advisory assets(5)	$ 54.9	$ 22.7	$ 10.2
Net new brokerage assets(6)	51.1	6.2	2.8
Total Net New Assets(7)	**$ 106.0**	**$ 28.9**	**$ 13.0**
Organic Net New Assets(7)			
Organic net new advisory assets	$ 21.4	$ 22.7	$ 10.2
Organic net new brokerage assets	15.6	6.2	2.8
Total Organic Net New Assets	**$ 37.1**	**$ 28.9**	**$ 13.0**
Organic advisory net new assets annualized growth(8)	17.3%	19.7%	12.7%
Total organic net new assets annualized growth(8)	15.5%	12.8%	7.8%
Client Cash Balances(2)			
Insured cash account balances	$ 34.1	$ 37.4	$ 33.1
Deposit cash account balances	7.6	7.9	7.7
Total Bank Sweep Balances	**41.7**	**45.3**	**40.8**
Money market account balances	5.0	1.3	1.6
Purchased money market fund balances	1.7	1.6	2.8
Total Client Cash Balances	**$ 48.4**	**$ 48.3**	**$ 45.3**
Net buy (sell) activity(9)	$ 18.1	$ 17.4	$ 12.5

Business and Financial Metrics (dollars in millions)	As of and for the Three Months Ended June 30, 2021	March 31, 2021	June 30, 2020
Advisors - period end	19,114	17,672	16,973
Average total assets per Advisor(10)	$ 58.2	$ 54.2	$ 44.9
Employees - period end	5,344	4,815	4,585
Dividends	$ 20.0	$ 20.0	$ 19.7
Shareholder payout ratio(11)	15.0 %	14.0 %	17.4 %
Leverage ratio(12)	2.26	2.11	2.03

Financial Metrics (dollars in millions, except per share data)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Total revenues	$ 1,898.3	$ 1,366.7	$ 3,605.9	$ 2,830.1
Net income	$ 119.1	$ 101.7	$ 248.7	$ 257.3
Earnings per share ("EPS"), diluted	$ 1.46	$ 1.27	$ 3.05	$ 3.19
Non-GAAP Financial Metrics (dollars in millions, except per share data)				
EPS prior to amortization of intangible assets and acquisition costs(13)	$ 1.85	$ 1.42	$ 3.62	$ 3.49
Gross profit(14)	$ 601.6	$ 488.2	$ 1,181.0	$ 1,063.8
EBITDA(15)	$ 243.4	$ 207.1	$ 511.0	$ 487.3
EBITDA as a % of Gross profit	40.5 %	42.4 %	43.3 %	45.8 %
Core G&A(16)	$ 251.7	$ 222.4	$ 487.9	$ 445.6

(1) Totals may not foot due to rounding.

(2) Advisory and brokerage assets consists of assets that are custodied, networked and non-networked and reflect market movement in addition to new assets, inclusive of new business development and net of attrition. Insured cash account balances, deposit cash account balances, money market account balances and purchased money market fund balances are also included in total advisory and brokerage assets.

(3) Advisory assets consists of total advisory assets under custody at our broker-dealer subsidiaries, LPL Financial LLC ("LPL Financial") and Waddell & Reed, LLC ("Waddell & Reed"). Please consult the "*Results of Operations"* section for a tabular presentation of advisory assets.

(4) Brokerage assets consists of brokerage assets serviced by advisors licensed with LPL Financial and Waddell & Reed.

(5) Net new advisory assets consists of total client deposits into custodied advisory accounts less total client withdrawals from custodied advisory accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage accounts as deposits and withdrawals, respectively.

(6) Net new brokerage assets consists of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts, plus dividends, plus interest. We consider conversions from and to advisory accounts as deposits and withdrawals, respectively.

(7) Total net new assets includes $68.9 billion of assets related to the acquisition of the wealth management business of Waddell & Reed Financial, Inc. during the three months ended June 30, 2021. Organic net new assets excludes these assets.

(8) Calculated as annualized current period net new assets divided by preceding period total advisory and brokerage assets.

(9) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial and Waddell & Reed. Reported activity does not include any other cash activity, such as deposits, withdrawals, dividends received or fees paid.

(10) Calculated based on the end-of-period total advisory and brokerage assets divided by the end-of-period advisor count.

(11) Shareholder payout ratio is calculated as dividends plus share repurchases, divided by net income plus amortization of intangible assets, net of tax.

(12) A financial covenant from our Credit Agreement calculated as consolidated total debt to consolidated EBITDA. Please consult the *"Debt and Related Covenants"* section for more information.

(13) EPS prior to amortization of intangible assets and acquisition costs is a non-GAAP financial measure defined as GAAP EPS plus the per share impact of amortization of intangible assets and acquisition costs. The per share impact is calculated as amortization of intangible assets expense and acquisition costs, net of applicable tax benefit, divided by the number of shares outstanding for the applicable period. The Company presents EPS prior to amortization of intangible assets and acquisition costs because management believes that the metric can provide investors with useful insight into the Company's core operating performance by excluding non-cash items and acquisition costs that management does not believe impact the Company's ongoing operations. EPS prior to amortization of intangible assets and acquisition costs is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to GAAP EPS or any other performance measure derived in accordance with GAAP. Below is a reconciliation of EPS prior to amortization of intangible assets and acquisition costs to the Company's GAAP EPS for the periods presented (in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
ᵓS Reconciliation	**2021**	**2020**	**2021**	**2020**
ᴱPS, diluted	$ 1.46	$ 1.27	$ 3.05	$ 3.19
ᴬmortization of intangible assets	$ 19.9	$ 16.7	$ 37.4	$ 33.3
ᴬcquisition costs(17)	23.8	—	26.2	—
Tax benefit	(11.7)	(4.7)	(17.0)	(9.3)
ᴬmortization of intangible assets and acquisition costs, net of tax benefit	$ 32.0	$ 12.0	$ 46.5	$ 23.9
Diluted share count	81.7	80.1	81.6	80.7
ᴱPS impact	$ 0.39	$ 0.15	$ 0.57	$ 0.30
S prior to amortization of intangible assets and acquisition costs	**$ 1.85**	**$ 1.42**	**$ 3.62**	**$ 3.49**

(14) Gross profit is a non-GAAP financial measure defined as total revenues less advisory and commission expenses and brokerage, clearing and exchange fees. All other expense categories, including depreciation and amortization of fixed assets and amortization of intangible assets, are considered by management to be general and administrative in nature. Because our gross profit amounts do not include any depreciation and amortization expense, we consider our gross profit amounts to be non-GAAP financial measures that may not be comparable to those of others in our industry. We believe that gross profit amounts can provide investors with useful insight into our core operating performance before indirect costs that are general and administrative in nature. Below is a reconciliation of gross profit for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
ʳoss Profit	**2021**	**2020**	**2021**	**2020**
Total revenues	$ 1,898.3	$ 1,366.7	$ 3,605.9	$ 2,830.1
ᴬdvisory and commission expense	1,273.2	859.8	2,382.1	1,730.6
ᴮrokerage, clearing and exchange fees	23.5	18.6	42.8	35.6
Gross profit(†)	**$ 601.6**	**$ 488.2**	**$ 1,181.0**	**$ 1,063.8**

(†) Totals may not foot due to rounding.

(15) EBITDA is a non-GAAP financial measure defined as net income plus non-operating interest and other expense, income tax expense, depreciation and amortization, amortization of intangible assets and loss on extinguishment of debt. The Company presents EBITDA because management believes that it can be a useful financial metric in understanding the Company's earnings from operations. EBITDA is not a measure of the Company's financial performance under GAAP and should not be considered as an alternative to net income or any other performance measure derived in accordance with GAAP. In addition, the Company's EBITDA can differ significantly from EBITDA calculated by other companies, depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate, and capital investments. Below is a reconciliation of EBITDA to net income for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
ᴮITDA Reconciliation	**2021**	**2020**	**2021**	**2020**
Net income	$ 119.1	$ 101.7	$ 248.7	$ 257.3
Non-operating interest expense and other	25.2	26.3	50.2	55.6
Provision for income taxes	42.5	35.6	78.1	87.6
Loss on extinguishment of debt	—	—	24.4	—
Depreciation and amortization	36.7	26.9	72.2	53.5
ᴬmortization of intangible assets	19.9	16.7	37.4	33.3
EBITDA(†)	**$ 243.4**	**$ 207.1**	**$ 511.0**	**$ 487.3**

(†) Totals may not foot due to rounding.

(16) Core G&A is a non-GAAP financial measure defined as total operating expenses, excluding the following expenses: advisory and commission, regulatory charges, promotional, employee share-based compensation, depreciation and amortization, amortization of intangible assets, brokerage, clearing and exchange and acquisition costs. Management presents Core G&A because it believes Core G&A reflects the corporate operating expense categories over which management can generally exercise a measure of control, compared with expense items over which management either cannot exercise control, such as advisory and commission expenses, or which management views as promotional expense necessary to support advisor growth and retention, including conferences and transition assistance. Core G&A is not a measure of the Company's total operating expenses as calculated in accordance with GAAP. Below is a reconciliation of Core G&A against the Company's total operating expenses for the periods presented (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
Core G&A Reconciliation	**2021**	**2020**	**2021**	**2020**
Total operating expenses	$ 1,711.4	$ 1,203.1	$ 3,204.5	$ 2,429.5
Advisory and commission	1,273.2	859.8	2,382.1	1,730.6
Depreciation and amortization	36.7	26.9	72.2	53.5
Amortization of intangible assets	19.9	16.7	37.4	33.3
Brokerage, clearing and exchange	23.5	18.6	42.8	35.6
Total G&A	358.1	281.1	670.0	576.5
Promotional (ongoing)(17)(18)	64.1	44.5	118.3	101.9
Acquisition costs(17)	23.8	—	26.2	—
Employee share-based compensation	11.1	8.0	22.5	16.7
Regulatory charges	7.4	6.1	15.0	12.3
Core G&A	**$ 251.7**	**$ 222.4**	**$ 487.9**	**$ 445.6**

(17) Acquisition costs include the cost to setup, onboard and integrate acquired entities and primarily include $13.9 million of compensation and benefits expenses, $6.3 million of professional services expenses, $1.6 million of occupancy and equipment expenses, $1.2 million of communications expenses, and other expenses that are included in the respective line items in the condensed consolidated statements of income.

(18) The Company incurred $0.2 million of promotional expenses as part of acquisitions during the second quarter of 2021 that are presented in the acquisition costs line item.

Legal and Regulatory Matters

As a regulated entity, we are subject to regulatory oversight and inquiries related to, among other items, our compliance and supervisory systems and procedures and other controls, as well as our disclosures, supervision and reporting. We review these items in the ordinary course of business in our effort to adhere to legal and regulatory requirements applicable to our operations. Nevertheless, additional regulation and enhanced regulatory enforcement has resulted, and may result in the future, in additional operational and compliance costs, as well as increased costs in the form of penalties and fines, investigatory and settlement costs, customer restitution and remediation related to regulatory matters. In the ordinary course of business, we periodically identify or become aware of purported inadequacies, deficiencies and other issues. It is our policy to evaluate these matters for potential legal or regulatory violations, and other potential compliance issues. It is also our policy to self-report known violations and issues as required by applicable law and regulation. When deemed probable that matters may result in financial losses, we accrue for those losses based on an estimate of possible fines, customer restitution and losses related to the repurchase of sold securities and other losses, as applicable. Certain regulatory and other legal claims and losses may be covered through our wholly-owned captive insurance subsidiary, which is chartered with the insurance commissioner in the state of Tennessee.

Assessing the probability of a loss occurring and the timing and amount of any loss related to a regulatory matter or legal proceeding, whether or not covered by our captive insurance subsidiary, is inherently difficult and requires judgments based on a variety of factors and assumptions. There are particular uncertainties and complexities involved when assessing the adequacy of loss reserves for potential liabilities that are self-insured by our captive insurance subsidiary, which depends in part on historical claims experience, including the actual timing and costs of resolving matters that begin in one policy period and are resolved in a subsequent period.

Our accruals, including those established through our captive insurance subsidiary at June 30, 2021, include estimated costs for significant regulatory matters or legal proceedings, generally relating to the adequacy of our compliance and supervisory systems and procedures and other controls, for which we believe losses are both probable and reasonably estimable.

The outcome of regulatory or legal proceedings could result in legal liability, regulatory fines or monetary penalties in excess of our accruals and insurance, which could have a material adverse effect on our business, results of operations, cash flows or financial condition. For more information on management's loss contingency policies, see Note 9 - *Commitments and Contingencies*, within the notes to the unaudited condensed consolidated financial statements.

In June 2018, the U.S. Court of Appeals for the Fifth Circuit invalidated regulations previously enacted by the U.S. Department of Labor ("DOL") that expanded the definition of "fiduciary" and would have resulted in significant new prohibited transaction exemption requirements for our servicing of certain retirement plan accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and individual retirement accounts ("IRAs"). In December 2020, the DOL finalized a new investment advice fiduciary prohibited transaction exemption with regard to such accounts that became effective on February 16, 2021 (the "DOL Investment Advice Fiduciary Exemption"). ERISA plans and IRAs comprise a significant portion of our business and we continue to expect that compliance with current and future laws and regulations with respect to retail retirement savings and reliance on prohibited transaction exemptions under such laws and regulations will require increased legal, compliance, information technology and other costs and could lead to a greater risk of class action lawsuits and other litigation.

In June 2019, the SEC adopted a new standard of conduct applicable to retail brokerage accounts ("Regulation BI") with a compliance date of June 30, 2020. Regulation BI requires that broker-dealers act in the best interest of retail customers without placing their own financial or other interests ahead of the customer's and imposes new obligations related to disclosure, duty of care, conflicts of interest and compliance. Certain state securities and insurance regulators have also adopted, proposed or are considering adopting similar laws and regulations. In addition, it is unclear how and whether other regulators, including banking regulators and state securities and insurance regulators, may respond to or attempt to enforce similar issues addressed by the DOL Investment Advice Fiduciary Exemption and Regulation BI. As of June 30, 2020, we implemented new procedures in accordance with Regulation BI.

Future laws and regulations, including the new rule proposed by the DOL and state rules relating to the standards of conduct applicable to both retirement and non-retirement accounts, may affect our business in ways that cannot be anticipated or planned for, and may have negative impacts on our products, services and results of operations.

Acquisitions, Integrations and Divestitures

We continuously assess the competitive landscape in connection with our capital allocation framework as we pursue acquisitions, integrations and divestitures. These activities are part of our overall growth strategy, but can distort comparability when reviewing revenue and expense trends for periods presented. Our recent acquisitions are as follows:

- Waddell & Reed Financial, Inc. - In April 2021, we acquired the wealth management business of Waddell & Reed Financial, Inc.
- Blaze Portfolio Systems LLC ("Blaze") - In October 2020, we acquired Blaze, a technology company that provides an advisor-facing trading and portfolio rebalancing platform.
- E.K. Riley Investments, LLC ("E.K. Riley") - In August 2020, we acquired business relationships with advisors from E.K. Riley, a broker-dealer and RIA.
- Lucia Securities, LLC ("Lucia") - In August 2020, we acquired business relationships with advisors from Lucia, a broker-dealer and RIA firm.

See Note 4 - *Acquisitions*, within the notes to the unaudited condensed consolidated financial statements for further detail.

Economic Overview and Impact of Financial Market Events

Our business is directly and indirectly sensitive to several macroeconomic factors and the state of the United States financial markets. According to the most recent estimate of the U.S. Bureau of Economic Analysis, the U.S. economy grew at an annualized pace of 6.4% in the first quarter of 2021. Data received during the second quarter of 2021 suggests that growth has likely accelerated further. The unemployment rate, which had increased to 14.8% in April 2020 according to Federal Reserve economic data, decreased to 5.9% in June 2021 as labor markets continued to improve. Consumer spending has picked up, supported by rising incomes, high savings levels and economic reopening. Business investment has also continued to rebound and readings on service sector activity remained elevated. Manufacturing continued to grow but is facing constraints from supply chain bottlenecks. Financial conditions overall eased over the second quarter of 2021. The Federal Reserve's ("Fed") most recent median projection of gross domestic product growth for 2021, released following its June 15-16, 2021 policy meeting, saw the economy expanding 7.0% in 2021, an upgrade from a median projection of 6.5% three months earlier.

Looking at markets, the S&P 500 Index gained 8.5% during the second quarter, its fifth consecutive quarter of gains, with investors rotating back to technology-heavy growth stocks. Non-U.S. stocks trailed their U.S. counterparts during the quarter with international developed market equities returning 5.4% while emerging markets returned 5.1%, based on the MSCI EAFE and MSCI Emerging Market Indexes respectively. Most fixed income sectors saw gains as interest rates fell and credit spreads narrowed. The 10-year Treasury yield declined from 1.74% at the end of the first quarter of 2021 to 1.45% at the end of the second quarter of 2021. Falling yields helped lift the broad Bloomberg Barclays U.S. Aggregate Bond Index to a 1.8% gain over the second quarter following first quarter losses.

Our business is also sensitive to current and expected short-term interest rates, which are largely driven by Fed policy. During the second quarter of 2021, Fed policymakers maintained the target range for the federal funds rate at 0 to 0.25 percent. According to projection materials released following the conclusion of the June 15-16 policy meeting, the median expectation among meeting participants was that the Fed would begin to raise rates in 2023, a shift from the previous projections, which had seen a later increase. The Fed continues to emphasize its belief that any near-term increase in inflation is likely temporary, although upside risks have increased, and that it would allow realized inflation to persist moderately above its 2.0% target for a meaningful period of time before it would raise interest rates.

Please consult the *"Risks Related to Our Business and Industry"* section within Part I, *"Item 1A. Risk Factors"* in our 2020 Annual Report on Form 10-K for more information about the risks associated with significant interest rate changes, and the potential related effects on our profitability and financial condition.

Results of Operations

The following discussion presents an analysis of our results of operations for the three and six months ended June 30, 2021 and 2020 (in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	% Change	2021	2020	% Change
REVENUES						
Advisory	$ 846,313	$ 523,370	61.7 %	$ 1,568,359	$ 1,102,397	42.3 %
Commission	598,233	427,453	40.0 %	1,155,462	930,897	24.1 %
Asset-based	279,620	247,067	13.2 %	544,326	532,573	2.2 %
Transaction and fee	137,100	119,478	14.7 %	278,044	256,574	8.4 %
Interest income	6,914	6,540	5.7 %	13,432	16,082	(16.5)%
Other	30,078	42,751	(29.6)%	46,252	(8,467)	n/m
Total revenues	1,898,258	1,366,659	38.9 %	3,605,875	2,830,056	27.4 %
EXPENSES						
Advisory and commission	1,273,202	859,847	48.1 %	2,382,101	1,730,642	37.6 %
Compensation and benefits	183,853	143,320	28.3 %	345,393	290,122	19.1 %
Promotional	64,349	44,540	44.5 %	118,530	101,938	16.3 %
Depreciation and amortization	36,704	26,890	36.5 %	72,203	53,534	34.9 %
Amortization of intangible assets	19,925	16,689	19.4 %	37,356	33,259	12.3 %
Occupancy and equipment	41,452	43,066	(3.7)%	85,036	82,612	2.9 %
Professional services	22,500	13,620	65.2 %	38,125	28,225	35.1 %
Brokerage, clearing and exchange	23,459	18,565	26.4 %	42,823	35,589	20.3 %
Communications and data processing	14,930	14,361	4.0 %	26,923	25,196	6.9 %
Other	31,064	22,194	40.0 %	55,964	48,422	15.6 %
Total operating expenses	1,711,438	1,203,092	42.3 %	3,204,454	2,429,539	31.9 %
Non-operating interest expense and other	25,171	26,289	(4.3)%	50,230	55,607	(9.7)%
Loss on extinguishment of debt	—	—	— %	24,400	—	100 %
INCOME BEFORE PROVISION FOR INCOME TAXES	161,649	137,278	17.8 %	326,791	344,910	(5.3)%
PROVISION FOR INCOME TAXES	42,548	35,616	19.5 %	78,070	87,607	(10.9)%
NET INCOME	$ 119,101	$ 101,662	17.2 %	$ 248,721	$ 257,303	(3.3)%

Revenues

Advisory

Advisory revenues primarily represent fees charged to clients of our advisors for the use of our corporate RIA advisory platform, and are based on the value of their advisory assets. Advisory fees are billed to clients in advance, on a quarterly basis, and are recognized as revenue ratably during the quarter. The majority of our client accounts are on a calendar quarter and are billed using values as of the last business day of the preceding quarter. The value of the assets in an advisory account on the billing date determines the amount billed, and accordingly, the revenues earned in the following three-month period. Advisory revenues collected on our corporate advisory platform are proposed by the advisor and agreed to by the client and averaged 1.0% of the underlying assets for the six months ended June 30, 2021.

We also support separate investment adviser firms ("Hybrid RIAs") through our hybrid advisory platform, which allows advisors to engage us for technology, clearing and custody services, as well as access to the capabilities of our investment platforms. The assets held under a Hybrid RIA's investment advisory accounts custodied with LPL Financial are included in total advisory assets and net new advisory assets. The advisory revenue generated by a Hybrid RIA is not included in our advisory revenues. We charge separate fees to Hybrid RIAs for technology, clearing, administrative, oversight and custody services, which are included in our transaction and fee revenues in our unaudited condensed consolidated statements of income. The fees collected on our hybrid advisory platform vary and can reach a maximum of 0.2% of the underlying assets as of June 30, 2021.

The following table summarizes the composition of advisory assets for the periods presented (in billions):

	June 30,		Change	
	2021	2020	Amount	%
Corporate platform advisory assets	$ 383.6	$ 233.5	$ 150.1	64.3 %
Hybrid platform advisory assets	194.0	141.9	52.1	36.7 %
Total advisory assets(1)	$ 577.6	$ 375.3	$ 202.2	53.9 %

(1) Totals may not foot due to rounding.

Net new advisory assets are generated throughout the quarter, therefore, the full impact of net new advisory assets to advisory revenues is not realized in the same period. The following table summarizes activity impacting advisory assets for the periods presented (in billions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance - Beginning of period	$ 496.7	$ 322.3	$ 461.2	$ 365.8
Net new advisory assets(1)	54.9	10.2	77.6	23.4
Market impact(2)	26.0	42.8	38.8	(13.9)
Balance - End of period	$ 577.6	$ 375.3	$ 577.6	$ 375.3

(1) Net new advisory assets consists of total client deposits into custodied advisory accounts less total client withdrawals from custodied advisory accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage accounts as deposits and withdrawals, respectively.

(2) Market impact is the difference between the beginning and ending asset balance less the net new asset amounts, representing the implied growth or decline in asset balances due to market changes over the same period of time.

The growth in advisory revenues for the three and six months ended June 30, 2021 compared to 2020 was due to increases in net new advisory assets resulting from acquisitions, recruiting efforts and strong advisor productivity, as well as market gains as represented by higher levels of the S&P 500 Index.

Commission

We generate two types of commission revenues: sales-based commissions and trailing commissions. Sales-based commission revenues, which occur when clients trade securities or purchase various types of investment products, primarily represent gross commissions generated by our advisors. The levels of sales-based commission revenues can vary from period to period based on the overall economic environment, number of trading days in the reporting period and investment activity of our advisors' clients. Trailing commission revenues, which are paid over time, are recurring in nature and are earned based on the market value of investment holdings in trail-eligible assets. We earn trailing commission revenues primarily on mutual funds and variable annuities held by clients of our advisors. See Note 3 - *Revenues*, within the notes to the unaudited condensed consolidated financial statements for further detail regarding our commission revenues by product category.

The following table sets forth the components of our commission revenues (in thousands):

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
Sales-based	$ 249,596	$ 159,512	$ 90,084	56.5 %	$ 485,869	$ 387,903	$ 97,966	25.3 %
Trailing	348,637	267,941	80,696	30.1 %	669,593	542,994	126,599	23.3 %
Total commission revenues	$ 598,233	$ 427,453	$ 170,780	40.0 %	$ 1,155,462	$ 930,897	$ 224,565	24.1 %

The increase in sales-based commission revenues for the three and six months ended June 30, 2021 compared to 2020 was primarily driven by increases in sales of annuities, mutual funds and fixed income products. The increase in trailing commission revenues for the three and six months ended June 30, 2021 compared to 2020 was primarily due to the increase in value of annuities and mutual funds as a result of market increases.

The following table summarizes activity impacting brokerage assets for the periods presented (in billions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance - Beginning of period	$ 461.6	$ 347.6	$ 441.9	$ 398.6
Net new brokerage assets(1)	51.1	2.8	57.3	4.0
Market impact(2)	22.0	36.0	35.5	(16.2)
Balance - End of period	$ 534.7	$ 386.4	$ 534.7	$ 386.4

(1) Net new brokerage assets consists of total client deposits into brokerage accounts less total client withdrawals from brokerage accounts, plus dividends, plus interest. We consider conversions from and to advisory accounts as deposits and withdrawals, respectively.

(2) Market impact is the difference between the beginning and ending asset balance less the net new asset amounts, representing the implied growth or decline in asset balances due to market changes over the same period of time.

Asset-Based

Asset-based revenues consist of fees from omnibus processing and networking services (collectively referred to as "recordkeeping"), our sponsorship programs with financial product manufacturers and fees from our client cash programs. Omnibus processing revenues are paid to us by mutual fund product sponsors and are based on the value of custodied assets in advisory accounts and the number of brokerage accounts in which the related mutual fund positions are held. Networking revenues on brokerage assets are correlated to the number of positions we administer and are paid to us by mutual fund and annuity product manufacturers. We receive fees from certain financial product manufacturers in connection with sponsorship programs that support our marketing and sales education and training efforts. Client cash-based revenues are generated on advisors' clients' cash balances in insured bank sweep accounts and money market programs. Pursuant to contractual arrangements, we receive fees based on account type and invested balances for administration and recordkeeping.

Asset-based revenues for the three and six months ended June 30, 2021 increased compared to 2020 primarily due to increased revenues from recordkeeping and sponsorship programs, partially offset by a decrease in client cash revenues.

Revenues for our recordkeeping and sponsorship programs for the three and six months ended June 30, 2021, which are largely based on the market value of the underlying assets, increased compared to 2020 due to the impact of market appreciation on the value of the underlying assets.

Client cash revenues for the three and six months ended June 30, 2021 decreased compared to 2020 due to the impact of a lower federal funds effective rate, partially offset by higher average client cash balances. For the three months ended June 30, 2021, our average client cash balances increased to $48.0 billion compared to $46.1 billion in 2020. For the six months ended June 30, 2021, our average client cash balances increased to $48.2 billion compared to $42.3 billion in 2020.

Transaction and Fee

Transaction revenues primarily include fees we charge to our advisors and their clients for executing certain transactions in brokerage and fee-based advisory accounts. Fee revenues primarily include IRA custodian fees, contract and licensing fees and other client account fees. In addition, we host certain advisor conferences that serve as training, education, sales and marketing events, for which we charge a fee for attendance. Transaction and fee revenues for the three and six months ended June 30, 2021 increased compared to 2020 primarily due to an increase in IRA custodian fee and technology fee revenues.

Interest Income

We earn interest income from client margin loans, advisor loans, cash segregated under federal and other regulations and cash equivalents. Period-over-period variances correspond to changes in the average balances of margin loans and cash balances as well as changes in interest rates.

Interest income for the three months ended June 30, 2021 increased compared to 2020, primarily due to an increase in interest earned on advisor loans, partially offset by lower average interest rates. Interest income for the six months ended June 30, 2021 decreased compared to 2020, primarily due to lower average interest rates, partially offset by an increase in interest earned on advisor loans.

Other

Other revenues primarily include mark-to-market gains or losses on assets held by us in our advisor non-qualified deferred compensation plan and model research portfolios. Other revenues for the three months ended June 30, 2021 decreased compared to 2020, primarily due to realized and unrealized gains on assets held in our advisor non-qualified deferred compensation plan, which are based on the market performance of the underlying investment allocations chosen by advisors in the plan.

Other revenues for the six months ended June 30, 2021 increased compared to 2020, primarily due to realized and unrealized gains on assets held in our advisor non-qualified deferred compensation plan, which are based on the market performance of the underlying investment allocations chosen by advisors, partially offset by a decrease in dividend income on assets held in our advisor non-qualified deferred compensation plan.

Expenses

Advisory and Commission

Advisory and commission expenses consist of the following: payout amounts that are earned by and paid out to advisors and institutions based on advisory and commission revenues earned on each client’s account; production based bonuses earned by advisors and institutions based on the levels of advisory and commission revenues they produce; the recognition of share-based compensation expense from equity awards granted to advisors and financial institutions based on the fair value of the awards at grant date; and the deferred advisory and commissions fee expenses associated with mark-to-market gains or losses on the non-qualified deferred compensation plan offered to our advisors.

The following table sets forth our payout rate, which is a statistical or operating measure:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Payout rate	86.35 %	86.24 %	11 bps	86.01 %	85.61 %	40 bps

Our payout rate for the three and six months ended June 30, 2021 increased compared to 2020 primarily due to higher production bonus payouts and changes in product mix.

Compensation and Benefits

Compensation and benefits include salaries, wages, benefits, share-based compensation and related taxes for our employees, as well as compensation for temporary workers and contractors. The following table sets forth our average number of employees for the three and six months ended June 30, 2021, compared to 2020.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2021	2020	Change	2021	2020	Change
Average number of employees	5,137	4,530	13.4%	4,962	4,440	11.8%

Compensation and benefits for the three and six months ended June 30, 2021 increased compared to 2020, primarily due to an increase in salary and employee benefit expenses resulting from an increase in headcount.

Promotional

Promotional expenses include business development costs related to advisor recruitment and retention, costs related to hosting certain advisory conferences that serve as training, sales and marketing events and other costs that support advisor business growth. Promotional expenses for the three and six months ended June 30, 2021 increased compared to 2020, primarily due to an increase in costs associated with advisor recruitment and advisor loans.

Depreciation and Amortization

Depreciation and amortization relates to the use of fixed assets, which include internally developed software, hardware, leasehold improvements and other equipment. Depreciation and amortization for the three and six months ended June 30, 2021 increased compared to 2020, primarily due to our continued investment in technology to improve our advisor platform and end-client experience.

Professional Services

Professional services expenses include costs paid to outside firms for assistance with legal, accounting, technology, regulatory, marketing and general corporate matters, as well as non-capitalized costs related to service and technology enhancements. Professional services expenses for the three and six months ended June 30, 2021 increased compared to 2020, primarily due to increases in non-capitalized costs related to our service and technology projects.

Brokerage, Clearing and Exchange Fees

Brokerage, clearing and exchange fees include expenses originating from trading or clearing operations as well as any exchange membership fees. These fees fluctuate largely in line with the volume of sales and trading activity. Brokerage, clearing and exchange fees for the three and six months ended June 30, 2021 increased compared to 2020, primarily due to an increase in the volume of sales and trading activity.

Non-Operating Interest Expense and Other

Non-operating interest expense and other includes expenses from our senior secured credit facilities, senior unsecured notes, finance leases and other non-operating expenses. Non-operating interest expense and other for the three and six months ended June 30, 2021 decreased compared to 2020, primarily due to a lower outstanding principal balance on our senior secured term loan and lower interest rates on our senior unsecured notes.

Loss on Extinguishment of Debt

On March 15, 2021, we increased our borrowing capacity under and extended the maturity date of our existing senior revolving credit facility, issued senior unsecured notes due in 2029 and redeemed our existing senior unsecured notes due in 2025. In connection with these transactions, we incurred a $24.4 million loss on extinguishment of debt.

Provision for Income Taxes

We estimate our full-year effective income tax rate at the end of each reporting period. This estimate is used in providing for income taxes on a year-to-date basis and may change in subsequent interim periods. The tax rate in any quarter can be affected positively or negatively by adjustments that are required to be reported in the quarter in which resolution of a particular item occurs. The effective income tax rates reflect the impact of state taxes, settlement contingencies, tax credits and other permanent differences in tax deductibility of certain expenses.

Our effective income tax rate was 26.3% and 25.9% and 23.9% and 25.4% for the three and six months ended June 30, 2021 and 2020, respectively. The decrease in our effective income tax rate for the six months ended June 30, 2021 compared to 2020 was primarily due to an increase in tax benefits associated with stock compensation under Accounting Standards Codification ("ASC") Topic 718.

COVID-19 Impact

On March 11, 2020, the World Health Organization designated the spread of COVID-19 as a pandemic. As of the date of this Quarterly Report on Form 10-Q, the COVID-19 pandemic has had a significant impact on global financial markets, and we continue to monitor its effects on the overall economy and our operations. We are not yet able to determine the full impact of the pandemic; however, should it continue, there could be a material and adverse financial impact to our results of operations. Please consult Part I, *"Item 1A. Risk Factors"* in our 2020 Annual Report on Form 10-K for more information about the risks associated with COVID-19.

Liquidity and Capital Resources

We have established liquidity and capital policies intended to support the execution of strategic initiatives, while meeting regulatory capital requirements and maintaining ongoing and sufficient liquidity. We believe liquidity is of critical importance to the Company and, in particular, to LPL Financial, our primary broker-dealer subsidiary. The objective of our policies is to ensure that we can meet our strategic, operational and regulatory liquidity and capital requirements under both normal operating conditions and under periods of stress in the financial markets.

Liquidity

Our liquidity needs are primarily driven by capital requirements at LPL Financial, interest due on our corporate debt and other capital returns to shareholders. Our liquidity needs at LPL Financial are driven primarily by the level and volatility of our client activity. Management maintains a set of liquidity sources and monitors certain business trends and market metrics closely in an effort to ensure we have sufficient liquidity. We believe that based on current levels of cash flows from operations and anticipated growth, together with available external liquidity sources, we have adequate liquidity to satisfy our working capital needs, the payment of all of our obligations and the funding of anticipated capital expenditures for the foreseeable future.

Parent Company Liquidity

LPL Holdings, Inc. ("Parent"), the direct holding company of our operating subsidiaries, considers its primary source of liquidity to be corporate cash. We define corporate cash as the sum of cash and cash equivalents from the following: (1) cash held at the Parent, (2) excess cash at LPL Financial per the Credit Agreement, which is the net capital held at LPL Financial in excess of 10% of its aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1, and (3) other available cash, which includes cash and cash equivalents held at the Private Trust Company in excess of Credit Agreement capital requirements, excess cash held at Waddell & Reed per the Credit Agreement, or the net capital held in excess of 10% of its aggregate indebtedness, and cash and cash equivalents held at non-regulated subsidiaries.

We believe corporate cash is a useful measure of the Parent's liquidity as it is the primary source of capital above and beyond the capital deployed in our regulated subsidiaries. The following table presents the components of corporate cash (in thousands):

	June 30, 2021	December 31, 2020
Corporate Cash		
Cash at Parent	$ 170,258	$ 201,385
Excess cash at LPL Financial per Credit Agreement	74,152	67,574
Other available cash	33,983	10,960
Total Corporate Cash	**$ 278,393**	**$ 279,919**

Corporate cash is monitored as part of our liquidity risk management. We target maintaining approximately $200.0 million in corporate cash which covers over 24 months of principal and interest due on our corporate debt. The Company maintains additional liquidity through a $1.0 billion secured committed revolving credit facility. The Parent has the ability to borrow against the credit facility for working capital and general corporate purposes. Dividends from and excess capital generated by LPL Financial are the primary sources of liquidity. Subject to regulatory approval or notification, capital generated by LPL Financial can be distributed to the Parent to the extent the capital levels exceed both regulatory requirements and internal capital thresholds. As of June 30, 2021, LPL Financial maintained excess regulatory capital of $74.2 million over Credit Agreement requirements. During the six months ended June 30, 2021, LPL Financial paid dividends of $275.0 million to the Parent.

Share Repurchases

We engage in share repurchase programs, which are approved by our Board of Directors, pursuant to which we may repurchase our issued and outstanding shares of common stock from time to time. Purchases may be effected in open market or privately negotiated transactions. We suspended share repurchases in early 2020 in light of the business and financial uncertainties created by the COVID-19 pandemic, which have since diminished. Our current capital deployment framework remains focused on investing in organic growth first, pursuing acquisitions where appropriate, and returning excess capital to shareholders. In the first half of 2021, the majority of our capital deployment was focused on supporting organic growth and acquisitions. While we continue to see opportunities to deploy capital in this manner, we also expect to restart our share repurchase program during the third quarter of 2021 with an initial focus on repurchases to offset dilution. We expect that this will result in repurchases of approximately $40.0 million per quarter while maintaining our ability to reassess capital deployment opportunities over time. The resumption, timing and amount of future share repurchases, if any, is determined at our discretion within the constraints of our Credit Agreement, the Indentures and consideration of our general liquidity needs. See Note 10 - *Stockholders' Equity*, within the notes to the unaudited condensed consolidated financial statements for additional information regarding our share repurchases.

Common Stock Dividends

The payment, timing and amount of any dividends are subject to approval by the Board of Directors as well as certain limits under our Credit Agreement and the Indentures. See Note 10 - *Stockholders' Equity*, within the notes to the unaudited condensed consolidated financial statements for additional information regarding our dividends.

LPL Financial Liquidity

LPL Financial relies primarily on customer payables to provide liquidity and to fund margin lending. LPL Financial maintains additional liquidity through external lines of credit totaling approximately $575.0 million. LPL Financial also maintains a line of credit with the Parent.

External Liquidity Sources

The following table presents our external lines of credit at June 30, 2021 (in millions):

Description	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility	LPL Holdings, Inc.	March 2026	$ —	$ 1,000
Broker-dealer revolving credit facility	LPL Financial LLC	July 2024	$ —	$ 300
Secured, uncommitted lines of credit	LPL Financial LLC	March 2022	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2021	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2021	$ —	$ 50
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	$ —	$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified

Capital Resources

The Company seeks to manage capital levels in support of our business strategy of generating and effectively deploying capital for the benefit of our shareholders.

Our primary requirement for working capital relates to funds we loan to our advisors' clients for trading conducted on margin and funds we are required to maintain for regulatory capital and reserves based on the requirements of our regulators and clearing organizations, which also consider client balances and trading activities. We have several sources of funds that enable us to meet increases in working capital requirements that relate to increases in client margin activities and balances. These sources include cash and cash equivalents on hand, cash segregated under federal and other regulations, the committed revolving credit facility of LPL Financial and proceeds from repledging or selling client securities in margin accounts. When an advisor's client purchases securities on margin or uses securities as collateral to borrow from us on margin, we are permitted, pursuant to the applicable securities industry regulations, to repledge, loan or sell securities, up to 140% of the client's margin loan balance, that collateralize those margin accounts.

Our other working capital needs are primarily related to loans we are making to advisors and timing associated with receivables and payables, which we have satisfied in the past from internally generated cash flows.

We may sometimes be required to fund timing differences arising from the delayed receipt of client funds associated with the settlement of client transactions in securities markets. These timing differences are funded either with internally generated cash flows or, if needed, with funds drawn on our uncommitted lines of credit at LPL Financial or one of our revolving credit facilities.

LPL Financial is subject to the SEC's Uniform Net Capital Rule, which requires the maintenance of minimum net capital. LPL Financial computes net capital requirements under the alternative method, which requires firms to maintain minimum net capital equal to the greater of $250,000 or 2% of aggregate debit balances arising from client transactions. At June 30, 2021, LPL Financial had net capital of $140.8 million with a minimum net capital requirement of $13.3 million.

LPL Financial's ability to pay dividends greater than 10% of its excess net capital during any 35-day rolling period requires approval from the Financial Industry Regulatory Authority ("FINRA"). In addition, payment of dividends is restricted if LPL Financial's net capital would be less than 5% of aggregate customer debit balances.

LPL Financial also acts as an introducing broker for commodities and futures. Accordingly, its trading activities are subject to the National Futures Association's ("NFA") financial requirements and it is required to maintain net capital that is in excess of or equal to the greatest of NFA's minimum financial requirements. The NFA was designated by the Commodity Futures Trading Commission as LPL Financial's primary regulator for such activities. Currently, the highest NFA requirement is the minimum net capital calculated and required pursuant to the SEC's Net Capital Rule.

In April 2021, the Company acquired a broker-dealer as part of the Waddell & Reed acquisition ("Waddell & Reed broker-dealer"). The Waddell & Reed broker-dealer is required to maintain net capital of $250,000, which represents the greater of 2% of its aggregate debits or the minimum net capital requirement of $250,000. At June 30, 2021, the Waddell & Reed broker-dealer had net capital of $21.6 million. The Company expects to dissolve the Waddell & Reed broker-dealer during the fourth quarter of 2021.

Our subsidiary, PTC, is also subject to various regulatory capital requirements. Failure to meet the respective minimum capital requirements can result in certain mandatory and discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on PTC's operations.

Debt and Related Covenants

The Credit Agreement and the Indentures contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness or issue disqualified stock or preferred stock;
- declare dividends, or other distributions to stockholders;
- repurchase equity interests;
- redeem indebtedness that is subordinated in right of payment to certain debt instruments;
- make investments or acquisitions;
- create liens;
- sell assets;
- guarantee indebtedness;
- engage in certain transactions with affiliates;
- enter into agreements that restrict dividends or other payments from subsidiaries; and
- consolidate, merge or transfer all or substantially all of our assets.

Our Credit Agreement and the Indentures allow us to pay dividends and distributions or repurchase our capital stock only when certain conditions are met. In addition, our revolving credit facility requires us to be in compliance with certain financial covenants as of the last day of each fiscal quarter. The financial covenants require the calculation of Credit Agreement EBITDA, as defined in, and calculated by management in accordance with, the Credit Agreement. The Credit Agreement defines Credit Agreement EBITDA as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense, tax expense, depreciation and amortization, and further adjusted to exclude certain non-cash charges and other adjustments (including unusual or non-recurring charges) and gains, and to include future expected cost savings, operating expense reductions or other synergies from certain transactions.

As of June 30, 2021, we were in compliance with both financial covenants, a maximum Consolidated Total Debt to Consolidated EBITDA Ratio (as defined in the Credit Agreement) or "Leverage Ratio" and a minimum Consolidated EBITDA to Consolidated Interest Expense Ratio (as defined in the Credit Agreement) or "Interest Coverage". The breach of these financial covenants would be subject to certain equity cure rights. The required ratios under our financial covenants and actual ratios were as follows:

	June 30, 2021	
Financial Ratio	**Covenant Requirement**	**Actual Ratio**
Leverage Ratio (Maximum)	5.00	2.26
Interest Coverage (Minimum)	3.00	12.01

See Note 8 - *Long-term and Other Borrowings,* within the notes to the unaudited condensed consolidated financial statements for further detail regarding the Credit Agreement and the Indentures.

Off-Balance Sheet Arrangements

We enter into various off-balance-sheet arrangements in the ordinary course of business, primarily to meet the needs of our advisors' clients. These arrangements include Company commitments to extend credit. For information on these arrangements, see Note 9 - *Commitments and Contingencies* and Note 16 - *Financial Instruments with Off-Balance-Sheet Credit Risk and Concentrations of Credit Risk,* within the notes to the unaudited condensed consolidated financial statements.

Contractual Obligations

During the six months ended June 30, 2021, there were no material changes in our contractual obligations, other than in the ordinary course of business, from those disclosed in our 2020 Annual Report on Form 10-K. See Note 8 - *Long-term and Other Borrowings* and Note 9 - *Commitments and Contingencies,* within the notes to the unaudited condensed consolidated financial statements, as well as the Contractual Obligations section within Part II, *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* in our 2020 Annual Report on Form 10-K, for further detail.

Fair Value of Financial Instruments

We use fair value measurements to record certain financial assets and liabilities at fair value and to determine fair value disclosures. See Note 5 - *Fair Value Measurements,* within the notes to the unaudited condensed consolidated financial statements for a detailed discussion regarding our fair value measurements.

Critical Accounting Policies and Estimates

In the notes to our consolidated financial statements and in Part II, *"Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* included in our 2020 Annual Report on Form 10-K, we have disclosed those accounting policies that we consider to be significant in determining our results of operations and financial condition. There have been no changes to those policies that we consider to be material since the filing of our 2020 Annual Report on Form 10-K. The accounting principles used in preparing our unaudited condensed consolidated financial statements conform in all material respects to GAAP.

Item 1. Financial Statements (unaudited)

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(Unaudited)
(In thousands, except per share data)

	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
REVENUES				
Advisory	$ 846,313	$ 523,370	$ 1,568,359	$ 1,102,397
Commission	598,233	427,453	1,155,462	930,897
Asset-based	279,620	247,067	544,326	532,573
Transaction and fee	137,100	119,478	278,044	256,574
Interest income	6,914	6,540	13,432	16,082
Other	30,078	42,751	46,252	(8,467)
Total revenues	1,898,258	1,366,659	3,605,875	2,830,056
EXPENSES				
Advisory and commission	1,273,202	859,847	2,382,101	1,730,642
Compensation and benefits	183,853	143,320	345,393	290,122
Promotional	64,349	44,540	118,530	101,938
Depreciation and amortization	36,704	26,890	72,203	53,534
Amortization of intangible assets	19,925	16,689	37,356	33,259
Occupancy and equipment	41,452	43,066	85,036	82,612
Professional services	22,500	13,620	38,125	28,225
Brokerage, clearing and exchange	23,459	18,565	42,823	35,589
Communications and data processing	14,930	14,361	26,923	25,196
Other	31,064	22,194	55,964	48,422
Total operating expenses	1,711,438	1,203,092	3,204,454	2,429,539
Non-operating interest expense and other	25,171	26,289	50,230	55,607
Loss on extinguishment of debt	—	—	24,400	—
INCOME BEFORE PROVISION FOR INCOME TAXES	161,649	137,278	326,791	344,910
PROVISION FOR INCOME TAXES	42,548	35,616	78,070	87,607
NET INCOME	$ 119,101	$ 101,662	$ 248,721	$ 257,303
EARNINGS PER SHARE (Note 12)				
Earnings per share, basic	$ 1.49	$ 1.29	$ 3.11	$ 3.25
Earnings per share, diluted	$ 1.46	$ 1.27	$ 3.05	$ 3.19
Weighted-average shares outstanding, basic	80,063	78,940	79,880	79,223
Weighted-average shares outstanding, diluted	81,728	80,127	81,608	80,659

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Financial Condition
(Unaudited)
(In thousands, except share data)

ASSETS	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 906,720	$ 808,612
Cash segregated under federal and other regulations	741,432	923,158
Restricted cash	78,648	67,264
Receivables from:		
Clients, net of allowance of $696 at June 30, 2021 and $520 at December 31, 2020	531,784	405,106
Product sponsors, broker-dealers and clearing organizations	275,189	233,192
Advisor loans, net of allowance of $8,202 at June 30, 2021 and $6,763 at December 31, 2020	776,513	547,372
Others, net of allowance of $2,803 at June 30, 2021 and $3,101 at December 31, 2020	371,240	306,640
Securities owned:		
Trading — at fair value	30,169	29,252
Held-to-maturity — at amortized cost	10,708	13,235
Securities borrowed	13,395	30,130
Fixed assets, net of accumulated depreciation and amortization of $561,214 at June 30, 2021 and $489,997 at December 31, 2020	600,763	582,868
Operating lease assets	96,844	101,921
Goodwill	1,646,631	1,513,866
Intangible assets, net of accumulated amortization of $649,366 at June 30, 2021 and $612,011 at December 31, 2020	486,355	397,486
Deferred income taxes, net	24,364	24,112
Other assets	629,261	539,357
Total assets	$ 7,220,016	$ 6,523,571
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Drafts payable	$ 154,230	$ 178,403
Payables to clients	1,329,397	1,356,083
Payables to broker-dealers and clearing organizations	109,089	89,743
Accrued advisory and commission expenses payable	215,107	187,040
Accounts payable and accrued liabilities	747,669	681,554
Income taxes payable	5,718	28,145
Unearned revenue	135,600	95,328
Securities sold, but not yet purchased — at fair value	1,398	206
Long-term and other borrowings, net	2,727,336	2,345,414
Operating lease liabilities	133,321	139,377
Finance lease liabilities	106,239	107,424
Total liabilities	5,665,104	5,208,717
Commitments and contingencies (Note 9)		
STOCKHOLDERS' EQUITY:		
Common stock, $0.001 par value; 600,000,000 shares authorized; 128,431,247 shares issued at June 30, 2021 and 127,585,764 shares issued at December 31, 2020	128	127
Additional paid-in capital	1,808,135	1,762,770
Treasury stock, at cost — 48,203,446 shares at June 30, 2021 and 48,115,037 shares at December 31, 2020	(2,407,035)	(2,391,062)
Retained earnings	2,153,684	1,943,019
Total stockholders' equity	1,554,912	1,314,854
Total liabilities and stockholders' equity	$ 7,220,016	$ 6,523,571

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)
(In thousands)

	Three Months Ended June 30, 2020						
	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — March 31, 2020	127,036	$ 127	$ 1,720,276	48,178	$ (2,392,712)	$ 1,683,666	$ 1,011,357
Net income						101,662	101,662
Issuance of common stock to settle restricted stock units, net	76	—	—	2	(167)		(167)
Treasury stock purchases				—	—		—
Cash dividends on common stock - $0.25 per share						(19,745)	(19,745)
Stock option exercises and other	127	—	4,411	(25)	918	423	5,752
Share-based compensation	—	—	8,647				8,647
BALANCE — June 30, 2020	127,239	$ 127	$ 1,733,334	48,155	$ (2,391,961)	$ 1,766,006	$ 1,107,506

	Three Months Ended June 30, 2021						
	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — March 31, 2021	128,137	$ 128	$ 1,787,095	48,211	$ (2,406,221)	$ 2,053,319	$ 1,434,321
Net income						119,101	119,101
Issuance of common stock to settle restricted stock units, net	67	—	—	10	(1,453)		(1,453)
Cash dividends on common stock - $0.25 per share						(20,031)	(20,031)
Stock option exercises and other	227	—	9,299	(18)	639	1,295	11,233
Share-based compensation			11,741				11,741
BALANCE — June 30, 2021	128,431	$ 128	$ 1,808,135	48,203	$ (2,407,035)	$ 2,153,684	$ 1,554,912

Continued on following page

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders’ Equity
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2020						
	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders’ Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2019	126,494	$ 126	$ 1,703,973	46,260	$ (2,234,793)	$ 1,554,567	$ 1,023,873
Cumulative effect of accounting change						(7,317)	(7,317)
Net income						257,303	257,303
Issuance of common stock to settle restricted stock units, net	391	—	—	124	(8,537)		(8,537)
Treasury stock purchases				1,810	(150,036)		(150,036)
Cash dividends on common stock - $0.50 per share						(39,458)	(39,458)
Stock option exercises and other	354	1	11,382	(39)	1,405	911	13,699
Share-based compensation			17,979				17,979
BALANCE — June 30, 2020	127,239	$ 127	$ 1,733,334	48,155	$ (2,391,961)	$ 1,766,006	$ 1,107,506

	Six Months Ended June 30, 2021						
	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders’ Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2020	127,586	$ 127	$ 1,762,770	48,115	$ (2,391,062)	$ 1,943,019	$ 1,314,854
Net income						248,721	248,721
Issuance of common stock to settle restricted stock units, net	363	—	—	130	(17,483)		(17,483)
Cash dividends on common stock - $0.50 per share						(40,011)	(40,011)
Stock option exercises and other	482	1	21,648	(42)	1,510	1,955	25,114
Share-based compensation			23,717				23,717
BALANCE — June 30, 2021	128,431	$ 128	$ 1,808,135	48,203	$ (2,407,035)	$ 2,153,684	$ 1,554,912

See notes to unaudited condensed consolidated financial statements.

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 248,721	$ 257,303
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	72,203	53,534
Amortization of intangible assets	37,356	33,259
Amortization of debt issuance costs	2,750	2,695
Share-based compensation	23,717	17,979
Provision for bad debts	3,357	4,181
Deferred income taxes	(252)	(322)
Loss on extinguishment of debt	24,400	—
Loan forgiveness	62,920	56,079
Other	(4,341)	(5,915)
Changes in operating assets and liabilities:		
Receivables from clients	(126,839)	47,813
Receivables from product sponsors, broker-dealers and clearing organizations	(41,505)	(98)
Advisor loans	(289,399)	(95,636)
Receivables from others	(58,129)	(19,495)
Securities owned	147	9,671
Securities borrowed	16,735	6,740
Operating leases	(979)	(871)
Other assets	(60,263)	(54,520)
Drafts payable	(24,172)	(12,552)
Payables to clients	(26,722)	(24,428)
Payables to broker-dealers and clearing organizations	19,346	(4,296)
Accrued advisory and commission expenses payable	22,500	(11,710)
Accounts payable and accrued liabilities	22,101	(6,940)
Income taxes receivable/payable	(22,427)	68,247
Unearned revenue	38,849	17,535
Securities sold, but not yet purchased	1,192	(105)
Net cash provided by (used in) operating activities	(58,734)	338,148
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(84,976)	(71,909)
Acquisitions, net of cash acquired	(243,007)	—
Purchase of securities classified as held-to-maturity	—	(5,082)
Proceeds from maturity of securities classified as held-to-maturity	2,500	2,500
Net cash used in investing activities	(325,483)	(74,491)

Continued on following page

LPL FINANCIAL HOLDINGS INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(In thousands)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	695,000	1,071,000
Repayments of revolving credit facilities	(695,000)	(1,116,000)
Repayment of senior unsecured notes	(900,000)	—
Repayment of senior secured term loans	(5,350)	(5,350)
Proceeds from senior unsecured notes	1,300,000	—
Payment of debt issuance costs	(15,929)	—
Make-whole premium on redemption of senior unsecured notes	(25,875)	—
Payment of contingent consideration	(7,298)	(10,000)
Tax payments related to settlement of restricted stock units	(17,483)	(8,537)
Repurchase of common stock	—	(150,036)
Dividends on common stock	(40,011)	(39,458)
Proceeds from stock option exercises and other	25,114	13,698
Principal payment of finance leases and obligations	(1,185)	(1,044)
Net cash provided by (used in) financing activities	311,983	(245,727)
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(72,234)	17,930
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of period	1,799,034	1,471,778
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of period	$ 1,726,800	$ 1,489,708
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 51,611	$ 56,109
Income taxes paid	$ 100,594	$ 19,819
Cash paid for amounts included in the measurement of operating lease liabilities	$ 10,910	$ 10,568
Cash paid for amounts included in the measurement of finance lease liabilities	$ 5,309	$ 5,255
NONCASH DISCLOSURES:		
Capital expenditures included in accounts payable and accrued liabilities	$ 16,013	$ 16,331
Lease assets obtained in exchange for operating lease liabilities	$ —	$ 3,447

	June 30, 2021	June 30, 2020
Cash and cash equivalents	$ 906,720	$ 845,228
Cash segregated under federal and other regulations	741,432	574,429
Restricted cash	78,648	70,051
Total cash, cash equivalents and restricted cash shown in the statement of cash flows	$ 1,726,800	$ 1,489,708

See notes to unaudited condensed consolidated financial statements.

NOTE 1 - ORGANIZATION AND DESCRIPTION OF THE COMPANY

LPL Financial Holdings Inc. ("LPLFH"), a Delaware holding corporation, together with its consolidated subsidiaries (collectively, the "Company"), provides an integrated platform of brokerage and investment advisory services to independent financial advisors and financial advisors at financial institutions (collectively, "advisors") in the United States. Through its custody and clearing platform, using both proprietary and third-party technology, the Company provides access to diversified financial products and services, enabling its advisors to offer objective financial advice and brokerage services to retail investors (their "clients"). The Company's most significant, wholly owned subsidiaries are described below:

- LPL Holdings, Inc. ("LPLH" or "Parent"), a Massachusetts holding corporation, is an intermediate holding company and directly or indirectly owns 100% of the issued and outstanding common stock of all of LPLFH's indirect subsidiaries, including a captive insurance subsidiary (the "Captive Insurance Subsidiary") that underwrites insurance for various legal and regulatory risks of the Company.
- LPL Financial LLC ("LPL Financial"), with primary offices in San Diego, California; Fort Mill, South Carolina; Boston, Massachusetts; and Austin, Texas, is a clearing broker-dealer and an investment adviser that principally transacts business as an agent for its advisors and financial institutions on behalf of their clients in a broad array of financial products and services. LPL Financial is licensed to operate in all 50 states, Washington D.C., Puerto Rico and the U.S. Virgin Islands.
- Fortigent Holdings Company, Inc. and its subsidiaries provide solutions and consulting services to registered investment advisers ("RIAs"), banks and trust companies serving high-net-worth clients.
- LPL Insurance Associates, Inc. operates as an insurance brokerage general agency that offers life and disability insurance products and services for LPL Financial advisors.
- AW Subsidiary, Inc. is a holding company for AdvisoryWorld and Blaze Portfolio Systems LLC ("Blaze"). AdvisoryWorld offers technology products, including proposal generation, investment analytics and portfolio modeling, to both the Company's advisors and external clients in the wealth management industry. Blaze offers a trading and rebalancing platform to both the Company's advisors and external clients.
- PTC Holdings, Inc. ("PTCH") is a holding company for The Private Trust Company, N.A. ("PTC"). PTC is chartered as a non-depository limited purpose national bank, providing a wide range of trust, investment management oversight, and custodial services for estates and families. PTC also provides Individual Retirement Account ("IRA") custodial services for LPL Financial. Each member of PTCH's Board of Directors meets the direct equity ownership interest requirements that are required by the Office of the Comptroller of the Currency.
- LPL Employee Services, LLC is a holding company for Allen & Company of Florida, LLC ("Allen & Company"), an RIA.
- Waddell & Reed Financial Services, LLC and its subsidiaries provide investment management and wealth management services to clients.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), which require the Company to make estimates and assumptions regarding the valuation of certain financial instruments, intangible assets, allowance for doubtful accounts, share-based compensation, accruals for liabilities, income taxes, revenue and expense accruals, and other matters that affect the consolidated financial statements and related disclosures. The unaudited condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the results for the interim periods presented. Actual results could differ from those estimates under different assumptions or conditions and the differences may be material to the consolidated financial statements.

The unaudited condensed consolidated financial statements include the accounts of LPLFH and its subsidiaries. Intercompany transactions and balances have been eliminated. The unaudited condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2020, contained in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC").

Recently Issued Accounting Pronouncements

There are no recently issued accounting pronouncements that would materially impact the Company's condensed consolidated financial statements and related disclosures.

NOTE 3 - REVENUES

Revenues are recognized when control of the promised services is transferred to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services. Revenues are analyzed to determine whether the Company is the principal (i.e., reports revenues on a gross basis) or agent (i.e., reports revenues on a net basis) in the contract. Principal or agent designations depend primarily on the control an entity has over the product or service before control is transferred to a customer. The indicators of which party exercises control include primary responsibility over performance obligations, inventory risk before the good or service is transferred and discretion in establishing the price.

Advisory

Advisory revenues represent fees charged to advisors' clients' accounts on the Company's corporate advisory platform. The Company provides ongoing investment advice and acts as a custodian, providing brokerage and execution services on transactions, and performs administrative services for these accounts. This series of performance obligations transfers control of the services to the client over time as the services are performed. These revenues are recognized ratably over time to match the continued delivery of the performance obligations to the client over the life of the contract. The advisory revenues generated from the Company's corporate RIA advisory platform are based on a percentage of the market value of the eligible assets in the clients' advisory accounts. As such, the consideration for these revenues are variable and an estimate of the variable consideration is constrained due to dependence on unpredictable market impacts on client portfolio values. The constraint is removed once the portfolio value can be determined.

The Company provides advisory services to clients on its corporate advisory platform through the advisor. The Company is the principal in these arrangements and recognizes advisory revenues on a gross basis, as the Company is responsible for satisfying the performance obligations and has control over determining the fees.

Commission

Commission revenues represent sales commissions generated by advisors for their clients' purchases and sales of securities on exchanges and over-the-counter, as well as purchases of other investment products. The Company views the selling, distribution and marketing, or any combination thereof, of investment products to such clients as a single performance obligation to the product sponsors.

The Company is the principal for commission revenues, as it is responsible for the execution of the clients' purchases and sales, and maintains relationships with the product sponsors. Advisors assist the Company in performing its obligations. Accordingly, total commission revenues are reported on a gross basis.

The following table presents total commission revenues disaggregated by investment product category (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Commission revenues				
Annuities	$ 305,100	$ 217,637	$ 585,876	$ 463,299
Mutual funds	195,688	133,800	368,838	289,956
Fixed income	34,862	18,463	67,024	47,588
Equities	30,517	27,985	69,428	65,406
Other	32,066	29,568	64,296	64,648
Total commission revenues	$ 598,233	$ 427,453	$ 1,155,462	$ 930,897

The Company generates two types of commission revenues: sales-based commissions that are recognized at the point of sale on the trade date and trailing commissions that are recognized over time as earned. Sales-based commission revenues vary by investment product and are based on a percentage of an investment product's current market value at the time of purchase. Trailing commission revenues are generally based on a percentage of the current market value of clients' investment holdings in trail-eligible assets, and are recognized over the period during which services, such as ongoing support, are performed. As trailing commission revenues are based on the market value of clients' investment holdings, the consideration is variable and an estimate of the variable consideration is constrained due to dependence on unpredictable market impacts. The constraint is removed once the investment holdings value can be determined.

The following table presents sales-based and trailing commission revenues disaggregated by product category (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Commission revenues				
Sales-based				
Annuities	$ 112,619	$ 64,287	$ 208,158	$ 156,812
Mutual funds	50,250	29,716	97,529	75,250
Fixed income	34,862	18,463	67,024	47,588
Equities	30,517	27,985	69,428	65,406
Other	21,348	19,061	43,730	42,847
Total sales-based revenues	$ 249,596	$ 159,512	$ 485,869	$ 387,903
Trailing				
Annuities	$ 192,481	$ 153,350	$ 377,718	$ 306,487
Mutual funds	145,438	104,084	271,309	214,706
Other	10,718	10,507	20,566	21,801
Total trailing revenues	$ 348,637	$ 267,941	$ 669,593	$ 542,994
Total commission revenues	$ 598,233	$ 427,453	$ 1,155,462	$ 930,897

Asset-Based

Asset-based revenues consist of fees from the Company's client cash programs, which consist of fees from its money market program and insured bank sweep vehicles, sponsorship programs and recordkeeping.

Client Cash Revenues

Client cash revenues are generated based on advisors' clients' cash balances in insured bank sweep accounts and money market programs. The Company receives fees based on account type and invested balances for administration and recordkeeping. These fees are paid and recognized over time.

Sponsorship Programs

The Company receives fees from product sponsors, primarily mutual fund and annuity companies, for marketing support and sales force education and training efforts. Compensation for these performance obligations is either a fixed fee, a percentage of the average annual amount of product sponsor assets held in advisors' clients' accounts, a percentage of new sales or some combination. As the value of product sponsor assets held in advisors' clients' accounts is susceptible to unpredictable market changes, these revenues include variable consideration and are constrained until the date that the fees are determinable.

Recordkeeping

The Company generates revenues from fees it collects for providing recordkeeping, account maintenance, reporting and other related services to product sponsors. This includes revenues from omnibus processing in which the Company establishes and maintains sub-account records for its clients to reflect the purchase, exchange and redemption of mutual fund shares, and consolidates clients' trades within a mutual fund. Omnibus processing fees are paid to the Company by the mutual fund or its affiliates and are based on the value of mutual fund assets in accounts for which the Company provides omnibus processing services and the number of accounts in which the related mutual fund positions are held. Recordkeeping revenues also include revenues from networking recordkeeping services. Networking revenues on brokerage assets are correlated to the number of positions or value of assets that the Company administers and are paid by mutual fund and annuity product manufacturers. These recordkeeping revenues are recognized over time as the Company fulfills its performance obligations. As recordkeeping fees are susceptible to unpredictable market changes that influence market value and fund positions, these revenues include variable consideration and are constrained until the date that the fees are determinable.

Depending on the contract, the Company is either principal or agent for recordkeeping revenues. In instances in which the Company is providing services to financial product manufacturers on behalf of third parties and does not have ultimate control of the service before transfer to the customer, the Company is considered to be an agent and reports revenues on a net basis. In other cases, where the Company uses a sub-contractor to provide services and is responsible for unperformed services, the Company is considered principal and reports revenues on a gross basis.

The following table sets forth asset-based revenues at a disaggregated level (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Asset-based revenues				
Client cash	$ 90,377	$ 116,266	$ 187,481	$ 267,664
Sponsorship programs	95,978	63,885	177,690	128,334
Recordkeeping	93,265	66,916	179,155	136,575
Total asset-based revenues	$ 279,620	$ 247,067	$ 544,326	$ 532,573

Transaction and Fee

Transaction revenues primarily include fees the Company charges to advisors and their clients for executing certain transactions in brokerage and fee-based advisory accounts. Transaction revenues are recognized at the point-in-time that a transaction is executed, which is generally the trade date. Fee revenues may be generated from advisors or their clients. Fee revenues primarily include IRA custodian fees, contract and licensing fees, and other client account fees. In addition, the Company hosts certain advisor conferences that serve as training, education, sales and marketing events, for which the Company collects a fee for attendance. Fee revenues are recognized when the Company satisfies its performance obligations. Recognition varies from point-in-time to over time depending on whether the service is provided once at an identifiable point-in-time or if the service is provided continually over the contract life.

The following table sets forth transaction and fee revenues disaggregated by recognition pattern (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Transaction and fee revenues				
Point-in-time(1)	$ 61,526	$ 52,306	$ 127,339	$ 117,944
Over time(2)	75,574	67,172	150,705	138,630
Total transaction and fee revenues	$ 137,100	$ 119,478	$ 278,044	$ 256,574

(1) Transaction and fee revenues recognized point-in-time include revenues such as transaction fees, IRA termination fees and technology fees.

(2) Transaction and fee revenues recognized over time include revenues such as error and omission insurance fees, IRA custodian fees and technology fees.

The Company is the principal and recognizes transaction and fee revenues on a gross basis as it is primarily responsible for delivering the respective services being provided, which is demonstrated by the Company's ability to control the fee amounts charged to customers.

Interest Income

The Company earns interest income from client margin loans, advisor loans, cash segregated under federal and other regulations, and cash equivalents.

Other

Other revenues primarily include unrealized gains and losses on assets held by the Company for its advisor non-qualified deferred compensation plan and model research portfolios and other miscellaneous revenues. These revenues are not generated from contracts with customers.

Unearned Revenue

The Company records unearned revenue when cash payments are received or due in advance of the Company's performance obligations, including amounts which are refundable. The increase in the unearned revenue balance for the six months ended June 30, 2021 is primarily driven by cash payments received or due in advance of satisfying the Company's performance obligations, offset by $92.6 million of revenues recognized that were included in the unearned revenue balance as of December 31, 2020.

For advisory services, revenue is recognized as the Company provides the administration, brokerage and execution services over time to satisfy the performance obligations. For conference revenue, the Company recognizes revenue as the conferences are held.

NOTE 4 - ACQUISITIONS

On April 30, 2021, the Company acquired the wealth management business of Waddell & Reed Financial, Inc. for $300.0 million. The Company has provisionally allocated $132.8 million of the purchase price to goodwill, $118.7 million to definite-lived intangible assets, and the remainder to other assets acquired and liabilities assumed as part of the acquisition. See Note 7 - *Goodwill and Other Intangible Assets*, for additional information.

On October 26, 2020, the Company acquired Blaze Portfolio Systems LLC, a technology company that provides an advisor-facing trading and portfolio rebalancing platform. The Company paid $11.6 million at closing and agreed to a future contingent payment of up to $4.0 million.

On August 18, 2020, the Company acquired business relationships with advisors from E.K. Riley Investments, LLC and Lucia Securities, LLC, two unrelated broker-dealers and RIAs, for a combined $18.4 million. Both transactions have potential contingent payments.

NOTE 5 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Inputs used to measure fair value are prioritized within a three-level fair value hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1 — Quoted prices in active markets for identical assets or liabilities.

Level 2 — Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

There have been no transfers of assets or liabilities between these fair value measurement classifications during the six months ended June 30, 2021 or June 30, 2020.

The Company's fair value measurements are evaluated within the fair value hierarchy, based on the nature of inputs used to determine the fair value at the measurement date. At June 30, 2021 and December 31, 2020, the Company had the following financial assets and liabilities that are measured at fair value on a recurring basis:

Cash Equivalents — The Company's cash equivalents include money market funds, which are short term in nature with readily determinable values derived from active markets.

Securities Owned and Securities Sold, But Not Yet Purchased — The Company's trading securities consist of house account model portfolios established and managed for the purpose of benchmarking the performance of its fee-based advisory platforms and temporary positions resulting from the processing of client transactions.

The Company uses prices obtained from independent third-party pricing services to measure the fair value of its trading securities. Prices received from the pricing services are validated using various methods including comparison to prices received from additional pricing services, comparison to available quoted market prices and review of other relevant market data including implied yields of major categories of securities. In general, these quoted prices are derived from active markets for identical assets or liabilities. When quoted prices in active markets for identical assets and liabilities are not available, the quoted prices are based on similar assets and liabilities or inputs other than the quoted prices that are observable, either directly or indirectly. For certificates of deposit and treasury securities, the Company utilizes market-based inputs, including observable market interest rates that correspond to the remaining maturities or the next interest reset dates. At June 30, 2021, the Company did not adjust prices received from the independent third-party pricing services.

Other Assets — The Company's other assets include: (1) deferred compensation plan assets that are invested in money market and other mutual funds, which are actively traded and valued based on quoted market prices; and (2) certain non-traded real estate investment trusts and auction rate notes, which are valued using quoted prices for identical or similar securities and other inputs that are observable or can be corroborated by observable market data.

Accounts Payable and Accrued Liabilities — The Company's accounts payable and accrued liabilities include contingent consideration liabilities that are measured using Level 3 inputs.

Level 3 Recurring Fair Value Measurements

The Company determines the fair value for its contingent consideration obligations using a scenario-based approach whereby the Company assesses the expected number of future transactions. The contingent payment is estimated by applying a discount rate to the expected payment to calculate the fair value as of the valuation date. The Company's management evaluates the underlying projections and other related factors used in determining fair value each period and makes updates when there have been significant changes in management's expectations.

The following table summarizes the Company's financial assets and financial liabilities measured at fair value on a recurring basis at June 30, 2021 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 9,725	$ —	$ —	$ 9,725
Securities owned — trading:				
Money market funds	128	—	—	128
Mutual funds	9,839	—	—	9,839
Equity securities	577	—	—	577
Debt securities	—	126	—	126
U.S. treasury obligations	19,499	—	—	19,499
Total securities owned — trading	30,043	126	—	30,169
Other assets	442,184	9,264	—	451,448
Total assets at fair value	$ 481,952	$ 9,390	$ —	$ 491,342
Liabilities				
Securities sold, but not yet purchased:				
Mutual funds	$ 7	$ —	$ —	$ 7
Equity securities	202	—	—	202
Debt securities	—	1,189	—	1,189
Total securities sold, but not yet purchased	209	1,189	—	1,398
Accounts payable and accrued liabilities	—	—	3,375	3,375
Total liabilities at fair value	$ 209	$ 1,189	$ 3,375	$ 4,773

The following table summarizes the Company’s financial assets and financial liabilities measured at fair value on a recurring basis at December 31, 2020 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 6,205	$ —	$ —	$ 6,205
Securities owned — trading:				
Money market funds	125	—	—	125
Mutual funds	9,137	—	—	9,137
Equity securities	492	—	—	492
U.S. treasury obligations	19,498	—	—	19,498
Total securities owned — trading	29,252	—	—	29,252
Other assets	371,202	8,953	—	380,155
Total assets at fair value	$ 406,659	$ 8,953	$ —	$ 415,612
Liabilities				
Securities sold, but not yet purchased:				
Equity securities	$ 203	$ —	$ —	$ 203
Debt securities	—	3	—	3
Total securities sold, but not yet purchased	203	3	—	206
Accounts payable and accrued liabilities	—	—	3,228	3,228
Total liabilities at fair value	$ 203	$ 3	$ 3,228	$ 3,434

Fair Value of Financial Instruments not Measured at Fair Value

The fair value of cash and cash equivalents, cash segregated under federal and other regulations, and restricted cash was estimated to be carrying value and classified as Level 1 of the fair value hierarchy.

The fair value of receivables from clients, product sponsors, broker-dealers and clearing organizations, advisor loans and others, securities borrowed, drafts payable, payables to clients, broker-dealers and clearing organizations, and other payables were estimated to approximate carrying value and classified as Level 2 of the fair value hierarchy due to their short-term nature.

NOTE 6 - HELD-TO-MATURITY SECURITIES

The Company holds U.S. government notes, which are recorded at amortized cost because the Company has both the intent and the ability to hold these investments to maturity. Interest income is accrued as earned. Premiums and discounts are amortized using a method that approximates the effective yield method over the term of the security and are recorded as an adjustment to the investment yield.

The amortized cost, gross unrealized gain and fair value of held-to-maturity securities were as follows (in thousands):

	June 30, 2021	December 31, 2020
Amortized cost	$ 10,708	$ 13,235
Gross unrealized gain	79	159
Fair value(1)	$ 10,787	$ 13,394

(1) The fair value of held-to-maturity securities is classified as Level 2 of the fair value hierarchy.

At June 30, 2021, the held-to-maturity securities were scheduled to mature as follows (in thousands):

	Within one year	After one but within five years	After five but within ten years	Total
U.S. government notes — at amortized cost	$ 5,003	$ 5,705	$ —	$ 10,708
U.S. government notes — at fair value	$ 5,044	$ 5,743	$ —	$ 10,787

NOTE 7 - GOODWILL AND OTHER INTANGIBLE ASSETS

During the three months ended June 30, 2021, the Company recorded provisional goodwill of $132.8 million and provisional intangible assets of $118.7 million in connection with the acquisition of the wealth management business of Waddell & Reed Financial, Inc. The intangible assets are comprised primarily of advisor relationships with a weighted average useful life of approximately 9 years. See Note 4 - *Acquisitions*, for additional information.

A summary of the activity impacting goodwill is presented below (in thousands):

Balance at December 31, 2019	$ 1,503,648
Goodwill acquired	10,218
Balance at December 31, 2020	1,513,866
Goodwill acquired	132,765
Balance at June 30, 2021	$ 1,646,631

The components of intangible assets were as follows at June 30, 2021 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangible assets:				
Advisor and financial institution relationships	6.1	$ 796,489	$ (443,225)	$ 353,264
Product sponsor relationships	4.6	234,086	(179,300)	54,786
Client relationships	7.5	45,087	(21,393)	23,694
Technology	6.8	19,040	(4,348)	14,692
Trade names	0.8	1,200	(1,100)	100
Total definite-lived intangible assets		$ 1,095,902	$ (649,366)	$ 446,536
Indefinite-lived intangible assets:				
Trademark and trade name				39,819
Total intangible assets				$ 486,355

The components of intangible assets were as follows at December 31, 2020 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangible assets:				
Advisor and financial institution relationships	5.4	$ 670,542	$ (415,169)	$ 255,373
Product sponsor relationships	5.1	234,086	(173,345)	60,741
Client relationships	7.9	44,810	(19,237)	25,573
Technology	7.3	19,040	(3,220)	15,820
Trade names	1.3	1,200	(1,040)	160
Total definite-lived intangible assets		$ 969,678	$ (612,011)	$ 357,667
Indefinite-lived intangible assets:				
Trademark and trade name				39,819
Total intangible assets				$ 397,486

Total amortization of intangible assets was $19.9 million and $16.7 million for the three months ended June 30, 2021 and 2020, respectively, and $37.4 million and $33.3 million for the six months ended June 30, 2021 and 2020, respectively. Future amortization is estimated as follows (in thousands):

2021 - remainder	$ 42,134
2022	82,927
2023	78,824
2024	77,942
2025	69,513
Thereafter	95,196
Total	$ 446,536

NOTE 8 - LONG-TERM AND OTHER BORROWINGS

The Company’s outstanding long-term borrowings were as follows (in thousands):

	June 30, 2021			December 31, 2020			
Long-Term Borrowings	**Balance**	**Applicable Margin**	**Interest Rate**	**Balance**	**Applicable Margin**	**Interest rate**	**Maturity**
Term Loan B(1)	$ 1,053,950	LIBOR+175 bps	1.85 %	$ 1,059,300	LIBOR+175 bps	1.90 %	11/12/2026
2025 Senior Notes(1)	—	Fixed Rate	— %	900,000	Fixed Rate	5.75 %	9/15/2025
2027 Senior Notes(1)	400,000	Fixed Rate	4.63 %	400,000	Fixed Rate	4.63 %	11/15/2027
2029 Senior Notes(1)	900,000	Fixed Rate	4.00 %	—	Fixed Rate	— %	3/15/2029
2031 Senior Notes(1)	400,000	Fixed Rate	4.38 %	—	Fixed Rate	— %	5/15/2031
Total long-term borrowings(2)	2,753,950			2,359,300			
Plus: Unamortized Premium	—			7,083			
Less: Unamortized Debt Issuance Cost	(26,614)			(20,969)			
Total Long-Term Borrowings	$ 2,727,336			$ 2,345,414			

(1) No leverage or interest coverage maintenance covenants.

(2) The fair value of the Company’s debt was $2,768.5 million and $2,402.4 million at June 30, 2021 and December 31, 2020, respectively and was classified as Level 2 in the fair value hierarchy.

The following table presents amounts available under the Company’s external lines of credit at June 30, 2021 (in millions):

Other Borrowings	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility	LPL Holdings, Inc.	March 2026	$ —	$ 1,000
Broker-dealer revolving credit facility	LPL Financial LLC	July 2024	$ —	$ 300
Secured, uncommitted lines of credit	LPL Financial LLC	March 2022	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2021	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2021	$ —	$ 50
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	$ —	$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified

There were no borrowings outstanding under the Company’s external lines of credit at June 30, 2021 or December 31, 2020, respectively.

Issuance of 2031 Senior Notes

LPLH raised $400.0 million in aggregate principal amount of 4.375% senior notes on May 18, 2021, which were issued at par (“2031 Senior Notes”). The Company used the proceeds from the issuance to repay borrowings made under the senior secured revolving credit facility related to the acquisition of the wealth management business of Waddell & Reed Financial, Inc. The 2031 Senior Notes are unsecured obligations, governed by an indenture, that will mature on May 15, 2031, and bear interest at the rate of 4.375% per year, with interest payable semi-annually. The Company may redeem all or part of the 2031 Senior Notes at any time prior to May 15, 2026 (subject to a customary “equity claw” redemption right) at 100% of the principal amount redeemed plus any accrued and unpaid interest thereon and a “make-whole” premium. Thereafter, the Company may redeem all or part of the 2031 Senior Notes at annually declining redemption premiums until May 15, 2029, at and after which date the redemption price will be equal to 100% of the principal amount redeemed plus any accrued and unpaid interest thereon. In connection with the issuance of the 2031 Senior Notes, the Company incurred $3.8 million in costs, which are capitalized as debt issuance costs in the unaudited condensed consolidated statements of financial condition.

Issuance of 2029 Senior Notes

LPLH raised $900.0 million in aggregate principal amount of 4.00% senior notes on March 15, 2021, which were issued at par (“2029 Senior Notes”). The company used the proceeds from the issuance of the 2029 Senior Notes, along with existing corporate cash available, to redeem the 2025 Senior Notes. In connection with this redemption, the Company recognized $24.4 million as a loss on extinguishment of debt on the unaudited condensed consolidated statements of income.

The 2029 Senior Notes are unsecured obligations, governed by an indenture, that will mature on March 15, 2029, and bear interest at the rate of 4.00% per year, with interest payable semi-annually. The Company may redeem all or part of the 2029 Senior Notes at any time prior to March 15, 2024 (subject to a customary "equity claw" redemption right) at 100% of the principal amount redeemed plus any accrued and unpaid interest thereon and a "make-whole" premium. Thereafter, the Company may redeem all or part of the 2029 Senior Notes at annually declining redemption premiums until March 15, 2026, at and after which date the redemption price will be equal to 100% of the principal amount redeemed plus any accrued and unpaid interest thereon. In connection with the issuance of the 2029 Senior Notes, the Company incurred $9.0 million in costs, which are capitalized as debt issuance costs in the unaudited condensed consolidated statements of financial condition.

Credit Agreement

On March 15, 2021, LPLFH and LPLH entered into a fifth amendment agreement (the "Amendment") to the Company's amended and restated credit agreement ("Credit Agreement"), which, among other things, increased the size of its senior secured revolving credit facility to $1.0 billion and extended the maturity date of its senior secured revolving credit facility. In connection with the execution of the Amendment, the Company incurred $3.2 million in costs, which are capitalized as debt issuance costs in the unaudited condensed consolidated statements of financial condition. The Credit Agreement subjects the Company to certain financial and non-financial covenants. As of June 30, 2021, the Company was in compliance with such covenants.

Parent Revolving Credit Facility

Borrowings under the revolving credit facility bear interest at a rate per annum ranging from 125 to 175 basis points over the Eurodollar Rate or 25 to 75 basis points over the base rate, depending on the Consolidated Secured Debt to Consolidated EBITDA Ratio (as defined in the Credit Agreement).

Broker-Dealer Revolving Credit Facility

On July 31, 2019, LPL Financial, the Company's broker-dealer subsidiary, entered into a committed, unsecured revolving credit facility that matures on July 31, 2024 and allows for a maximum borrowing of $300.0 million. Borrowings bear interest at a rate per annum ranging from 112.5 to 137.5 basis points over the Federal Funds Rate or Eurodollar Rate, depending on the Parent Leverage Ratio (each as defined in the broker-dealer credit agreement). The broker-dealer credit agreement subjects LPL Financial to certain financial and non-financial covenants with which LPL Financial was in compliance as of June 30, 2021.

Other External Lines of Credit

LPL Financial maintained six uncommitted lines of credit as of June 30, 2021. Two of the lines have limits that are unspecified, and that depend primarily on LPL Financial's ability to provide sufficient collateral. The other four lines have a total limit of $275.0 million, one of which allows for collateralized borrowings while the other three allow for uncollateralized borrowings.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Service and Development Contracts

The Company is party to certain long-term contracts for systems and services that enable back-office trade processing and clearing for its product and service offerings.

Guarantees

The Company occasionally enters into contracts that contingently require it to indemnify certain parties against third-party claims. The terms of these obligations vary and, because a maximum obligation is not explicitly stated, the Company has determined that it is not possible to make an estimate of the amount that it could be obligated to pay under such contracts.

LPL Financial provides guarantees to securities clearing houses and exchanges under their standard membership agreements, which require a member to guarantee the performance of other members. Under these agreements, if a member becomes unable to satisfy its obligations to the clearing houses and exchanges, all other members would be required to meet any shortfall. The Company's liability under these arrangements is not quantifiable and could exceed the cash and securities it has posted as collateral. However, the potential requirement for the Company to make payments under these agreements is remote. Accordingly, no liability has been recognized for these transactions.

Loan Commitments

From time to time, LPL Financial makes loans to its advisors, primarily to newly recruited advisors to assist in the transition process, which may be forgivable. Due to timing differences, LPL Financial may make commitments to issue such loans prior to actually funding them. These commitments are generally contingent upon certain events occurring, including but not limited to the advisor joining LPL Financial. LPL Financial had no significant unfunded loan commitments at June 30, 2021.

Legal and Regulatory Matters

The Company is subject to extensive regulation and supervision by U.S. federal and state agencies and various self-regulatory organizations. The Company and its advisors periodically engage with such agencies and organizations, in the context of examinations or otherwise, to respond to inquiries, informational requests and investigations. From time to time, such engagements result in regulatory complaints or other matters, the resolution of which has in the past and may in the future include fines, customer restitution and other remediation. Assessing the probability of a loss occurring and the timing and amount of any loss related to a legal proceeding or regulatory matter is inherently difficult. While the Company exercises significant and complex judgments to make certain estimates presented in its consolidated financial statements, there are particular uncertainties and complexities involved when assessing the potential outcomes of legal proceedings and regulatory matters. The Company's assessment process considers a variety of factors and assumptions, which may include: the procedural status of the matter and any recent developments; prior experience and the experience of others in similar matters; the size and nature of potential exposures; available defenses; the progress of fact discovery; the opinions of counsel and experts; potential opportunities for settlement and the status of any settlement discussions; as well as the potential for insurance coverage and indemnification, if available. The Company monitors these factors and assumptions for new developments and re-assesses the likelihood that a loss will occur and the estimated range or amount of loss, if those amounts can be reasonably determined. The Company has established an accrual for those legal proceedings and regulatory matters for which a loss is both probable and the amount can be reasonably estimated.

Third-Party Insurance

The Company maintains third-party insurance coverage for certain potential legal proceedings, including those involving certain client claims. With respect to such client claims, the estimated losses on many of the pending matters are less than the applicable deductibles of the insurance policies.

Self-Insurance

The Company has self-insurance for certain potential liabilities through the Captive Insurance Subsidiary. Liabilities associated with the risks that are retained by the Company are not discounted and are estimated by considering, in part, historical claims experience, severity factors and other actuarial assumptions. The estimated accruals for these potential liabilities could be significantly affected if future occurrences and claims differ from such assumptions and historical trends, so there are particular complexities and uncertainties involved when assessing the adequacy of loss reserves for potential liabilities that are self-insured. As of June 30, 2021 and December 31, 2020, these self-insurance liabilities were $64.0 million and $51.5 million, respectively, and are included in accounts payable and accrued liabilities in the unaudited condensed consolidated statements of financial condition. Self-insurance related charges are included in other expenses in the unaudited condensed consolidated statements of income.

Other Commitments

As of June 30, 2021, the Company had approximately $455.8 million of client margin loans that were collateralized with securities having a fair value of approximately $638.2 million that LPL Financial can repledge, loan or sell. Of these securities, approximately $72.9 million were client-owned securities pledged to the Options Clearing Corporation as collateral to secure client obligations related to options positions. As of June 30, 2021, there were no restrictions that materially limited the Company's ability to repledge, loan or sell the remaining $565.3 million of client collateral.

Securities owned, trading, on the unaudited condensed consolidated statements of financial condition includes $4.5 million pledged to the Options Clearing Corporation at both June 30, 2021 and December 31, 2020, and $15.0 million pledged to the National Securities Clearing Corporation at both June 30, 2021 and December 31, 2020, respectively.

NOTE 10 - STOCKHOLDERS' EQUITY

Dividends

The payment, timing, and amount of any dividends are subject to approval by the Company's Board of Directors as well as certain limits under the Credit Agreement and Indentures. Cash dividends per share of common stock and total cash dividends paid on a quarterly basis were as follows (in millions, except per share data):

	2021		2020	
	Dividend per Share	Total Cash Dividend	Dividend per Share	Total Cash Dividend
First quarter	$ 0.25	$ 20.0	$ 0.25	$ 19.7
Second quarter	$ 0.25	$ 20.0	$ 0.25	$ 19.7

Share Repurchases

The Company engages in share repurchase programs, which are approved by the Board of Directors, pursuant to which the Company may repurchase its issued and outstanding shares of common stock from time to time. Repurchased shares are included in treasury stock on the unaudited condensed consolidated statements of financial condition.

As of June 30, 2021, the Company was authorized to purchase up to an additional $349.8 million of shares pursuant to share repurchase programs approved by the Board of Directors. The Company expects to restart its share repurchase program during the third quarter of 2021 with an initial focus on repurchases to offset dilution, which we expect will result in repurchases of approximately $40.0 million per quarter.

NOTE 11 - SHARE-BASED COMPENSATION

In May 2021, the Company adopted the 2021 Omnibus Equity Incentive Plan (the "2021 Plan"), which provides for the granting of stock options, warrants, restricted stock awards, restricted stock units, deferred stock units, performance stock units and other equity-based compensation to the Company's employees, non-employee directors and other service providers. The 2021 Plan serves as the successor to the Company's 2010 Omnibus Equity Incentive Plan (the "2010 Plan"). Following the adoption of the 2021 Plan, the Company is no longer making grants under the 2010 Plan, and the 2021 Plan is the only plan under which equity awards are granted. However, awards previously granted under the 2010 Plan will remain outstanding until vested, exercised or forfeited, as applicable.

There were 17,754,197 shares authorized for grant under the 2021 Plan and 14,707,051 shares remaining available for future issuance at June 30, 2021.

Stock Options and Warrants

The following table summarizes the Company's stock option and warrant activity as of and for the six months ended June 30, 2021:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding — December 31, 2020	2,000,383	$ 45.57		
Granted	—	$ —		
Exercised	(480,226)	$ 45.02		
Forfeited and Expired	(23,761)	$ 55.19		
Outstanding — June 30, 2021	1,496,396	$ 45.60	5.00	$ 133,749
Exercisable — June 30, 2021	1,394,299	$ 43.26	4.81	$ 127,883
Exercisable and expected to vest — June 30, 2021	1,492,893	$ 45.52	4.99	$ 133,547

The following table summarizes information about outstanding stock options and warrants as of June 30, 2021:

	Outstanding			Exercisable	
Range of Exercise Prices	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Life (Years)	Number of Shares	Weighted-Average Exercise Price
$19.85 - $25.00	330,182	$ 19.85	4.59	330,182	$ 19.85
$25.01 - $35.00	219,325	$ 29.51	1.10	219,325	$ 29.51
$35.01 - $45.00	306,064	$ 39.48	5.61	306,064	$ 39.48
$45.01 - $65.00	132,987	$ 48.30	3.29	132,987	$ 48.30
$65.01 - $75.00	221,990	$ 65.50	6.58	221,990	$ 65.50
$75.01 - $80.00	285,848	$ 77.53	7.40	183,751	$ 77.53
	1,496,396	$ 45.60	5.00	1,394,299	$ 43.26

The Company recognized share-based compensation related to the vesting of stock options awarded to employees and officers of $0.7 million and $1.0 million during the three months ended June 30, 2021 and 2020, respectively, and $1.5 million and $2.4 million during the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, total unrecognized compensation cost related to non-vested stock options granted to employees and officers was $1.2 million, which is expected to be recognized over a weighted-average period of 0.67 years.

Restricted Stock and Stock Units

The following summarizes the Company's activity in its restricted stock awards and stock units, which include restricted stock units, deferred stock units and performance stock units, as of and for the six months ended June 30, 2021:

	Restricted Stock Awards		Stock Units	
	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Units	Weighted-Average Grant-Date Fair Value
Outstanding — December 31, 2020	5,560	$ 64.74	904,445	$ 78.12
Granted	1,593	$ 156.54	455,008	$ 143.67
Vested	(6,102)	$ 72.89	(363,664)	$ 79.49
Forfeited	—	$ —	(32,598)	$ 98.26
Outstanding — June 30, 2021	1,051	$ 156.54	963,191 (1)	$ 107.89
Expected to vest — June 30, 2021	1,051	$ 156.54	840,047	$ 112.15

(1) Includes 72,245 vested and undistributed deferred stock units.

The Company grants restricted stock awards and deferred stock units to its directors and restricted stock units and performance stock units to its employees and officers. Restricted stock awards and stock units must vest or are subject to forfeiture; however, restricted stock awards are included in shares outstanding upon grant and have the same dividend and voting rights as the Company's common stock. The Company recognized $9.9 million and $6.4 million of share-based compensation related to the vesting of these restricted stock awards and stock units during the three months ended June 30, 2021 and 2020, respectively, and $20.1 million and $13.0 million during the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, total unrecognized compensation cost for restricted stock awards and stock units was $70.1 million, which is expected to be recognized over a weighted-average remaining period of 2.26 years.

The Company also grants restricted stock units to its advisors and to financial institutions. The Company recognized share-based compensation of $0.6 million related to the vesting of these awards during each of the three months ended June 30, 2021 and 2020, and $1.2 million and $1.3 million during the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, total unrecognized compensation cost for restricted stock units granted to advisors and financial institutions was $3.3 million, which is expected to be recognized over a weighted-average remaining period of 1.87 years.

NOTE 12 - EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted-average number of shares of common stock outstanding during the period. The computation of diluted earnings per share is similar to the computation of basic earnings per share, except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if dilutive potential shares of common stock had been issued. The calculation of basic and diluted earnings per share for the periods noted was as follows (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income	$ 119,101	$ 101,662	$ 248,721	$ 257,303
Basic weighted-average number of shares outstanding	80,063	78,940	79,880	79,223
Dilutive common share equivalents	1,665	1,187	1,728	1,436
Diluted weighted-average number of shares outstanding	81,728	80,127	81,608	80,659
Basic earnings per share	$ 1.49	$ 1.29	$ 3.11	$ 3.25
Diluted earnings per share	$ 1.46	$ 1.27	$ 3.05	$ 3.19

The computation of diluted earnings per share excludes stock options, warrants and stock units that are anti-dilutive. For the three months ended June 30, 2020, stock options, warrants and stock units representing common share equivalents of 1,040,297 shares were anti-dilutive. There were no such anti-dilutive shares during the three months ended June 30, 2021. For the six months ended June 30, 2021 and 2020, stock options, warrants and stock units representing common share equivalents of 2,604 shares and 683,813 shares, respectively, were anti-dilutive.

NOTE 13 - INCOME TAXES

The Company's effective income tax rate differs from the federal corporate tax rate of 21.0%, primarily as a result of state taxes, settlement contingencies, tax credits and other permanent differences in tax deductibility of certain expenses. These items resulted in effective tax rates of 26.3% and 25.9% for the three months ended June 30, 2021 and 2020, respectively, and 23.9% and 25.4% for the six months ended June 30, 2021 and 2020, respectively.

The decrease in our effective income tax rate for the six months ended June 30, 2021 compared to 2020 was primarily due to an increase in tax benefits associated with stock compensation under Accounting Standards Codification ("ASC") Topic 718.

NOTE 14 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Company has related party transactions with beneficial owners of more than ten percent of the Company's outstanding common stock. Additionally, through its subsidiary LPL Financial, the Company provides services and charitable contributions to the LPL Financial Foundation, an organization that provides volunteer and financial support within the Company's local communities.

The Company recognized revenues for services provided to these related parties of $1.5 million and $1.1 million during the three months ended June 30, 2021 and 2020, respectively, and $2.9 million and $2.3 million during the six months ended June 30, 2021 and 2020, respectively. The Company incurred expenses for the services provided by these related parties of $0.4 million and $0.5 million during the three months ended June 30, 2021 and 2020, respectively, and $0.8 million and $0.9 million during the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, receivables from and payables to related parties were not material.

NOTE 15 - NET CAPITAL AND REGULATORY REQUIREMENTS

The Company's registered broker-dealer, LPL Financial, is subject to the SEC's Net Capital Rule (Rule 15c3-1 under the Exchange Act), which requires the maintenance of minimum net capital. The net capital rules also provide that the broker-dealer's capital may not be withdrawn if the resulting net capital would be less than minimum requirements. Additionally, certain withdrawals require the approval of the SEC and FINRA to the extent they exceed defined levels, even though such withdrawals would not cause net capital to be less than minimum requirements. Net capital and the related net capital requirement may fluctuate on a daily basis. LPL Financial is a clearing broker-dealer and, as of June 30, 2021, had net capital of $140.8 million, which was $127.5 million in excess of its minimum net capital requirement of $13.3 million.

In April 2021, the Company acquired a broker-dealer as part of its acquisition of the wealth management business of Waddell & Reed Financial, Inc. (the "Waddell & Reed broker-dealer"). The Waddell & Reed broker-dealer is required to maintain net capital of $250,000, which represents the greater of 2% of its aggregate debits or the minimum net capital requirement of $250,000. At June 30, 2021, the Waddell & Reed broker-dealer had net capital of $21.6 million, which was $21.3 million in excess of its minimum capital requirement. The Company expects to dissolve the Waddell & Reed broker-dealer during the fourth quarter of 2021.

The Company's subsidiary, PTC, also operates in a highly regulated industry and is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have substantial monetary and non-monetary impacts on PTC's operations.

As of June 30, 2021 and December 31, 2020, LPL Financial and PTC met all capital adequacy requirements to which they were subject.

NOTE 16 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

LPL Financial's client securities activities are transacted on either a cash or margin basis. In margin transactions, LPL Financial extends credit to the advisor's client, subject to various regulatory and internal margin requirements, which is collateralized by cash and securities in the client's account. As clients write options contracts or sell securities short, LPL Financial may incur losses if the clients do not fulfill their obligations and the collateral in the clients' accounts is not sufficient to fully cover losses that clients may incur from these strategies. To control this risk, LPL Financial monitors margin levels daily and clients are required to deposit additional collateral, or reduce positions, when necessary.

LPL Financial is obligated to settle transactions with brokers and other financial institutions even if its advisors' clients fail to meet their obligation to LPL Financial. Clients are required to complete their transactions on the settlement date, generally two business days after the trade date. If clients do not fulfill their contractual obligations, LPL Financial may incur losses. In addition, the Company occasionally enters into certain types of contracts to fulfill its sale of when-issued securities. When-issued securities have been authorized but are contingent upon the actual issuance of the security. LPL Financial has established procedures to reduce this risk by generally requiring that clients deposit cash or securities into their account prior to placing an order.

LPL Financial may at times hold equity securities on both a long and short basis that are recorded on the unaudited condensed consolidated statements of financial condition at market value. While long inventory positions represent LPL Financial's ownership of securities, short inventory positions represent obligations of LPL Financial to deliver specified securities at a contracted price, which may differ from market prices prevailing at the time of completion of the transaction. Accordingly, both long and short inventory positions may result in losses or gains to LPL Financial as market values of securities fluctuate. To mitigate the risk of losses, long and short positions are marked-to-market daily and are continuously monitored by LPL Financial.

NOTE 17 - SUBSEQUENT EVENTS

On July 27, 2021, the Board of Directors declared a cash dividend of $0.25 per share on the Company’s outstanding common stock to be paid on August 27, 2021 to all stockholders of record on August 13, 2021.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

We maintain trading securities owned and securities sold, but not yet purchased in order to facilitate client transactions, to meet a portion of our clearing deposit requirements at various clearing organizations and to track the performance of our research models. These securities could include mutual funds, debt securities and equity securities. Changes in the value of our trading securities may result from fluctuations in interest rates, credit ratings of the issuer, equity prices or a combination of these factors.

In facilitating client transactions, our securities owned and securities sold, but not yet purchased generally involve mutual funds, including dividend reinvestments. Our positions held are based upon the settlement of client transactions, which are monitored by our Service, Trading and Operations ("CARE") department.

Positions held to meet clearing deposit requirements consist of U.S. government securities. The amount of securities deposited depends upon the requirements of the clearing organization. The level of securities deposited is monitored by the settlements group within our CARE department.

Our Research department develops model portfolios that are used by advisors in developing client portfolios. We maintain securities owned in internal accounts based on these model portfolios to track the performance of our Research department. At the time a portfolio is developed, we purchase the securities in that model portfolio in an amount equal to the account minimum, which varies by product.

In addition, we are subject to market risk resulting from system incidents or interruptions and human error, which can require customer trade corrections. We also have market risk on the fees we earn that are based on the market value of advisory and brokerage assets along with assets on which trailing commissions are paid, and assets eligible for sponsor payments.

As of June 30, 2021, the fair value of our trading securities owned was $30.2 million and the fair value of securities sold, but not yet purchased was immaterial. The fair value of securities included within other assets was $451.4 million as of June 30, 2021. See Note 5 - *Fair Value Measurements*, within the notes to the unaudited condensed consolidated financial statements for information regarding the fair value of trading securities owned, securities sold, but not yet purchased and other assets associated with our client facilitation activities. See Note 6 - *Held-to-Maturity Securities*, within the notes to the unaudited condensed consolidated financial statements for information regarding the fair value of securities held to maturity.

Interest Rate Risk

We are exposed to risk associated with changes in interest rates. As of June 30, 2021, $1.1 billion of our outstanding debt under our Credit Agreement was subject to floating interest rate risk. While our senior secured term loan is subject to increases in interest rates, we do not believe that a short-term change in interest rates would have a material impact on our income before taxes given assets owned, which are generally subject to the same, but off-setting, interest rate risk.

The following table summarizes the impact of increasing interest rates on our interest expense from the variable portion of our debt outstanding, calculated using the projected average outstanding balance over the subsequent twelve-month period (in thousands):

		Annual Impact of an Interest Rate(†) Increase of			
Senior Secured Credit Facility	**Outstanding Balance at June 30, 2021**	**10 Basis Points**	**25 Basis Points**	**50 Basis Points**	**100 Basis Points**
Term Loan B	$ 1,053,950	$ 1,047	$ 2,618	$ 5,236	$ 10,473

(†) Our interest rate for the Term Loan B is locked in for one, two, three, six or twelve months as allowed under the Credit Agreement. At the end of the selected periods the rates will be locked in at the then current rate. The effect of these interest rate locks are not included in the table above.

See Note 8 - *Long-term and Other Borrowings* within the notes to the unaudited condensed consolidated financial statements for additional information.

As of June 30, 2021, we offered our advisors and their clients two primary bank sweep vehicles that are interest rate sensitive: (1) our insured cash account ("ICA") for individuals, trusts, sole proprietorships and entities organized or operated to make a profit, such as corporations, partnerships, associations, business trusts and other organizations; and (2) an insured deposit cash account ("DCA") for advisory individual retirement accounts. In addition, we offer our advisors and their clients a money market program, including money market sweep accounts as well as the ability to participate in purchased money market funds. While clients earn interest on deposits in ICA and DCA, we earn a fee. The fees we earn from cash held in ICAs are based on prevailing interest rates in the current interest rate environment. The fees we earn from DCAs are calculated as a per account fee, and such fees increase as the federal funds target rate increases, subject to a cap. The fees we earn on cash balances in our advisors' clients' accounts in our money market program, including administrative and recordkeeping fees based on account type and the invested balances, are also sensitive to prevailing interest rates. Changes in interest rates and fees for the bank deposit sweep vehicles are monitored by our Rate Setting Committee (the "RSC"), which governs and approves any changes to our fees. By meeting promptly around the time of Federal Open Market Committee meetings, or for other market or non-market reasons, the RSC considers financial risk of the insured bank deposit sweep vehicles relative to other products into which clients may move cash balances.

Credit Risk

Credit risk is the risk of loss due to adverse changes in a borrower's, issuer's or counterparty's ability to meet its financial obligations under contractual or agreed upon terms. Credit risk includes the risk that loans we extend to advisors to facilitate their transition to our platform or to fund their business development activities are not repaid in full or on time. Credit risk also includes the risk that collateral posted with LPL Financial by clients to support margin lending or derivative trading is insufficient to meet clients' contractual obligations to LPL Financial. We bear credit risk on the activities of our advisors' clients, including the execution, settlement and financing of various transactions on behalf of these clients.

These activities are transacted on either a cash or margin basis. Our credit exposure in these transactions consists primarily of margin accounts, through which we extend credit to advisors' clients collateralized by securities in the clients' accounts. Under many of these agreements, we are permitted to sell, repledge or loan these securities held as collateral and use these securities to enter into securities lending arrangements or to deliver to counterparties to cover short positions.

As our advisors execute margin transactions on behalf of their clients, we may incur losses if clients do not fulfill their obligations, the collateral in the clients' accounts is insufficient to fully cover losses from such investments and our advisors fail to reimburse us for such losses. Our losses on margin accounts were immaterial during the three and six months ended June 30, 2021 and 2020. We monitor exposure to industry sectors and individual securities and perform analyses on a regular basis in connection with our margin lending activities. We adjust our margin requirements if we believe our risk exposure is not appropriate based on market conditions.

We are subject to concentration risk if we extend large loans to or have large commitments with a single counterparty, borrower or group of similar counterparties or borrowers (e.g., in the same industry), or if we accept a concentrated position as collateral for a margin loan. Receivables from and payables to clients and stock borrowing and lending activities are conducted with a large number of clients and counterparties and potential concentration is monitored. We seek to limit this risk through review of the underlying business and the use of limits established by senior management, taking into consideration factors including the financial strength of the counterparty, the size of the position or commitment, the expected duration of the position or commitment and other positions or commitments outstanding.

Operational Risk

Operational risk is defined as the risk of loss resulting from failed or inadequate processes or systems, actions by people or external events. We operate in diverse markets and are reliant on the ability of our employees and information technology systems, as well as third-party service providers and their systems, to manage a large volume of transactions and confidential information, including personally identifiable information, effectively and securely. These risks are less direct and quantifiable than credit and market risk, but managing them is critical, particularly in a rapidly changing operating environment with increasing transaction volumes and in light of increasing reliance on systems capabilities and performance, as well as third-party service providers. In the event of the breakdown, obsolescence or improper operation of systems, malicious cyber activity or improper action by employees, advisors or third-party service providers, we could suffer business disruptions, financial loss, data loss, regulatory sanctions and damage to our reputation. Although we have developed business continuity and disaster recovery plans, those plans could be inadequate, disrupted or otherwise unsuccessful in maintaining the competitiveness, stability, security or continuity of critical systems as a result of, among other things, obsolescence, improper operation, third-party dependencies or limitations of our current technology.

In order to assist in the mitigation and control of operational risk, we have an operational risk framework that is designed to enable assessment and reporting on operational risk across the firm. This framework aims to ensure policies and procedures are in place and appropriately designed to identify and manage operational risk at appropriate levels throughout our organization and within various departments. These control mechanisms attempt to ensure that operational policies and procedures are being followed and that our employees and advisors operate within established corporate policies and limits. Notwithstanding the foregoing, please consult the *"Risks Related to Our Technology"* and the *"Risks Related to Our Business and Industry"* sections within Part I, *"Item 1A. Risk Factors"* in our 2020 Annual Report on Form 10-K for more information about the risks associated with our technology, including risks related to security, our risk management policies and procedures, and the potential related effects on our operations.

Our senior management is monitoring developments in the COVID-19 pandemic and has implemented changes to our policies, procedures and operations to protect the integrity and continuity of our business and the health and safety of our employees. For example, we equipped and enabled a substantial majority of employees to work remotely, enhanced cleaning protocols throughout our corporate offices and worked closely with our vendors to maintain service continuity throughout the market volatility and increased operational volumes that occurred from time to time during the pandemic. There can be no guarantee that our business continuity plans and the other efforts to manage the business implications of COVID-19 will be effective, or that there will not be material adverse effects on our results of operations. Please consult Part I, *"Item 1A. Risk Factors"* in our 2020 Annual Report on Form 10-K for more information about the risks associated with COVID-19.

Regulatory and Legal Risk

The regulatory environment in which we operate is discussed in detail within Part I, *"Item 1. Business"* in our 2020 Annual Report on Form 10-K. In recent years, and during the period presented in this Quarterly Report on Form 10-Q, we have observed the SEC, FINRA and state regulators broaden the scope, frequency and depth of their examinations and inquiries to include greater emphasis on the quality, consistency and oversight of our compliance systems and programs. Please consult the *"Risks Related to Our Regulatory Environment"* and the *"Risks Related to Our Business and Industry"* sections within Part I, *"Item 1A. Risk Factors"* in our 2020 Annual Report on Form 10-K for more information about the risks associated with operating within our regulatory environment, pending regulatory matters and the potential related effects on our operations.

Risk Management

We employ an enterprise risk management ("ERM") framework that is intended to address key risks and responsibilities, enable us to execute our business strategy and protect our Company and its franchise. For a discussion of our ERM framework, please see the *"Risk Management"* section within Part II, "*Item 7A. Quantitative and Qualitative Disclosures About Market Risk"* in our 2020 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective.

Change in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the second quarter ended June 30, 2021, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we have been subjected to and are currently subject to legal and regulatory proceedings arising out of our business operations, including lawsuits, arbitration claims, and inquiries, investigations and enforcement proceedings initiated by the SEC, FINRA and state securities regulators, as well as other actions and claims. See Note 9 - *Commitments and Contingencies,* within the notes to the unaudited condensed consolidated financial statements for additional information.

Item 1A. Risk Factors

There have been no material changes in the information regarding the Company's risks, as set forth under Part I, "*Item 1A. Risk Factors"* in the Company's 2020 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

3.1	Amended and Restated Certificate of Incorporation of LPL Investment Holdings Inc., dated November 23, 2010 (Incorporated by reference to Amendment No. 2 to the Registration Statement on Form S-1 filed on July 9, 2010).
3.2	Certificate of Ownership and Merger Merging LPL Financial Holdings Inc. with and into LPL Investment Holdings Inc., dated June 14, 2012 (Incorporated by reference to the Form 8-K filed on June 19, 2012).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation of LPL Financial Holdings Inc., dated May 8, 2014 (Incorporated by reference to the Form 8-K filed on May 9, 2014).
3.4	Fifth Amended and Restated Bylaws of LPL Financial Holdings Inc. (Incorporated by reference to the Form 8-K filed on March 12, 2014).
4.1	Indenture, dated May 18, 2021, among LPL Holdings, Inc., U.S. Bank National Association, as trustee, and certain subsidiaries of LPL Holdings, Inc., as guarantors (Incorporated by reference to the Form 8-K filed on May 18, 2021).
10.1	LPL Financial Holdings Inc. 2021 Omnibus Equity Incentive Plan (Incorporated by reference to the Form 8-K filed on May 5, 2021).
10.2	LPL Financial Holdings Inc. 2021 Employee Stock Purchase Plan (Incorporated by reference to the Form 8-K filed on May 5, 2021).
10.3	Form of Employee Restricted Stock Unit Award granted under the LPL Financial Holdings Inc. 2021 Omnibus Equity Incentive Plan*
10.4	Form of Employee Performance Stock Unit Award granted under the LPL Financial Holdings Inc. 2021 Omnibus Equity Incentive Plan*
10.5	Form of Advisor Restricted Stock Unit Award granted under the LPL Financial Holdings Inc. 2021 Omnibus Equity Incentive Plan*
10.6	Form of Financial Institution Restricted Stock Unit Award granted under the LPL Financial Holdings Inc. 2021 Omnibus Equity Incentive Plan*
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a).*
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a).*
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.LAB	Inline XBRL Taxonomy Extension Label
101.PRE	Inline XBRL Taxonomy Extension Presentation
101.DEF	Inline XBRL Taxonomy Extension Definition
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	LPL Financial Holdings Inc.
Date: August 3, 2021	By: /s/ DAN H. ARNOLD Dan H. Arnold President and Chief Executive Officer
Date: August 3, 2021	By: /s/ MATTHEW J. AUDETTE Matthew J. Audette Chief Financial Officer
Date: August 3, 2021	By: /s/ BRENT B. SIMONICH Brent B. Simonich Chief Accounting Officer

Name:	[●]
Number of Restricted Stock Units:	[●]
Date of Grant:	[●]

EMPLOYEE RESTRICTED STOCK UNIT AWARD

granted under the

LPL FINANCIAL HOLDINGS INC.
2021 OMNIBUS EQUITY INCENTIVE PLAN

This agreement (the "Agreement") evidences the grant of an award by LPL Financial Holdings Inc., a Delaware corporation (the "Company"), to the individual named above (the "Participant") pursuant to and subject to the terms of the Company's 2021 Omnibus Equity Incentive Plan (as amended from time to time, the "Plan"). Capitalized terms used and not otherwise defined herein have the meanings provided in the Plan.

1. Restricted Stock Unit Award.

The Company hereby grants to the Participant on the date of grant set forth above (the "Date of Grant") that number of Restricted Stock Units set forth above (the "Award"), giving the Participant the conditional right to receive, without payment and subject to the conditions and limitations set forth in this Agreement and in the Plan, one share of Stock per Restricted Stock Unit (the "Shares"), subject to adjustment pursuant to the provisions of Section 7 of the Plan.

2. Vesting; Termination of Employment.

(a) Vesting. Unless earlier terminated, forfeited, relinquished or expired, and subject to the Participant's continued Employment through the applicable vesting date, the Award shall become vested on each of the dates set forth below as to the number of Shares specified below in respect of such date.

[●] Shares on [●] 20[●];

an additional [●] Shares on [●] 20[●]; and

an additional [●] Shares on [●] 20[●].

(b) Termination of Employment. Automatically and immediately upon the cessation of the Participant's Employment, (i) the unvested portion of the Award shall terminate and be forfeited for no consideration, except (A) as expressly provided otherwise in any other written agreement then in effect between the Company and the Participant or under the terms of any employee benefit plan or program sponsored by the Company in which the Participant then participates and (B) that upon a termination of Employment due to the Participant's death or Disability or upon the Participant's Retirement the Award, to the extent then unvested, shall automatically vest in full; and (ii) the vested portion of the Award, if any, shall terminate and be forfeited for no consideration if the Participant's Employment is terminated for Cause or occurs in circumstances that in the determination of the Administrator would have constituted grounds for the Participant's Employment to be terminated for Cause, pursuant to Section 6(a)(4)(E) of the Plan.

3. Delivery of Shares.

Subject to Section 8 of this Agreement, the Company shall effect delivery of vested Shares to the Participant (or, in the event of the Participant's death, to the person to whom the Award has passed by will or the laws of descent and distribution) within thirty (30) days of the date such Shares become vested as described in Section 2. No Shares will be issued pursuant to this Award unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

4. Dividends; Other Rights.

The Award shall not be interpreted to bestow upon the Participant any equity interest or ownership in the Company or any Affiliate prior to the date on which the Company delivers Shares to the Participant. The Participant is not entitled to vote any Shares by reason of the granting of this Award or to receive or be credited with any dividends declared and payable on any Share prior to the payment date with respect to such Share. The Participant shall have the rights of a shareholder only as to those Shares, if any, that are actually delivered under this Award.

5. Withholding; Certain Tax Matters.

(a) No Shares will be delivered pursuant to this Award unless and until the Participant shall have remitted to the Company in cash or by check an amount sufficient to satisfy any federal, state or local withholding tax requirements or tax payments, or shall have made other arrangements satisfactory to the Administrator with respect to such taxes. The Administrator may, in its sole discretion, hold back Shares from an award or permit the Participant to tender previously owned shares of Stock in satisfaction of tax withholding or tax payment requirements (but not in excess of the applicable minimum statutory withholding rate).

(b) Notwithstanding anything to the contrary in this Award, if at the time of the Participant's termination of Employment, the Participant is a "specified employee," as defined below, any and all amounts payable under this Award on account of such separation from service that constitute deferred compensation and would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon the Participant's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury Regulation Section 1.409A-1(b) or (B) other amounts or benefits that are not subject to the requirements of Section 409A. For purposes of this Award, all references to "termination of employment" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury Regulations after giving effect to the presumptions contained therein), and the term "specified employee" means an individual determined by the Company to be a specified employee under Treasury Regulation Section 1.409A-1(i). In no event shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A. To the extent that discretion may be exercised by the Administrator regarding the treatment of the Award in connection with a Change of Control or Covered Transaction, it shall not be exercised if it would cause the Award to violate the terms of Section 409A.

6. Restrictions on Transfer.

No portion of the Award may be transferred except as expressly permitted under Section 6(a)(3) of the Plan.

7. Effect on Employment.

This Award shall not confer upon the Participant any right to be retained in the employ or service of the Company or any of its Affiliates and shall not affect in any way the right of the Company or any of its Affiliates to terminate the Participant's Employment at any time.

8. Forfeiture; Recovery of Compensation.

(a) The Award, and the proceeds from the delivery and/or disposition of the Shares, are subject to forfeiture and disgorgement to the Company, with interest and other related earnings, if at any time the Participant is not in compliance with all applicable provisions of this Agreement and the Plan, including, without limitation, if the Participant engages in conduct that would constitute grounds for termination of the Participant's Employment for Cause or upon the Participant's breach of any non-competition, non-solicitation, no-hire, non-disparagement, confidentiality, invention assignment or other restrictive covenant by which the Participant is bound or if the Participant engages in Competitive Activity. Without limiting the foregoing, if the Participant no longer holds the Shares, the Administrator may require the Participant remit or deliver to the Company (i) the amount of any gain realized upon the sale of any Shares under this Award, (ii) any consideration received upon the exchange of any Shares under this Award (or to the extent that such consideration was not received in the form of cash, the cash equivalent thereof valued at the time of the exchange) and (iii) to the extent that the Shares were transferred by gift or without consideration, the value of the Shares determined at the time of gift or transfer.

(b) By accepting, or being deemed to have accepted, the Award, the Participant expressly acknowledges and agrees that his or her rights under the Award (and those of any transferee of the Award), including the right to any Stock acquired under the Award or proceeds from the disposition thereof, are subject to Section 6(a)(5) and Section 6(a)(6) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback or recoupment policy of the Company that applies to incentive compensation that includes awards such as the Award; provided, however, that the foregoing shall not be construed to limit the general application of Section 9 of this Agreement.

9. Provisions of the Plan.

This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the date of the grant of the Award has been furnished or made available to the Participant. By accepting, or being deemed to have accepted, all or any part of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of this Agreement shall control.

10. General.

The Participant acknowledges and agrees that all determinations of the Administrator made with respect to the Plan and the Award are conclusive and shall be binding upon the Participant and any permitted transferee. This Agreement may be executed in counterparts (which may be delivered in .pdf format or by other electronic means), each of which shall be an original and all of which together shall constitute one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed under its corporate seal by its duly authorized officer. This Agreement shall take effect as a sealed instrument.

LPL FINANCIAL HOLDINGS INC.

By: ____________
Name:
Title:

Acknowledged and Agreed:

Signature: __________

Print Name: __________

Date: ____________

[Signature Page to Restricted Stock Unit Award Agreement]

Name:	[●]
Target Number of PSUs:	[●]
Date of Grant:	[●]

EMPLOYEE PERFORMANCE STOCK UNIT AWARD

granted under the

LPL FINANCIAL HOLDINGS INC.
2021 OMNIBUS EQUITY INCENTIVE PLAN

This agreement (the "Agreement") evidences the grant of an award by LPL Financial Holdings Inc., a Delaware corporation (the "Company"), to the individual named above (the "Participant") pursuant to and subject to the terms of the Company's 2021 Omnibus Equity Incentive Plan (as amended from time to time, the "Plan"). Capitalized terms used and not otherwise defined herein have the meanings provided in the Plan.

1. Performance Stock Unit Award.

The Company hereby grants to the Participant on the date of grant set forth above (the "Date of Grant") an award (the "Award") consisting of that target number of performance-based Restricted Stock Units set forth above (the "Target Award" and such Restricted Stock Units, the "PSUs"), giving the Participant the conditional right to receive, without payment and subject to the conditions and limitations set forth in this Agreement and in the Plan, one share of Stock per PSU (the "Shares"), subject to adjustment pursuant to the provisions of Section 7 of the Plan.

2. Vesting; Termination of Employment.

(a) Determination of Earned PSUs. The percentage of the Target Award that may be earned by the Participant and the corresponding number of PSUs that may become Earned PSUs (as defined in Appendix A) following the end of the Performance Period will be determined in accordance with Appendix A hereto, which Appendix A is incorporated by reference and made part of this Agreement

(b) Vesting. Unless earlier terminated, forfeited, relinquished or expired, and subject to the Participant's continued Employment through the applicable vesting date, the Earned PSUs (if any) shall vest on the later of (i) the Determination Date (as defined in Appendix A) and (ii) the third anniversary of the Date of Grant (such later date, the "Vesting Date").

(c) Termination of Employment. Automatically and immediately upon the cessation of the Participant's Employment prior to the Determination Date, the Award shall terminate and be forfeited for no consideration. Notwithstanding the foregoing, in the event of a termination of the Participant's Employment due to his or her death or Disability (as defined in the LPL Financial LLC Executive Severance Plan (the "Severance Plan")) or Retirement, in each case, prior to the Determination Date, or as otherwise provided in Section 4.1 or Section 4.2 of the Severance Plan, the Award shall not terminate upon such termination of Employment and instead shall remain outstanding and eligible to become Earned PSUs in accordance with the terms of Appendix A and to vest on the Determination Date or such earlier date as otherwise provided for in the Severance Plan; it being understood that, if the Administrator determines on the Determination Date that 0% of the Target Award has been earned, the entire Award shall terminate automatically and immediately. In such case, the number of Earned PSUs, if any, will be prorated based on the number of days that have elapsed in the Performance Period from the first day of the Performance Period to the date of such termination of Employment. Further, (i) if such termination of Employment occurs after the Determination Date but prior to the Vesting Date, the Earned PSUs will vest on the date of the termination of Employment; and (ii) if a Change of Control occurs following such termination of Employment and prior to the Determination Date, the PSUs shall become Earned PSUs upon the consummation of such Change of Control based on the extent to which the applicable performance vesting conditions have been achieved as of the consummation of such Change of Control (or the end of the Performance Period, if earlier), as determined by the Administrator in its sole discretion in accordance with the terms of Section 7(a)(1)(A) of the Plan.

3. Delivery of Shares.

Subject to Section 8 of this Agreement, the Company shall effect delivery of Shares in respect of Earned PSUs to the Participant (or, in the event of the Participant's death, to the person to whom the Award has passed by will or the laws of descent and distribution) as soon as reasonably practicable following the Vesting Date, or such earlier date on which the PSUs become Earned PSUs in accordance with Section 2(c) above, but in no event later than the March 15 of the year following the year in which the Performance Period End Date (as defined in Appendix A) occurs (or any earlier date, after vesting, as may be required to avoid characterization as non-qualified deferred compensation under Section 409A).

4. Dividends; Other Rights.

The Award shall not be interpreted to bestow upon the Participant any equity interest or ownership in the Company or any Affiliate prior to the date on which the Company delivers Shares to the Participant. The Participant is not entitled to vote any Shares by reason of the granting of this Award or to receive or be credited with any dividends declared and payable on any Share prior to the payment date with respect to such Share. The Participant shall have the rights of a shareholder only as to those Shares, if any, that are actually delivered under this Award.

5. Withholding; Certain Tax Matters.

(a) No Shares will be delivered pursuant to this Award unless and until the Participant shall have remitted to the Company in cash or by check an amount sufficient to satisfy any federal, state or local withholding tax requirements or tax payments, or shall have made other arrangements satisfactory to the Administrator with respect to such taxes. The Administrator may, in its sole discretion, hold back Shares from an award or permit the Participant to tender previously owned shares of Stock in satisfaction of tax withholding or tax payment requirements (but not in excess of the applicable minimum statutory withholding rate).

(b) Notwithstanding anything to the contrary in this Award, if at the time of the Participant's termination of Employment, the Participant is a "specified employee," as defined below, any and all amounts payable under this Award on account of such separation from service that constitute deferred compensation and would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon the Participant's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury Regulation Section 1.409A-1(b) or (B) other amounts or benefits that are not subject to the requirements of Section 409A. For purposes of this Award, all references to "termination of employment" and correlative phrases shall be construed to require a “separation from service” (as defined in Section 1.409A-1(h) of the Treasury Regulations after giving effect to the presumptions contained therein), and the term “specified employee” means an individual determined by the Company to be a specified employee under Treasury Regulation Section 1.409A-1(i). In no event shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A. To the extent that discretion may be exercised by the Administrator regarding the treatment of the Award in connection with a Change of Control or Covered Transaction, it shall not be exercised if it would cause the Award to violate the terms of Section 409A.

6. Restrictions on Transfer.

No portion of the Award may be transferred except as expressly permitted under Section 6(a)(3) of the Plan.

7. Effect on Employment.

This Award shall not confer upon the Participant any right to be retained in the employ or service of the Company or any of its Affiliates and shall not affect in any way the right of the Company or any of its Affiliates to terminate the Participant’s Employment at any time.

8. Forfeiture; Recovery of Compensation.

(a) The Award, and the proceeds from the delivery and/or disposition of the Shares, are subject to forfeiture and disgorgement to the Company, with interest and other related earnings, if at any time the Participant is not in compliance with all applicable provisions of this Agreement and the Plan, including, without limitation, if the Participant engages in conduct that would constitute grounds for termination of the Participant’s Employment for Cause or upon the Participant’s breach of any non-competition, non-solicitation, no-hire, non-disparagement, confidentiality, invention assignment or other restrictive covenant by which the Participant is bound or if the Participant engages in Competitive Activity. Without limiting the foregoing, if the Participant no longer holds the Shares, the Administrator may require the Participant remit or deliver to the Company (i) the amount of any gain realized upon the sale of any Shares under this Award, (ii) any consideration received upon the exchange of any Shares under this Award (or to the extent that such consideration was not received in the form of cash, the cash equivalent thereof valued at the time of the exchange) and (iii) to the extent that the Shares were transferred by gift or without consideration, the value of the Shares determined at the time of gift or transfer.

(b) By accepting, or being deemed to have accepted, the Award, the Participant expressly acknowledges and agrees that his or her rights under the Award (and those of any transferee of the Award), including the right to any Stock acquired under the Award or proceeds from the disposition thereof, are subject to Section 6(a)(5) and Section 6(a)(6) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback or recoupment policy of the Company that applies to incentive compensation that includes awards such as the Award; provided, however, that the foregoing shall not be construed to limit the general application of Section 9 of this Agreement.

9. Provisions of the Plan.

This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the date of the grant of the Award has been furnished or made available to the Participant. By accepting, or being deemed to have accepted, all or any part of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of this Agreement shall control.

10. General.

The Participant acknowledges and agrees that all determinations of the Administrator made with respect to the Plan and the Award are conclusive and shall be binding upon the Participant and any permitted transferee. This Agreement may be executed in counterparts (which may be delivered in .pdf format or by other electronic means), each of which shall be an original and all of which together shall constitute one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed under its corporate seal by its duly authorized officer. This Agreement shall take effect as a sealed instrument.

LPL FINANCIAL HOLDINGS INC.

By: ____________
Name:
Title:

Acknowledged and Agreed:

Signature: __________

Print Name: __________

Date: ____________

[Signature Page to Performance Stock Unit Award Agreement]

<u>Appendix A</u>

DETERMINATION OF EARNED PSUS

(attached)

Name:	[●]
Number of Restricted Stock Units:	[●]
Date of Grant:	[●]

ADVISOR RESTRICTED STOCK UNIT AWARD

granted under the

LPL FINANCIAL HOLDINGS INC.
2021 OMNIBUS EQUITY INCENTIVE PLAN

This agreement (the "Agreement") evidences the grant of an award by LPL Financial Holdings Inc., a Delaware corporation (the "Company"), to the individual named above (the "Participant") pursuant to and subject to the terms of the Company's 2021 Omnibus Equity Incentive Plan (as amended from time to time, the "Plan"). Capitalized terms used and not otherwise defined herein have the meanings provided in the Plan.

1. Restricted Stock Unit Award.

The Company hereby grants to the Participant on the date of grant set forth above (the "Date of Grant") that number of Restricted Stock Units set forth above (the "Award"), giving the Participant the conditional right to receive, without payment and subject to the conditions and limitations set forth in this Agreement and in the Plan, one share of Stock per Restricted Stock Unit (the "Shares"), subject to adjustment pursuant to the provisions of Section 7 of the Plan.

2. Vesting; Termination of Service.

(a) Time-Based Vesting. Unless earlier terminated, forfeited, relinquished or expired, the Award shall become vested as to 100% of the Shares on the third anniversary of the Grant Date (such third anniversary, the "Vesting Date"), subject to the Participant remaining in continuous Service through the Vesting Date.

(b) Termination of Service. Automatically and immediately upon the cessation of the Participant's Service, the Award (i) if not then vested, shall terminate, except that upon a termination of Service due to the Participant's death, the award shall become vested as to 100% of the Shares, and (ii) whether vested or unvested, shall terminate if the Participant's Service is terminated for Cause.

3. Delivery of Shares.

Subject to Sections 2(b), 5 and 8 of this Agreement, the Company shall effect delivery of vested Shares to the Participant (or, in the event of the Participant's death, to the person to whom the Award has passed by will or the laws of descent and distribution) within thirty (30) days of the Vesting Date. No Shares will be issued pursuant to this Award unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

4. Dividends; Other Rights.

The Award shall not be interpreted to bestow upon the Participant any equity interest or ownership in the Company or any Affiliate prior to the date on which the Company delivers Shares to the Participant. The Participant is not entitled to vote any Shares by reason of the granting of this Award or to receive or be credited with any dividends declared and payable on any Share prior to the payment date with respect to such Share. The Participant shall have the rights of a shareholder only as to those Shares, if any, that are actually delivered under this Award.

5. Certain Tax Matters.

The Participant is solely responsible for satisfying and paying all taxes arising from or due in connection with the Award. The Company will have no liability with respect to the foregoing. Notwithstanding the foregoing, if the Participant is, or at any time prior to the Vesting Date becomes, an Employee, no Shares will be delivered pursuant to this Award unless and until the Participant shall have remitted to the Company in cash or by check an amount sufficient to satisfy any federal, state or local withholding tax requirements or tax payments, or shall have made other arrangements satisfactory to the Administrator with respect to such taxes. The Administrator may, in its sole discretion, hold back Shares from an award or permit the Participant to tender previously owned shares of Stock in satisfaction of tax withholding or tax payment requirements (but not in excess of the applicable minimum statutory withholding rate).

Notwithstanding anything to the contrary in this Award, if at the time of the Participant's termination of Service, the Participant is a "specified employee," as defined below, any and all amounts payable under this Award on account of such separation from service that constitute deferred compensation and would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon the Participant's death; except (A) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury Regulation Section 1.409A-1(b) or (B) other amounts or benefits that are not subject to the requirements of Section 409A. For purposes of this Award, all references to "termination of service" and correlative phrases shall be construed to require a "separation from service" (as defined in Section 1.409A-1(h) of the Treasury Regulations after giving effect to the presumptions contained therein), and the term "specified employee" means an individual determined by the Company to be a specified employee under Treasury Regulation Section 1.409A-1(i). In no event shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this Agreement to comply with, or be exempt from, the requirements of Section 409A. To the extent that discretion may be exercised by the Administrator regarding the treatment of the Award in connection with a Change of Control or Covered Transaction, it shall not be exercised if it would cause the Award to violate the terms of Section 409A.

6. Restrictions on Transfer.

No portion of the Award may be transferred except as expressly permitted under Section 6(a)(3) of the Plan.

7. Effect on Service.

Neither the grant of the Award, nor the issuance of Shares, if any, hereunder, shall give the Participant any right to be retained in the employ or service of, or continue to be licensed by, the

Company or any of its Affiliates and shall not affect in any way the right of the Company or any of its Affiliates to terminate the Participant's Service at any time.

8. Forfeiture; Recovery of Compensation.

(a) The Award, and the proceeds from the delivery and/or disposition of the Shares, are subject to forfeiture and disgorgement to the Company, with interest and other related earnings, if at any time the Participant's Service is terminated by reason of Cause. Without limiting the foregoing, if the Participant no longer holds the Shares, the Administrator may require the Participant remit or deliver to the Company (i) the amount of any gain realized upon the sale of any Shares under this Award, (ii) any consideration received upon the exchange of any Shares under this Award (or to the extent that such consideration was not received in the form of cash, the cash equivalent thereof valued at the time of the exchange) and (iii) to the extent that the Shares were transferred by gift or without consideration, the value of the Shares determined at the time of gift or transfer.

(b) By accepting, or being deemed to have accepted, the Award, the Participant expressly acknowledges and agrees that his or her rights under the Award (and those of any transferee of the Award), including the right to any Stock acquired under the Award or proceeds from the disposition thereof, are subject to Section 6(a)(5) and Section 6(a)(6) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback or recoupment policy of the Company that applies to incentive compensation that includes awards such as the Award; provided, however, that the foregoing shall not be construed to limit the general application of Section 9 of this Agreement.

9. Provisions of the Plan.

This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the date of the grant of the Award has been furnished or made available to the Participant. By accepting, or being deemed to have accepted, all or any part of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of this Agreement shall control.

10. Definitions.

The term "Service" shall have the meaning set forth below:

"Service": The Participant's relationship as a licensed financial advisor with LPL Financial (defined below). The Participant's relationship with the Company or any of its Affiliates as a service provider will be deemed to continue, unless the Administrator expressly provides otherwise, so long as the Participant is providing services in a capacity described in Section 5 of the Plan to the Company or any of its Affiliates. For purposes of this Agreement and Plan, Service shall have the same meaning in respect to such service providers as "Employment" has to Employees, as set forth in the Exhibit A to the Plan, and, in interpreting the provisions of the Plan as they may apply to this Award, any reference to "Employment" (including, but not limited to, any such reference in the definition of "Cause") shall be construed as a reference to "Service".

11. Representations and Warranties of Participant.

By acknowledging and executing this Agreement, the Participant represents that:

(a) the Participant is licensed with LPL Financial LLC ("LPL Financial"), the broker-dealer subsidiary of the Company;

(b) the sales and marketing of LPL Financial products and services represents the Participant's primary business activity; and

(c) the compensation paid by LPL Financial represents the primary source of the Participant's earned income.

12. General.

The Participant acknowledges and agrees that all determinations of the Administrator made with respect to the Plan and the Award are conclusive and shall be binding upon the Participant and any permitted transferee. This Agreement may be executed in counterparts (which may be delivered in .pdf format or by other electronic means), each of which shall be an original and all of which together shall constitute one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed under its corporate seal by its duly authorized officer. This Agreement shall take effect as a sealed instrument.

LPL FINANCIAL HOLDINGS INC.

By: ____________
Name:
Title:

Acknowledged and Agreed:

Signature: __________

Print Name: __________

Date: ____________

Name:	[●]
Number of Restricted Stock Units:	[●]
Date of Grant:	[●]

FINANCIAL INSTITUTION STOCK UNIT AWARD

granted under the

LPL FINANCIAL HOLDINGS INC.
2021 OMNIBUS EQUITY INCENTIVE PLAN

This agreement (the "Agreement") evidences the grant of an award by LPL Financial Holdings Inc., a Delaware corporation (the "Company"), to the individual named above (the "Participant") pursuant to and subject to the terms of the Company's 2021 Omnibus Equity Incentive Plan (as amended from time to time, the "Plan"). Capitalized terms used and not otherwise defined herein have the meanings provided in the Plan.

1. Restricted Stock Unit Award.

The Company hereby grants to the Participant on the date of grant set forth above (the "Date of Grant") that number of Restricted Stock Units set forth above (the "Award"), giving the Participant the conditional right to receive, without payment and subject to the conditions and limitations set forth in this Agreement and in the Plan, one share of Stock per Restricted Stock Unit (the "Shares"), subject to adjustment pursuant to the provisions of Section 7 of the Plan.

2. Vesting; Termination of Service.

(a) Time-Based Vesting. Unless earlier terminated, forfeited, relinquished or expired, the Award shall become vested as to 100% of the Shares on the third anniversary of the Grant Date (such third anniversary, the "Vesting Date"), subject to the Participant remaining in continuous Service through the Vesting Date.

(b) Termination of Service. Automatically and immediately upon the cessation of the Participant's Service, the Award (i) if not then vested, shall terminate and (ii) whether vested or unvested, shall terminate if the Participant's Service is terminated for Cause.

3. Delivery of Shares.

Subject to Section 2(b) and 7 of this Agreement, the Company shall effect delivery of vested Shares to the Participant within thirty (30) days of the Vesting Date. No Shares will be issued pursuant to this Award unless and until all legal requirements applicable to the issuance or transfer of such Shares have been complied with to the satisfaction of the Administrator.

4. Dividends; Other Rights.

The Award shall not be interpreted to bestow upon the Participant any equity interest or ownership in the Company or any Affiliate prior to the date on which the Company delivers Shares to the Participant. The Participant is not entitled to vote any Shares by reason of the granting of this Award or to receive or be credited with any dividends declared and payable on any Share prior to the payment date with respect to such Share. The Participant shall have the rights of a shareholder only as to those Shares, if any, that are actually delivered under this Award.

5. Certain Tax Matters.

The Participant is solely responsible for satisfying and paying all taxes arising from or due in connection with the Award. The Company will have no liability with respect to the foregoing.

6. Restrictions on Transfer.

No portion of the Award may be transferred except as expressly permitted under Section 6(a)(3) of the Plan.

7. Effect on Service.

Neither the grant of the Award, nor the issuance of Shares, if any, hereunder, shall give the Participant any right to continue to be licensed by or affiliated with the Company or any of its Affiliates and shall not affect in any way the right of the Company or any of its Affiliates to terminate the Participant's Service at any time.

8. Forfeiture; Recovery of Compensation.

(a) The Award, and the proceeds from the delivery and/or disposition of the Shares, are subject to forfeiture and disgorgement to the Company, with interest and other related earnings, if at any time the Participant's Service is terminated by reason of Cause. Without limiting the foregoing, if the Participant no longer holds the Shares, the Administrator may require the Participant remit or deliver to the Company (i) the amount of any gain realized upon the sale of any Shares under this Award, (ii) any consideration received upon the exchange of any Shares under this Award (or to the extent that such consideration was not received in the form of cash, the cash equivalent thereof valued at the time of the exchange) and (iii) to the extent that the Shares were transferred by gift or without consideration, the value of the Shares determined at the time of gift or transfer.

(b) By accepting, or being deemed to have accepted, the Award, the Participant expressly acknowledges and agrees that his or her rights under the Award (and those of any transferee of the Award), including the right to any Stock acquired under the Award or proceeds from the disposition thereof, are subject to Section 6(a)(5) and Section 6(a)(6) of the Plan (including any successor provision). The Participant further agrees to be bound by the terms of any clawback or recoupment policy of the Company that applies to incentive compensation that includes awards such as the Award; provided, however, that the foregoing shall not be construed to limit the general application of Section 9 of this Agreement.

9. Provisions of the Plan.

This Agreement is subject in its entirety to the provisions of the Plan, which are incorporated herein by reference. A copy of the Plan as in effect on the date of the grant of the Award has been furnished or made available to the Participant. By accepting, or being deemed to have accepted, all or any part of the Award, the Participant agrees to be bound by the terms of the Plan and this Agreement. In the event of any conflict between the terms of this Agreement and the Plan, the terms of this Agreement shall control.

10. Definitions

The term "Service" shall have the meaning set forth below:

"Service": The Participant's relationship as a licensed financial advisor with LPL Financial LLC. The Participant's relationship with the Company or any of its Affiliates as a service provider will be deemed to continue, unless the Administrator expressly provides otherwise, so long as the Participant is providing services in a capacity described in Section 5 of the Plan to the Company or any of its Affiliates. For purposes of this Agreement and Plan, Service shall have the same meaning in respect to such service providers as "Employment" has to Employees, as set forth in the Exhibit A to the Plan, and, in interpreting the provisions of the Plan as they may apply to this Award, any reference to "Employment" (including, but not limited to, any such reference in the definition of "Cause") shall be construed as a reference to "Service".

11. Representations and Warranties of Participant

By acknowledging and executing this Agreement, the Participant represents that:

(a) the Participant has been advised that the Award and the securities issuable hereunder have not been registered under the Securities Act of 1933, as amended (the "Securities Act") or any state securities laws and, therefore, cannot be resold unless they are registered under the Securities Act and applicable state securities laws or unless an exemption from such registration requirements is available;

(b) the Award and the securities issuable hereunder are being acquired for investment, solely for the Participant's own account and not with a view to, or for resale in connection with, the distribution thereof in violation of the Securities Act;

(c) the Participant has such knowledge and experience in financial and business matters that the Participant is capable of evaluating the merits and risks of acquiring the Award and any securities issuable hereunder, is able to incur a complete loss of such investment in the securities and is able to bear the economic risk of an investment in the securities for an indefinite period of time;

(d) the Participant qualifies as an "accredited investor" as defined in Rule 501 of Regulation D under the Securities Act; and

(e) the Participant had and continues to have an opportunity to question, and to receive information from the Company concerning the Company and the terms and conditions of this transaction, and is familiar with the operations and affairs of the Company.

The Participant acknowledges that the delivery of any Shares pursuant to this Award is contingent upon the representations and warranties of the Participant as set forth in this Section 11 being true and correct as of the date of such delivery.

12. General.

The Participant acknowledges and agrees that all determinations of the Administrator made with respect to the Plan and the Award are conclusive and shall be binding upon the Participant and any permitted transferee. This Agreement may be executed in counterparts (which may be delivered in .pdf format or by other electronic means), each of which shall be an original and all of which together shall constitute one and the same instrument.

[Signature page follows.]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed under its corporate seal by its duly authorized officer. This Agreement shall take effect as a sealed instrument.

LPL FINANCIAL HOLDINGS INC.

By: ____________
Name:
Title:

Acknowledged and Agreed:

Signature: __________

Print Name: __________

Date: ____________

[Signature Page to Restricted Stock Unit Award Agreement]

Exhibit 31.1

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER

I, Dan H. Arnold, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LPL Financial Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

/s/ Dan H. Arnold

Dan H. Arnold
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF THE PRINCIPAL FINANCIAL OFFICER

I, Matthew J. Audette, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of LPL Financial Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

/s/ Matthew J. Audette

Matthew J. Audette
Chief Financial Officer
(principal financial officer)

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of LPL Financial Holdings Inc. (the "Company") for the period ending June 30, 2021 as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), I, Dan H. Arnold, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 3, 2021

/s/ Dan H. Arnold

Dan H. Arnold
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of LPL Financial Holdings Inc. (the “Company”) for the period ending June 30, 2021 as filed with the Securities and Exchange Commission (“SEC”) on the date hereof (the “Report”), I, Matthew J. Audette, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to the Company and will be retained by the Company and furnished to the SEC or its staff upon request.

Date: August 3, 2021

/s/ Matthew J. Audette

Matthew J. Audette
Chief Financial Officer