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 September 30, 2023
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 - $0.001 par value 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. ☒ Yes ☐ 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). ☒ Yes ☐ No

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

Large accelerated filer	☒	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. ☐

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

The number of shares of Common Stock, par value $0.001 per share, outstanding as of October 25, 2023 was 75,620,553.

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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 (the "Exchange Act"), with the Securities and Exchange Commission ("SEC"). Our SEC filings are available to the public on the SEC's website at sec.gov.

We post the following filings to our website at 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@lplfinancial.com), telephone ((617) 897-4574) or mail (LPL Financial Investor Relations at 1055 LPL Way, Fort Mill, SC 29715). 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, future share repurchases and dividends, including statements regarding future resolution of regulatory matters, legal proceedings and related costs;
- a potential settlement with the SEC related to the civil investigation into compliance with records preservation requirements for business-related electronic communications stored on personal devices applicable to broker-dealer firms and investment advisors;
- the Company's future revenue and expense;
- future affiliation models and capabilities;
- the expected onboarding of advisors, enterprises and assets in connection with our acquisition and recruitment activity;
- market and macroeconomic trends, including the effects of inflation and the interest rate environment;
- projected savings and anticipated improvements to the Company's operating model, services and technologies as a result of its investments, initiatives, programs and acquisitions; 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 reflect the Company's expectations and objectives as of October 31, 2023. 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 expectations or objectives expressed or implied by the Company will be achieved. The achievement of such expectations and objectives involves risks and uncertainties that may cause actual results, levels of activity or the timing of events to differ materially 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 revenue;
- effects of competition in the financial services industry;
- the success of the Company in attracting and retaining financial advisors and enterprises, and their ability to market financial products and services effectively;

- whether retail investors served by newly-recruited advisors choose to move their respective assets to new accounts at the Company;
- difficulties and delays in onboarding the assets of acquired or recruited advisors, including the receipt and timing of regulatory approvals that may be required;
- disruptions in the businesses of the Company that could make it more difficult to maintain relationships with advisors and their clients;
- the choice by clients of acquired or recruited advisors not to open brokerage and/or advisory accounts at the Company;
- changes in growth and profitability of the Company’s fee-based offerings;
- 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;
- the negotiation of the civil monetary penalty and definitive documentation in connection with the settlement of the civil investigation into compliance with records preservation requirements for business-related electronic communications stored on personal devices applicable to broker-dealer firms and investment advisors;
- 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 (the “Credit Agreement”), the committed revolving credit facility at our primary broker-dealer subsidiary, LPL Financial LLC (the “Broker-Dealer Revolving Credit Facility”), 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, expense plans and technology initiatives;
- whether advisors affiliated with Prudential Financial, Inc. (“Prudential”) will transition registration to the Company and whether assets reported as serviced by such financial advisors will translate into assets of the Company;
- the failure to satisfy the closing conditions applicable to the strategic relationship agreement between the Company and Prudential, including regulatory approval;
- 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; and
- the other factors set forth in the Company’s most recent 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, and you should not rely on statements contained herein as representing the Company’s view as of any date subsequent to the date of this Quarterly Report on Form 10-Q.

GLOSSARY OF TERMS

Adjusted EPS: A non-GAAP financial measure defined as Adjusted Net Income divided by the weighted average number of diluted shares outstanding for the applicable period.

Adjusted Net Income: A non-GAAP financial measure defined as net income plus the after-tax impact of amortization of other intangibles, acquisition costs, and a regulatory charge in the quarter related to an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company.

Basis Point: One basis point equals 1/100th of 1%.

Core G&A: A non-GAAP financial measure defined as total expense excluding the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; market fluctuations on employee deferred compensation; promotional (ongoing); employee share-based compensation; regulatory charges; and acquisition costs.

Corporate Cash: A component of cash and equivalents that includes the sum of cash and equivalents from the following: (1) cash and equivalents held at LPL Holdings, Inc., (2) cash and equivalents held at regulated subsidiaries as defined by the Company's Credit Agreement, which include LPL Financial LLC, Financial Resources Group Investment Services, LLC and The Private Trust Company, N.A., in excess of the capital requirements of the Company's Credit Agreement, which, in the case of LPL Financial LLC and Financial Resources Group Investment Services, LLC, is net capital in excess of 10% of their aggregate debits, or five times the net capital required in accordance with the Uniform Net Capital Rule, and (3) cash and equivalents held at non-regulated subsidiaries.

Credit Agreement: The Company's amended and restated credit agreement.

Credit Agreement EBITDA: A non-GAAP financial measure defined in the Credit Agreement as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is 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.

EBITDA: A non-GAAP financial measure defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles.

FINRA: The Financial Industry Regulatory Authority.

GAAP: Accounting principles generally accepted in the United States of America.

Gross Profit: A non-GAAP financial measure defined as total revenue less advisory and commission expense; brokerage, clearing and exchange expense; and market fluctuations on employee deferred compensation.

Indentures: The indentures governing the Company's senior unsecured notes.

Leverage Ratio: A financial metric from our Credit Agreement that is calculated by dividing Credit Agreement net debt, which equals consolidated total debt less Corporate Cash, by Credit Agreement EBITDA.

NFA: The National Futures Association.

OCC: The Office of the Comptroller of the Currency.

RIA: Registered investment advisor.

SEC: The U.S. Securities and Exchange Commission.

Uniform Net Capital Rule: Refers to Rule 15c3-1 under the Exchange Act, which specifies minimum capital requirements that are intended to ensure the general financial soundness and liquidity of broker-dealers.

PART I — FINANCIAL INFORMATION

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

Business Overview

LPL serves the advisor-mediated marketplace as the nation's largest independent broker-dealer, a leading investment advisory firm and a top custodian. We serve more than 22,000 financial advisors, including advisors at approximately 1,100 enterprises and at approximately 560 registered investment advisor ("RIA") firms nationwide, providing the front-, middle- and back-office support our advisors need. We offer integrated technology solutions; brokerage and advisory platforms; clearing, compliance, business and planning and advice services; consultative practice management programs and training; and in-house research to help our advisors run successful businesses.

We are steadfast in our commitment to the advisor-mediated model and the belief that investors deserve access to personalized guidance from a financial advisor. We believe advisors should have the freedom to choose the business model, services and technology they need and to manage their client relationships. We believe investors achieve better outcomes when working with a financial advisor, and we strive to make it easy for advisors to do what is best for their clients.

We believe that we are the only company that offers the unique combination of an integrated technology platform, comprehensive self-clearing services and access to a wide range of curated non-proprietary products all delivered in an environment unencumbered by conflicts from product manufacturing, underwriting and market-making.

Our Sources of Revenue

Our revenue is 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 revenue through our insured bank sweep vehicles, money market account balances 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, cash and equivalents segregated under federal or other regulations, advisor repayable loans and operating cash, which is included in interest income, net in the condensed consolidated statements of income. A portion of our revenue is not asset-based or correlated with the equity financial markets.

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.

Significant Events

Announced a strategic relationship agreement with Prudential retail wealth management business

On August 24, 2023, the Company announced an agreement with Prudential to transition the brokerage and investment advisory assets of Prudential Advisors, Prudential's retail wealth management business, from its current third-party custodian to LPL Financial LLC in the second half of 2024, subject to receipt of regulatory approval and other conditions.

Executive Summary

Financial Highlights

Results for the third quarter of 2023 included net income of $224.3 million, or $2.91 per diluted share, which compares to $232.3 million, or $2.86 per diluted share, for the third quarter of 2022.

Asset Trends

Total advisory and brokerage assets served were $1.2 trillion at September 30, 2023, compared to $1.0 trillion for the same period in 2022. Total net new assets were $33.2 billion for the three months ended September 30, 2023, compared to $19.9 billion for the same period in 2022.

Net new advisory assets were $22.7 billion for the three months ended September 30, 2023, compared to $11.0 billion for the same period in 2022. Advisory assets were $662.7 billion, or 53.5% of total advisory and brokerage assets served, at September 30, 2023, up 22% from $542.6 billion at September 30, 2022.

Net new brokerage assets were $10.5 billion for the three months ended September 30, 2023, compared to $8.9 billion for the same period in 2022. Brokerage assets were $575.7 billion at September 30, 2023, up 16% from $495.8 billion at September 30, 2022.

Gross Profit Trend

Gross profit, a non-GAAP financial measure, was $1.0 billion for the three months ended September 30, 2023, an increase of 21% from $837.7 million for the three months ended September 30, 2022. See the *"Key Performance Metrics"* section for additional information on gross profit.

Common Stock Dividends and Share Repurchases

During the three months ended September 30, 2023, we paid stockholders cash dividends of $22.8 million and repurchased 1.1 million of our outstanding shares for a total of $250.0 million.

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Key Performance Metrics

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:

	As of and for the Three Months Ended		
Operating Metrics (dollars in billions)(1)	**September 30, 2023**	**June 30, 2023**	**September 30, 2022**
Advisory and Brokerage Assets(2)			
Advisory assets	$ 662.7	$ 661.6	$ 542.6
Brokerage assets	575.7	578.6	495.8
Total Advisory and Brokerage Assets	**$ 1,238.4**	**$ 1,240.2**	**$ 1,038.4**
Advisory as a % of total Advisory and Brokerage Assets	53.5%	53.3%	52.3%
Net New Assets(3)			
Net new advisory assets	$ 22.7	$ 18.1	$ 11.0
Net new brokerage assets	10.5	3.6	8.9
Total Net New Assets	**$ 33.2**	**$ 21.7**	**$ 19.9**
Organic Net New Assets			
Organic net new advisory assets	$ 22.7	$ 18.1	$ 11.0
Organic net new brokerage assets	10.5	3.6	8.9
Total Organic Net New Assets	**$ 33.2**	**$ 21.7**	**$ 19.9**
Organic advisory net new assets annualized growth(4)	13.7%	11.7%	7.9%
Total organic net new assets annualized growth(4)	10.7%	7.4%	7.5%
Client Cash Balances			
Insured cash account sweep	$ 33.6	$ 36.0	$ 47.7
Deposit cash account sweep	9.1	9.5	12.7
Total Bank Sweep	**42.7**	**45.5**	**60.3**
Money market sweep	2.6	2.3	3.2
Total Client Cash Sweep Held by Third Parties	**45.3**	**47.9**	**63.5**
Client cash account	2.0	2.1	3.3
Total Client Cash Balances	**$ 47.3**	**$ 50.0**	**$ 66.8**
Client Cash Balances as a % of Total Assets	3.8%	4.0%	6.4%
Net buy (sell) activity(5)	$ 35.6	$ 32.3	$ 20.3

	As of and for the Three Months Ended		
Business and Financial Metrics (dollars in millions)	**September 30, 2023**	**June 30, 2023**	**September 30, 2022**
Advisors	22,404	21,942	21,044
Average total assets per advisor(6)	$ 55.3	$ 56.5	$ 49.3
Share repurchases	$ 250.0	$ 350.0	$ 75.0
Dividends	$ 22.8	$ 23.1	$ 20.0
Leverage ratio(7)	1.26	1.25	1.72

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Financial Metrics (dollars in millions, except per share data)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Total revenue	$ 2,522.4	$ 2,163.1	$ 7,409.0	$ 6,267.6
Net income	$ 224.3	$ 232.3	$ 848.7	$ 526.6
Earnings per share ("EPS"), diluted	$ 2.91	$ 2.86	$ 10.82	$ 6.47
Non-GAAP Financial Metrics (dollars in millions, except per share data)				
Adjusted EPS(8)	$ 3.74	$ 3.13	$ 12.18	$ 7.33
Gross profit(9)	$ 1,010.1	$ 837.7	$ 3,019.9	$ 2,217.7
EBITDA(10)	$ 458.4	$ 414.2	$ 1,541.0	$ 992.2
Core G&A(11)	$ 341.7	$ 298.0	$ 1,004.9	$ 864.9

(1) Totals may not foot due to rounding.

(2) Consists of total advisory and brokerage assets under custody at the Company's primary broker-dealer subsidiary, LPL Financial LLC ("LPL Financial"). Please consult the *"Results of Operations"* section for a tabular presentation of advisory and brokerage assets.

(3) Consists of total client deposits into advisory or brokerage accounts less total client withdrawals from advisory or brokerage accounts, plus dividends, plus interest, minus advisory fees. We consider conversions from and to brokerage or advisory accounts as deposits and withdrawals, respectively.

(4) Calculated as annualized current period organic net new assets divided by preceding period assets in their respective categories of advisory assets or total advisory and brokerage assets.

(5) Represents the amount of securities purchased less the amount of securities sold in client accounts custodied with LPL Financial.

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

(7) The leverage ratio is a financial metric from our Credit Agreement and is calculated by dividing Credit Agreement net debt, which equals consolidated total debt less Corporate Cash, by Credit Agreement EBITDA. Credit Agreement EBITDA, a non-GAAP financial measure, is defined by the Credit Agreement as "Consolidated EBITDA," which is Consolidated Net Income (as defined in the Credit Agreement) plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is 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. Please consult the *"Debt and Related Covenants"* section for more information. Below are reconciliations of corporate debt and other borrowings to Credit Agreement net debt as of the dates below and net income to EBITDA and Credit Agreement EBITDA for the trailing twelve-month periods presented (in millions):

Credit Agreement Net Debt Reconciliation	**September 30, 2023**	**June 30, 2023**	**September 30, 2022**
Corporate debt and other borrowings	$ 3,141.9	$ 3,019.6	$ 2,740.6
Corporate Cash(12)	(308.7)	(325.5)	(424.3)
Credit Agreement Net Debt(†)	$ 2,833.2	$ 2,694.1	$ 2,316.3

EBITDA and Credit Agreement EBITDA Reconciliation	**September 30, 2023**	**June 30, 2023**	**September 30, 2022**
Net income	$ 1,167.8	$ 1,175.8	$ 634.7
Interest expense on borrowings	169.5	154.3	116.3
Provision for income taxes	402.4	383.5	194.3
Depreciation and amortization	233.3	220.3	186.4
Amortization of other intangibles	101.1	96.0	85.4
EBITDA(†)	$ 2,074.1	$ 2,029.9	$ 1,217.0
Credit Agreement Adjustments:			
Acquisition costs and other	$ 77.4	$ 35.9	$ 58.8
Employee share-based compensation	62.7	58.4	47.4
M&A accretion(13)	32.0	36.4	18.7
Advisor share-based compensation	2.6	2.6	2.5
Credit Agreement EBITDA(†)	$ 2,248.9	$ 2,163.2	$ 1,344.5

	September 30, 2023	**June 30, 2023**	**September 30, 2022**
Leverage Ratio	**1.26**	**1.25**	**1.72**

(†) Totals may not foot due to rounding.

(8) Adjusted EPS is a non-GAAP financial measure defined as adjusted net income, a non-GAAP financial measure defined as net income plus the after-tax impact of amortization of other intangibles, acquisition costs and a regulatory charge in the quarter related to an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company, divided by the weighted average number of diluted shares outstanding for the applicable period. The Company presents adjusted net income and adjusted EPS because management believes that these metrics can provide investors with useful insight into the Company's core operating performance by excluding non-cash items, acquisition costs and a regulatory charge that management does not believe impact the Company's ongoing operations. Adjusted net income and adjusted EPS are not measures of the Company's financial performance under GAAP and should not be considered as alternatives to net income, earnings per diluted share or any other performance measure derived in accordance with GAAP. Below is a reconciliation of net income and earnings per diluted share to adjusted net income and adjusted EPS for the periods presented (in millions, except per share data):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
Adjusted Net Income / Adjusted EPS Reconciliation	**Amount**	**Per Share**	**Amount**	**Per Share**	**Amount**	**Per Share**	**Amount**	**Per Share**
Net income / earnings per diluted share	$ 224.3	$ 2.91	$ 232.3	$ 2.86	$ 848.7	$ 10.82	$ 526.6	$ 6.47
Regulatory charge(14)	40.0	0.52	—	—	40.0	0.51	—	—
Amortization of other intangibles	27.8	0.36	22.7	0.28	78.6	1.00	65.0	0.80
Acquisition costs(15)	6.0	0.08	7.5	0.09	13.2	0.17	29.7	0.36
Tax benefit	(9.1)	(0.12)	(7.9)	(0.10)	(24.9)	(0.32)	(24.9)	(0.30)
Adjusted Net Income / Adjusted EPS(†)	**$ 288.9**	**$ 3.74**	**$ 254.6**	**$ 3.13**	**$ 955.6**	**$ 12.18**	**$ 596.4**	**$ 7.33**
Weighted-average shares outstanding, diluted	77.1		81.3		78.4		81.4	

(†) Totals may not foot due to rounding.

(9) Gross profit is a non-GAAP financial measure defined as total revenue less advisory and commission expense; brokerage, clearing and exchange expense; and market fluctuations on employee deferred compensation. All other expense categories, including depreciation and amortization of property and equipment and amortization of other intangibles, 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 calculation of gross profit for the periods presented (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Gross Profit	**2023**	**2022**	**2023**	**2022**
Total revenue	$ 2,522.4	$ 2,163.1	$ 7,409.0	$ 6,267.6
Advisory and commission expense	1,488.4	1,304.5	4,307.8	3,983.1
Brokerage, clearing and exchange expense	24.8	20.9	80.1	66.8
Employee deferred compensation(16)	(1.0)	—	1.2	—
Gross Profit(†)	**$ 1,010.1**	**$ 837.7**	**$ 3,019.9**	**$ 2,217.7**

(†) Totals may not foot due to rounding.

(10) EBITDA is a non-GAAP financial measure defined as net income plus interest expense on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles. 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. Below is a reconciliation of net income to EBITDA for the periods presented (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
EBITDA Reconciliation	**2023**	**2022**	**2023**	**2022**
Net income	$ 224.3	$ 232.3	$ 848.7	$ 526.6
Interest expense on borrowings	48.4	33.2	132.4	89.2
Provision for income taxes	93.4	74.4	302.3	165.8
Depreciation and amortization	64.6	51.7	179.1	145.6
Amortization of other intangibles	27.8	22.7	78.6	65.0
EBITDA(†)	**$ 458.4**	**$ 414.2**	**$ 1,541.0**	**$ 992.2**

(†) Totals may not foot due to rounding.

(11) Core G&A is a non-GAAP financial measure defined as total expense less the following expenses: advisory and commission; depreciation and amortization; interest expense on borrowings; brokerage, clearing and exchange; amortization of other intangibles; market fluctuations on employee deferred compensation; promotional (ongoing); employee share-based compensation; regulatory charges; and acquisition costs. Management presents core G&A because it believes core G&A reflects the corporate 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 expense, 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 expense as calculated in accordance with GAAP. Below is a reconciliation of the Company's total expense to core G&A for the periods presented (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Core G&A Reconciliation	**2023**	**2022**	**2023**	**2022**
Total expense	$ 2,204.7	$ 1,856.3	$ 6,258.0	$ 5,575.2
Advisory and commission	(1,488.4)	(1,304.5)	(4,307.8)	(3,983.1)
Depreciation and amortization	(64.6)	(51.7)	(179.1)	(145.6)
Interest expense on borrowings	(48.4)	(33.2)	(132.4)	(89.2)
Amortization of other intangibles	(27.8)	(22.7)	(78.6)	(65.0)
Brokerage, clearing and exchange	(24.8)	(20.9)	(80.1)	(66.8)
Employee deferred compensation(16)	1.0	—	(1.2)	—
Total G&A(†)	551.7	423.4	1,478.8	1,225.6
Promotional (ongoing)(15)(17)	(140.2)	(98.7)	(347.9)	(269.9)
Regulatory charges(14)	(48.1)	(7.8)	(62.4)	(23.2)
Employee share-based compensation	(15.7)	(11.4)	(50.5)	(37.8)
Acquisition costs(15)	(6.0)	(7.5)	(13.2)	(29.7)
Core G&A(†)	**$ 341.7**	**$ 298.0**	**$ 1,004.9**	**$ 864.9**

(†) Totals may not foot due to rounding.

(12) See the *"Liquidity and Capital Resources"* section for additional information about Corporate Cash.

(13) M&A accretion is an adjustment to reflect the annualized expected run rate EBITDA of an acquisition as permitted by the Credit Agreement for up to eight fiscal quarters following the close of such acquisition.

(14) The Company recorded a $40.0 million regulatory charge for the three and nine months ended September 30, 2023 related to an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company applicable to broker-dealer firms and investment advisors. See Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements for further detail.

(15) Acquisition costs include the costs to setup, onboard and integrate acquired entities. The below table summarizes the primary components of acquisition costs for the periods presented (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
Acquisition costs	**2023**	**2022**	**2023**	**2022**
Promotional(17)	$ 2.3	$ 0.3	$ 2.7	$ 2.2
Professional services	2.2	2.1	6.4	9.6
Compensation and benefits	1.3	4.7	3.2	17.0
Other	0.2	0.4	0.8	0.9
Acquisition costs(†)	**$ 6.0**	**$ 7.5**	**$ 13.2**	**$ 29.7**

(†) Totals may not foot due to rounding.

(16) During the first quarter of 2023, the Company updated its presentation of employee deferred compensation to be consistent with its presentation of advisor deferred compensation. This change has not been applied retroactively as the impact on prior periods was not material.

(17) Promotional (ongoing) for the three and nine months ended September 30, 2023 includes $10.8 million and $18.2 million, respectively, of support costs related to full-time employees that are classified within Compensation and benefits expense in the condensed consolidated statements of income compared to $4.4 million and $12.5 million for the same periods in 2022. Promotional (ongoing) excludes costs that have been incurred as part of acquisitions, which are included in the Acquisition costs line item.

Legal and Regulatory Matters

The financial services industry is subject to extensive regulation by U.S. federal and state government agencies as well as various self-regulatory organizations. Compliance with all applicable laws and regulations involves a significant investment in time and resources, and we continue to invest in our compliance functions to monitor our adherence to the numerous legal and regulatory requirements applicable to our business. Any new laws or regulations applicable to our business, any changes to existing laws or regulations, or any changes to the interpretations or enforcement of those laws or regulations may affect our operations and/or financial condition. We seek to participate in the development of significant rules and regulations that govern our industry.

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 September 30, 2023, 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 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements.

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 acquisition activity includes the following:

- On January 31, 2023, we acquired Financial Resources Group Investment Services, LLC ("FRGIS"), an independent branch office and broker-dealer, for an initial payment of approximately $140 million with potential contingent payments over the three years following the closing.
- We acquired intangible assets of $230.9 million as a result of other acquisitions, including acquisitions as part of our Liquidity & Succession solution under which we buy advisor practices, during the nine months ended September 30, 2023.

See Note 4 - *Acquisitions*, within the notes to the 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 financial markets in the United States. Although inflation, rising interest rates and volatile global markets were all headwinds, the U.S. economy added roughly 800,000 jobs in the third quarter of this year. The unemployment rate averaged 3.7% in the third quarter of 2023, up slightly from the 3.6% average in the prior quarter, but still historically low, indicating a tight labor market. The equity and bond markets experienced volatility from an increasingly hawkish Federal Reserve ("Fed") and uncertainty about future economic growth. The S&P 500 decreased 4% and the Bloomberg Barclays U.S. Aggregate Bond Index decreased 3% during the third quarter of 2023.

Our business is also sensitive to current and expected short-term interest rates, which are largely driven by Fed policy. During the third quarter of 2023, Fed policymakers increased the target range for the federal funds rate to 5.25% to 5.50%. To the extent they pursue tighter monetary policy, the Federal Open Market Committee members are expected to take into account the cumulative impacts from higher rates, the inflation trajectory and global financial conditions.

Please consult the *"Risks Related to Our Business and Industry"* section within Part I, *"Item 1A. Risk Factors"* in our 2022 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 nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
REVENUE						
Advisory	$ 1,081,562	$ 923,766	17%	$ 3,050,184	$ 2,972,714	3%
Commission:						
Trailing	331,808	315,087	5%	973,386	981,164	(1%)
Sales-based	311,792	269,893	16%	896,825	762,717	18%
Total commission	643,600	584,980	10%	1,870,211	1,743,881	7%
Asset-based:						
Client cash	360,518	294,993	22%	1,157,208	534,409	117%
Other asset-based	224,614	194,270	16%	639,387	614,852	4%
Total asset-based	585,132	489,263	20%	1,796,595	1,149,261	56%
Service and fee	135,648	121,745	11%	377,757	347,359	9%
Transaction	50,210	43,328	16%	146,081	134,470	9%
Interest income, net	40,773	22,092	85%	116,103	39,958	191%
Other	(14,542)	(22,116)	(34%)	52,088	(120,005)	(143%)
Total revenue	2,522,383	2,163,058	17%	7,409,019	6,267,638	18%
EXPENSE						
Advisory and commission	1,488,432	1,304,528	14%	4,307,829	3,983,084	8%
Compensation and benefits	243,759	208,051	17%	708,972	596,784	19%
Promotional	131,645	94,510	39%	332,433	259,539	28%
Depreciation and amortization	64,627	51,669	25%	179,058	145,576	23%
Occupancy and equipment	61,339	54,636	12%	186,517	161,654	15%
Interest expense on borrowings	48,363	33,186	46%	132,389	89,152	48%
Amortization of other intangibles	27,760	22,654	23%	78,593	65,018	21%
Brokerage, clearing and exchange	24,793	20,850	19%	80,067	66,812	20%
Communications and data processing	19,634	17,812	10%	57,903	49,162	18%
Professional services	18,699	16,871	11%	51,011	53,183	(4%)
Other	75,660	31,557	140%	143,259	105,240	36%
Total expense	2,204,711	1,856,324	19%	6,258,031	5,575,204	12%
INCOME BEFORE PROVISION FOR INCOME TAXES	317,672	306,734	4%	1,150,988	692,434	66%
PROVISION FOR INCOME TAXES	93,381	74,403	26%	302,293	165,814	82%
NET INCOME	$ 224,291	$ 232,331	(3%)	$ 848,695	$ 526,620	61%

Revenue

Advisory

Advisory revenue represents fees charged to advisors' clients' advisory accounts on our corporate RIA advisory platform and is based on a percentage of the market value of the eligible assets in the clients' advisory accounts. We provide ongoing investment advice and act as a custodian, providing brokerage and execution services on transactions, and perform administrative services for these accounts. Advisory fees are primarily billed to clients on a quarterly basis in advance, and are recognized as revenue ratably during the quarter. The performance obligation for advisory fees is considered a series of distinct services that are substantially the same and are satisfied daily. As the value of the eligible assets in an advisory account is susceptible to changes due to customer activity, this revenue includes variable consideration and is constrained until the date that the fees are determinable. The majority of these 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 eligible assets in an advisory account on the billing date is adjusted for estimates of contributions and withdrawals to determine the amount billed, and accordingly, the revenue earned in the following three-month period. Advisory revenue collected on our corporate RIA advisory platform is proposed by the advisor and agreed to by the client and was approximately 1% of the underlying assets for the nine months ended September 30, 2023.

We also support independent RIA firms that conduct their business through separate investment advisor firms ("Independent RIAs") through our Independent RIA advisory platform, which allows advisors to engage us for technology, clearing and custody services, as well as access the capabilities of our investment platforms. The assets held under an Independent RIA's investment advisory accounts custodied with LPL Financial are included in total advisory assets and net new advisory assets. However, the advisory revenue generated by an Independent RIA is not included in our advisory revenue. We charge separate fees to Independent RIAs for technology, clearing, administrative, oversight and custody services, which may vary and are included in Service and fee revenue in our condensed consolidated statements of income.

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

	September 30,			
	2023	**2022**	**$ Change**	**% Change**
Corporate advisory assets	$ 444.4	$ 361.6	$ 82.8	23%
Independent RIA advisory assets	218.3	181.0	37.3	21%
Total advisory assets	$ 662.7	$ 542.6	$ 120.1	22%

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Balance - Beginning of period	$ 661.6	$ 558.6	$ 583.1	$ 643.2
Net new advisory assets(1)	22.7	11.0	55.4	39.8
Market impact(2)	(21.6)	(27.0)	24.2	(140.4)
Balance - End of period	$ 662.7	$ 542.6	$ 662.7	$ 542.6

(1) Net new advisory assets consist 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.

Advisory revenue increased during the three and nine months ended September 30, 2023 as compared to the same periods in 2022, due primarily to continued organic growth, which increased advisory asset balances during the periods.

Commission

We generate two types of commission revenue: (1) sales-based commissions that are recognized at the point of sale on the trade date and are based on a percentage of an investment product's current market value at the time of purchase and (2) trailing commissions that are recognized over time as earned and are generally based on the market value of investment holdings in trail-eligible assets. Sales-based commission revenue, which occurs when clients trade securities or purchase various types of investment products, primarily represents gross commissions generated by our advisors and 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. We earn trailing commission revenue primarily on mutual funds and variable annuities held by clients of our advisors. See Note 3 - *Revenue*, within the notes to the condensed consolidated financial statements for further detail regarding our commission revenue by product category.

The following table sets forth the components of our commission revenue for the periods presented (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
Trailing	$ 331,808	$ 315,087	$ 16,721	5%	$ 973,386	$ 981,164	$ (7,778)	(1%)
Sales-based	311,792	269,893	41,899	16%	896,825	762,717	134,108	18%
Total commission revenue	$ 643,600	$ 584,980	$ 58,620	10%	$1,870,211	$1,743,881	$ 126,330	7%

The decrease in trailing commission revenue for the nine months ended September 30, 2023 compared to 2022 was primarily due to volatility-driven declines in trail-eligible mutual funds during the period. The increase in trailing commission revenue for the three months ended September 30, 2023 compared to 2022 was primarily due to an increase in sales of annuities during the period. The increase in sales-based commission revenue for the three and nine months ended September 30, 2023 compared to 2022 was primarily driven by an increase in sales of annuities and fixed income securities as a result of the higher interest rate environment, partially offset by a decrease in sales of mutual funds and equities.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Balance - Beginning of period	$ 578.6	$ 506.0	$ 527.7	$ 563.2
Net new brokerage assets(1)	10.5	8.9	24.0	34.9
Market impact(2)	(13.4)	(19.1)	24.0	(102.3)
Balance - End of period	$ 575.7	$ 495.8	$ 575.7	$ 495.8

(1) Net new brokerage assets consist 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 revenue consists of fees from our client cash programs, fees from our sponsorship programs with financial product manufacturers and fees from omnibus processing and networking services (collectively referred to as "recordkeeping"). Client cash revenue is generated on advisors' clients' cash balances in insured bank sweep accounts and money market accounts. We also receive fees from certain financial product manufacturers in connection with sponsorship programs that support our marketing 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 a combination. Omnibus processing revenue is paid to us by mutual fund product sponsors or their affiliates and is 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. Networking revenue on brokerage assets is correlated to the number of positions we administer and is paid to us by mutual fund product sponsors and annuity product manufacturers.

Asset-based revenue for the three and nine months ended September 30, 2023 increased by $95.9 million and $647.3 million compared to 2022, due primarily to an increase in client cash revenue. Client cash revenue for the three and nine months ended September 30, 2023 increased compared to 2022 due to increases to the federal funds effective rate, partially offset by lower average client cash balances during the three and nine months ended September 30, 2023 as compared to 2022. For the three months ended September 30, 2023, our average client cash balances decreased to $46.0 billion compared to $65.5 billion in 2022. For the nine months ended September 30, 2023, our average client cash balances decreased to $50.2 billion compared to $62.1 billion in 2022.

Service and Fee

Service and fee revenue is generated from advisor and retail investor services, including technology, insurance, conferences, licensing, business services and planning and advice services, Individual Retirement Account ("IRA") custodian and other client account fees. We charge separate fees to RIAs on our Independent RIA advisory platform for technology, clearing, administrative, oversight and custody services, which may vary. We also host certain advisor conferences that serve as training, education, sales and marketing events for which we charge sponsors a fee. Service and fee revenue for the three and nine months ended September 30, 2023 increased compared to 2022, primarily due to increases in IRA custodian fees, business services and planning and advice services fees, and fees relating to confirmations and error and omission insurance.

Transaction

Transaction revenue includes transaction charges generated in both advisory and brokerage accounts from mutual funds, exchange-traded funds and fixed income products. Transaction revenue for the three and nine months ended September 30, 2023 increased compared to 2022, primarily due to increases in the number of transactions and transaction charges for fixed income products, partially offset by a decrease in charges for managed assets.

Interest Income, net

We earn interest income primarily from client margin loans, client cash account ("CCA") balances segregated under federal or other regulations and advisor repayable loans. Interest income, net for the three and nine months ended September 30, 2023 increased compared to 2022, primarily due to increases in interest earned on bank deposits, short-term U.S. treasury bills and margin loans, partially offset by an increase in interest paid on CCA balances.

Other

Other revenue primarily includes unrealized gains and losses on assets held by us in our advisor non-qualified deferred compensation plan and model research portfolios and other miscellaneous revenue, which is not generated from contracts with customers. Other revenue for the three and nine months ended September 30, 2023 increased compared to 2022, primarily due to 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, and a related increase in dividend income on assets held in our advisor non-qualified deferred compensation plan.

Expense

Advisory and Commission

Advisory and commission expense consists of the following: payout amounts that are earned by and paid out to advisors and enterprises based on advisory and commission revenue earned on each client's account, production-based bonuses earned by advisors and enterprises based on the levels of advisory and commission revenue they produce, compensation and benefits paid to employee advisors, the recognition of share-based compensation expense from equity awards granted to advisors and enterprises based on the fair value of the awards at grant date and the deferred advisory and commission fee expense 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, for the periods presented:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
Payout rate	87.30%	87.91%	(61 bps)	86.75%	86.97%	(22 bps)

Our payout rate for the three and nine months ended September 30, 2023 decreased slightly compared to 2022, primarily due to the effect of the FRGIS acquisition and lower production bonus.

Compensation and Benefits

Compensation and benefits expense includes 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 periods presented:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	Change	2023	2022	Change
Average number of employees	7,825	6,193	26%	7,469	6,117	22%

Compensation and benefits expense for the three and nine months ended September 30, 2023 increased by $35.7 million and $112.2 million compared to 2022, primarily due to an increase in average headcount.

Promotional

Promotional expense includes 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 expense for the three and nine months ended September 30, 2023 increased by $37.1 million and $72.9 million compared to 2022, primarily due to increases in recruited assets and advisors that led to higher costs to support transition assistance and retention.

Depreciation and Amortization

Depreciation and amortization expense relates to the use of property and equipment, which includes internally developed software, hardware, leasehold improvements and other equipment. Depreciation and amortization expense for the three and nine months ended September 30, 2023 increased by $13.0 million and $33.5 million compared to 2022, primarily due to our continued investment in technology to support integrations, enhance our advisor platform and experience, and support onboarding of enterprises.

Occupancy and Equipment

Occupancy and equipment expense includes the costs of leasing and maintaining our office spaces, software licensing and maintenance costs, and maintenance expense on computer hardware and other equipment. Occupancy and equipment expense for the three and nine months ended September 30, 2023 increased by $6.7 million and $24.9 million compared to 2022, primarily due to increased expense related to software licenses and our technology portfolio.

Interest Expense on Borrowings

Interest expense on borrowings includes the interest associated with the Company’s senior notes, senior secured Term Loan B (“Term Loan B”) and revolving credit facilities; amortization of debt issuance costs; and fees associated with the Company’s revolving lines of credit. Interest expense on borrowings for the three and nine months ended September 30, 2023 increased by $15.2 million and $43.2 million compared to 2022, primarily due to increased interest rates on our Term Loan B and revolving credit facilities and higher outstanding balances on LPL Holdings, Inc.’s revolving credit facility. See Note 9 - *Corporate Debt and Other Borrowings, Net,* within the notes to the condensed consolidated financial statements for further detail.

Amortization of Other Intangibles

Amortization of other intangibles represents the benefits received for the use of long-lived intangible assets established through our acquisitions. Amortization of other intangibles for the three and nine months ended September 30, 2023 increased by $5.1 million and $13.6 million compared to 2022, primarily due to increases in intangible assets resulting from our acquisitions. See Note 4 - *Acquisitions*, for additional information.

Brokerage, Clearing and Exchange

Brokerage, clearing and exchange expense includes 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 expense for the three and nine months ended September 30, 2023 increased by $3.9 million and $13.3 million compared to 2022, primarily due to an increase in the volume of exchanges and quote services.

Other Expense

Other expense includes the costs of the investigation, settlement and resolution of regulatory matters (including customer restitution and remediation), licensing fees, insurance, broker-dealer regulatory fees, travel-related expenses and other miscellaneous expenses. Other expense depends in part on the size and timing of resolving regulatory matters and the availability of self-insurance coverage, which depends in part on the amount and timing of resolving historical claims. Other expense for the three and nine months ended September 30, 2023 increased by $44.1 million and $38.0 million compared to 2022, primarily due to a $40.0 million regulatory charge recognized in anticipation of a potential settlement with the SEC to resolve the civil investigation into compliance with records preservation requirements for business-related electronic communications stored on personal devices applicable to broker-dealer firms and investment advisors. See Note 10 - *Commitments and Contingencies*, within the notes to the condensed consolidated financial statements for further detail.

Provision for Income Taxes

Our effective income tax rate was 29.4% and 24.3% for the three months ended September 30, 2023 and 2022, respectively, and 26.3% and 23.9% for the nine months ended September 30, 2023 and 2022, respectively. The Company's effective income tax rate differs from the federal corporate tax rate of 21.0%, primarily as a result of state taxes, reserves for uncertain tax positions and non-deductible expenses. These additional tax expenses are partially offset by the benefit of tax credits as well as share-based compensation vesting and exercises. The increase in our effective tax rate for the three- and nine-month periods ended September 30, 2023 was primarily driven by non-deductible fines as well as fewer tax benefits related to share-based-compensation during 2023.

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 stockholders. 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 cash balances and external liquidity sources, we have adequate liquidity to satisfy our short-term and long-term working capital needs, the payment of all of our obligations and the funding of anticipated capital expenditures.

Parent Company Liquidity

LPL Holdings, Inc. (the "Parent"), the direct holding company of our operating subsidiaries, considers its primary sources of liquidity to be dividends from and excess capital generated by LPL Financial, as well as capacity for additional borrowing under its $2.0 billion secured committed revolving credit facility, which it has the ability to borrow against for working capital and general corporate purposes.

Dividends from and excess capital generated by LPL Financial are primarily generated through our cash flow from operations. Subject to regulatory approval or notification, capital generated by regulated subsidiaries can be distributed to the Parent to the extent the capital levels exceed regulatory requirements, Credit Agreement requirements and internal capital thresholds. During the nine months ended September 30, 2023 and 2022, LPL Financial paid dividends of $605.0 million and $683.0 million to the Parent, respectively.

We believe Corporate Cash, a component of cash and equivalents, is a useful measure of the Parent's liquidity as it represents the capital available for use in excess of the amount we are required to reserve pursuant to the Credit Agreement. Corporate Cash is the sum of cash and equivalents from the following: (1) cash and equivalents held at the Parent, (2) cash and equivalents held at regulated subsidiaries as defined by the Credit Agreement, which include LPL Financial, FRGIS and The Private Trust Company, N.A. ("PTC"), in excess of the capital requirements of the Credit Agreement (which, in the case of LPL Financial and FRGIS, is net capital in excess of 10% of their aggregate debits, or five times the net capital required in accordance with Exchange Act Rule 15c3-1) and (3) cash and equivalents held at non-regulated subsidiaries.

The following table presents the components of Corporate Cash (in thousands):

	September 30, 2023	December 31, 2022
Cash and equivalents	$ 799,209	$ 847,519
Cash at regulated subsidiaries	(714,739)	(392,571)
Excess cash at regulated subsidiaries per the Credit Agreement	224,206	4,439
Corporate Cash	**$ 308,676**	**$ 459,387**
Corporate Cash		
Cash at the Parent	$ 77,026	$ 448,180
Excess cash at regulated subsidiaries per the Credit Agreement	224,206	4,439
Cash at non-regulated subsidiaries	7,444	6,768
Corporate Cash	**$ 308,676**	**$ 459,387**

Corporate Cash is monitored as part of our liquidity risk management. We target maintaining approximately $200 million in Corporate Cash, which covers approximately 12 months of principal and interest due on our corporate debt.

We actively monitor changes to our liquidity needs caused by general business volumes and price volatility, including higher margin requirements of clearing corporations and exchanges, and stress scenarios involving a sustained market downturn and the persistence of current interest rates. We believe that based on current levels of operations and anticipated growth, our cash flow from operations, together with other available sources of funds, which include five uncommitted lines of credit, the revolving credit facility established through our Credit Agreement and the committed revolving credit facility of LPL Financial, will provide us with adequate liquidity to satisfy our short-term and long-term working capital needs, the payment of all of our obligations and the funding of anticipated capital expenditures.

We regularly evaluate our existing indebtedness, including potential issuances and refinancing opportunities, based on a number of factors, including our capital requirements, future prospects, contractual restrictions, the availability of refinancing on attractive terms and general market conditions. As of September 30, 2023, the earliest principal maturity date for our corporate debt with outstanding balances is in 2026 and our revolving credit facilities and uncommitted lines of credit mature between 2024 and 2026.

Share Repurchases

We engage in a share repurchase program that was approved by our Board of Directors (the “Board”), 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. Our current capital deployment framework remains focused on investing in organic growth first, pursuing acquisitions where appropriate and returning excess capital to stockholders. We repurchased 4,062,437 shares for a total of $875 million during the nine months ended September 30, 2023. As of September 30, 2023 we had $1.1 billion remaining under our existing repurchase program. The timing and amount of share repurchases, if any, is determined at our discretion within the constraints of our Credit Agreement, the Indentures, applicable laws and consideration of our general liquidity needs. See Note 11 - *Stockholders’ Equity*, within the notes to the 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, as well as certain limits under our Credit Agreement and the Indentures. The Board approved an increase to the quarterly cash dividend to $0.30 per share beginning in the first quarter of 2023. See Note 11 - *Stockholders’ Equity*, within the notes to the condensed consolidated financial statements for additional information regarding our dividends.

LPL Financial Liquidity

LPL Financial relies primarily on client payables to fund margin lending. LPL Financial maintains additional liquidity through external lines of credit totaling $1.2 billion at September 30, 2023. LPL Financial also maintains a line of credit with the Parent.

External Liquidity Sources

The following table presents amounts outstanding and available under our external lines of credit at September 30, 2023 (in millions):

Description	Borrower	Maturity Date	Outstanding	Available
Senior secured, revolving credit facility	LPL Holdings, Inc.	March 2026	$ 412	$ 1,588
Broker-dealer revolving credit facility	LPL Financial LLC	July 2024	$ —	$ 1,000
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2024	$ —	$ 50
Secured, uncommitted lines of credit	LPL Financial LLC	March 2025	$ —	$ 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 its business strategy of generating and effectively deploying capital for the benefit of our stockholders.

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 equivalents on hand, 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 capital requirements necessary to effect client transactions in securities markets and cash sweep balances held at third-party banks that arise from the delayed receipt of client funds. These capital requirements 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.

Our broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act), which requires the maintenance of minimum net capital. LPL Financial, our primary broker-dealer subsidiary, 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.

The following table presents the net capital position of the Company's primary broker-dealer subsidiary (in thousands):

	September 30, 2023
LPL Financial LLC	
Net capital	$ 280,685
Less: required net capital	15,082
Excess net capital	$ 265,603

Payment by our broker-dealer subsidiaries of dividends greater than 10% of their respective excess net capital during any 35-day rolling period requires approval from FINRA. In addition, each broker-dealer subsidiary's ability to pay dividends would be restricted if its net capital would be less than 5% of aggregate customer debit balances.

LPL Financial also acts as an introducing broker-dealer 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 Uniform Net Capital Rule.

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.

Summarized Guarantor Financial Information

The Company filed an amended registration statement on Form S-3 to register, among other things, non-convertible debt securities that may be offered by LPL Holdings, Inc. (the "Issuer"), a wholly owned subsidiary of LPL Financial Holdings Inc. ("LPLFH" and collectively with the Issuer the "Obligor Group"), and full and unconditional guarantees by LPLFH of such debt securities. Any such debt securities offered pursuant to such registration statement would be fully and unconditionally guaranteed by LPLFH. LPLFH is a Delaware holding corporation that manages substantially all of its operations through investments in subsidiaries. See Note 1 - *Organization and Description of the Company*, within the notes to the condensed consolidated financial statements for additional information regarding our holding company structure.

Pursuant to Rule 3-10 of Regulation S-X under the Securities Act of 1933, as amended, the following tables present unaudited summarized financial information for the Obligor Group on a combined basis. Balances and transactions between the Obligor Group have been eliminated. Financial information for non-guarantor subsidiaries, which includes all other subsidiaries of the Issuer, has been excluded and intercompany balances and transactions between the Obligor Group and non-guarantor subsidiaries are presented on separate lines. The summarized financial information below should be read in conjunction with the Company's condensed consolidated financial statements contained herein as the summarized financial information for the Obligor Group may not be indicative of results of operations or financial position of the Issuer and LPLFH had they operated as independent entities.

The following tables present the summarized financial information for the periods presented (in thousands):

	LPL Holdings, Inc. & LPL Financial Holdings Inc.
	Nine Months Ended September 30,
Combined Summarized Statements of Income	**2023**
Revenues(1)	$ 42,989
Revenues from non-guarantor subsidiaries	18,099
Advisory and commission expense(1)	43,404
Interest expense on borrowings	128,551
Expenses from non-guarantor subsidiaries	15,608
Loss before provision for income taxes	(179,094)
Net loss	(132,342)

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(1) Revenues primarily include unrealized gains and losses on assets held in the non-qualified deferred compensation plan offered to advisors and employees, while advisory and commission expense includes the deferred advisory and commission fee expense associated with mark-to-market gains or losses on the non-qualified deferred compensation plan offered to advisors.

	LPL Holdings, Inc. & LPL Financial Holdings Inc.	
Combined Summarized Statements of Financial Condition	**September 30, 2023**	**December 31, 2022**
Cash and equivalents	$ 77,026	$ 448,180
Other receivables, net	2,000	10,926
Property and equipment, net	155,338	165,649
Goodwill	1,251,908	1,251,908
Other intangibles, net	102,454	123,435
Receivables from non-guarantor subsidiaries	131,736	86,069
Other assets	792,437	705,048
Corporate debt and other borrowings, net	3,124,480	2,717,444
Accounts payable and accrued liabilities	45,778	32,060
Payables to non-guarantor subsidiaries	73,062	67,135
Other liabilities	1,126,821	839,479

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 common 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 on borrowings, provision for income taxes, depreciation and amortization, and amortization of other intangibles, and is 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 September 30, 2023, we were in compliance with our Credit Agreement financial covenants, which include 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:

	September 30, 2023	
Financial Ratio	**Covenant Requirement**	**Actual Ratio**
Leverage Ratio (Maximum)	4.00	1.26
Interest Coverage (Minimum)	3.00	14.26

See Note 9 - *Corporate Debt and Other Borrowings, Net,* within the notes to the condensed consolidated financial statements for further detail regarding the Credit Agreement and the Indentures.

Contractual Obligations

During the nine months ended September 30, 2023, there were no material changes in our contractual obligations, other than in the ordinary course of business, from those disclosed in our 2022 Annual Report on Form 10-K. See Note 9 - *Corporate Debt and Other Borrowings, Net* and Note 10 - *Commitments and Contingencies,* within the notes to the 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 2022 Annual Report on Form 10-K, for further detail.

Risk Management

In order to assist in the mitigation and control of operational risk, we have an enterprise risk management (“ERM”) 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. 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 2022 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.

We employ an 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 7. Management's Discussion and Analysis of Financial Condition and Results of Operations"* in our 2022 Annual Report on Form 10-K.

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. Managing these risks 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.

Regulatory and Legal Risk

The regulatory environment in which we operate is discussed in detail within Part I, *"Item 1. Business"* in our 2022 Annual Report on Form 10-K. In recent years, and during the periods presented in this Quarterly Report on Form 10-Q, we have observed the SEC, FINRA, the U.S. Department of Labor 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 2022 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.

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 2022 Annual Report on Form 10-K, we have disclosed those accounting policies that we consider to be most significant in determining our results of operations and financial condition and involve a higher degree of judgment and complexity. There have been no changes to those policies that we consider to be material since the filing of our 2022 Annual Report on Form 10-K. The accounting principles used in preparing our 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
(In thousands, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
REVENUE				
Advisory	$ 1,081,562	$ 923,766	$ 3,050,184	$ 2,972,714
Commission:				
Trailing	331,808	315,087	973,386	981,164
Sales-based	311,792	269,893	896,825	762,717
Total commission	643,600	584,980	1,870,211	1,743,881
Asset-based:				
Client cash	360,518	294,993	1,157,208	534,409
Other asset-based	224,614	194,270	639,387	614,852
Total asset-based	585,132	489,263	1,796,595	1,149,261
Service and fee	135,648	121,745	377,757	347,359
Transaction	50,210	43,328	146,081	134,470
Interest income, net	40,773	22,092	116,103	39,958
Other	(14,542)	(22,116)	52,088	(120,005)
Total revenue	2,522,383	2,163,058	7,409,019	6,267,638
EXPENSE				
Advisory and commission	1,488,432	1,304,528	4,307,829	3,983,084
Compensation and benefits	243,759	208,051	708,972	596,784
Promotional	131,645	94,510	332,433	259,539
Depreciation and amortization	64,627	51,669	179,058	145,576
Occupancy and equipment	61,339	54,636	186,517	161,654
Interest expense on borrowings	48,363	33,186	132,389	89,152
Amortization of other intangibles	27,760	22,654	78,593	65,018
Brokerage, clearing and exchange	24,793	20,850	80,067	66,812
Communications and data processing	19,634	17,812	57,903	49,162
Professional services	18,699	16,871	51,011	53,183
Other	75,660	31,557	143,259	105,240
Total expense	2,204,711	1,856,324	6,258,031	5,575,204
INCOME BEFORE PROVISION FOR INCOME TAXES	317,672	306,734	1,150,988	692,434
PROVISION FOR INCOME TAXES	93,381	74,403	302,293	165,814
NET INCOME	$ 224,291	$ 232,331	$ 848,695	$ 526,620
EARNINGS PER SHARE				
Earnings per share, basic	$ 2.95	$ 2.91	$ 10.97	$ 6.59
Earnings per share, diluted	$ 2.91	$ 2.86	$ 10.82	$ 6.47
Weighted-average shares outstanding, basic	76,062	79,805	77,339	79,909
Weighted-average shares outstanding, diluted	77,147	81,250	78,439	81,415

See notes to unaudited condensed consolidated financial statements.

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

ASSETS	September 30, 2023	December 31, 2022
Cash and equivalents	$ 799,209	$ 847,519
Cash and equivalents segregated under federal or other regulations	1,370,108	2,199,362
Restricted cash	105,717	90,389
Receivables from clients, net	581,017	561,569
Receivables from brokers, dealers and clearing organizations	41,081	56,276
Advisor loans, net	1,369,587	1,123,004
Other receivables, net	723,573	677,766
Investment securities	52,623	52,610
Property and equipment, net	883,388	780,357
Goodwill	1,772,182	1,642,468
Other intangibles, net	641,166	427,676
Other assets	1,147,678	1,023,230
Total assets	$ 9,487,329	$ 9,482,226
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Client payables	$ 1,999,555	$ 2,694,929
Payables to brokers, dealers and clearing organizations	98,697	147,752
Accrued advisory and commission expenses payable	208,827	203,292
Corporate debt and other borrowings, net	3,124,480	2,717,444
Accounts payable and accrued liabilities	388,946	448,630
Other liabilities	1,576,236	1,102,627
Total liabilities	7,396,741	7,314,674
Commitments and contingencies (Note 10)		
Common stock, $0.001 par value; 600,000,000 shares authorized; 130,198,861 shares and 129,655,843 shares issued at September 30, 2023 and December 31, 2022, respectively	130	130
Additional paid-in capital	1,970,096	1,912,886
Treasury stock, at cost — 54,579,627 shares and 50,407,844 shares at September 30, 2023 and December 31, 2022, respectively	(3,766,871)	(2,846,536)
Retained earnings	3,887,233	3,101,072
Total stockholders' equity	2,090,588	2,167,552
Total liabilities and stockholders' equity	$ 9,487,329	$ 9,482,226

See notes to unaudited condensed consolidated financial statements.

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

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — June 30, 2022	129,366	$ 129	$ 1,879,312	49,428	$ (2,620,798)	$ 2,585,417	$ 1,844,060
Net income	—	—	—	—	—	232,331	232,331
Issuance of common stock to settle restricted stock units	51	—	—	6	(1,331)	—	(1,331)
Treasury stock purchases	—	—	—	366	(75,007)	—	(75,007)
Cash dividends on common stock - $0.25 per share	—	—	—	—	—	(19,950)	(19,950)
Stock option exercises and other	127	—	5,072	(16)	545	1,743	7,360
Share-based compensation	—	—	12,049	—	—	—	12,049
BALANCE — September 30, 2022	129,544	$ 129	$ 1,896,433	49,784	$ (2,696,591)	$ 2,799,541	$ 1,999,512

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — June 30, 2023	130,142	$ 130	$ 1,952,828	53,515	$ (3,514,364)	$ 3,683,472	$ 2,122,066
Net income	—	—	—	—	—	224,291	224,291
Issuance of common stock to settle restricted stock units	43	—	—	4	(820)	—	(820)
Treasury stock purchases	—	—	—	1,079	(252,349)	—	(252,349)
Cash dividends on common stock - $0.30 per share	—	—	—	—	—	(22,839)	(22,839)
Stock option exercises and other	14	—	800	(18)	662	2,309	3,771
Share-based compensation	—	—	16,468	—	—	—	16,468
BALANCE — September 30, 2023	130,199	$ 130	$ 1,970,096	54,580	$ (3,766,871)	$ 3,887,233	$ 2,090,588

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2021	128,758	$ 129	$ 1,841,402	48,768	$ (2,498,600)	$ 2,327,602	$ 1,670,533
Net income	—	—	—	—	—	526,620	526,620
Issuance of common stock to settle restricted stock units	362	—	—	134	(24,690)	—	(24,690)
Treasury stock purchases	—	—	—	930	(175,018)	—	(175,018)
Cash dividends on common stock - $0.75 per share	—	—	—	—	—	(59,945)	(59,945)
Stock option exercises and other	424	—	15,321	(48)	1,717	5,264	22,302
Share-based compensation	—	—	39,710	—	—	—	39,710
BALANCE — September 30, 2022	129,544	$ 129	$ 1,896,433	49,784	$ (2,696,591)	$ 2,799,541	$ 1,999,512

	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
BALANCE — December 31, 2022	129,656	$ 130	$ 1,912,886	50,408	$ (2,846,536)	$ 3,101,072	$ 2,167,552
Net income	—	—	—	—	—	848,695	848,695
Issuance of common stock to settle restricted stock units	439	—	—	162	(39,416)	—	(39,416)
Treasury stock purchases	—	—		4,062	(882,807)	—	(882,807)
Cash dividends on common stock - $0.90 per share	—	—	—	—	—	(69,562)	(69,562)
Stock option exercises and other	104	—	4,688	(52)	1,888	7,028	13,604
Share-based compensation	—	—	52,522	—	—	—	52,522
BALANCE — September 30, 2023	130,199	$ 130	$ 1,970,096	54,580	$ (3,766,871)	$ 3,887,233	$ 2,090,588

See notes to unaudited condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2023	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 848,695	$ 526,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	179,058	145,576
Amortization of other intangibles	78,593	65,018
Amortization of debt issuance costs	6,283	4,826
Share-based compensation	52,522	39,710
Provision for credit losses	11,844	11,931
Deferred benefit for income taxes	(160)	(355)
Loan forgiveness	156,866	132,245
Other	12,774	(17,393)
Changes in operating assets and liabilities:		
Receivables from clients, net	(19,777)	(56,373)
Receivables from brokers, dealers and clearing organizations	15,195	(17,708)
Advisor loans, net	(414,826)	(194,045)
Other receivables, net	(50,351)	(66,367)
Investment securities - trading	173	(7,990)
Other assets	(98,923)	(32,934)
Client payables	(695,374)	1,563,636
Payables to brokers, dealers and clearing organizations	(49,055)	(1,634)
Accrued advisory and commission expenses payable	3,708	(27,899)
Accounts payable and accrued liabilities	(48,257)	128,490
Other liabilities	383,456	(71,402)
Operating lease assets	(2,381)	(1,800)
Net cash provided by operating activities	370,063	2,122,152
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(297,435)	(232,175)
Acquisitions, net of cash acquired	(360,584)	(35,182)
Purchases of securities classified as held-to-maturity	(4,725)	(10,936)
Proceeds from maturities of securities classified as held-to-maturity	4,250	3,750
Purchases of other investments	—	(3,108)
Net cash used in investing activities	(658,494)	(277,651)

Continued on following page

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

	Nine Months Ended September 30,	
	2023	**2022**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facilities	746,000	465,000
Repayments of revolving credit facilities	(334,000)	(555,000)
Repayment of senior secured term loans	(8,025)	(8,025)
Payment of debt issuance costs	(7,182)	(1,872)
Tax payments related to settlement of restricted stock units	(39,416)	(24,690)
Repurchase of common stock	(875,081)	(175,018)
Dividends on common stock	(69,562)	(59,945)
Proceeds from stock option exercises and other	13,604	22,302
Principal payment of finance leases and obligations	(143)	(397)
Net cash used in financing activities	(573,805)	(337,645)
NET (DECREASE) INCREASE IN CASH AND EQUIVALENTS, CASH AND EQUIVALENTS SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH	(862,236)	1,506,856
CASH AND EQUIVALENTS, CASH AND EQUIVALENTS SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH — Beginning of period	3,137,270	2,072,364
CASH AND EQUIVALENTS, CASH AND EQUIVALENTS SEGREGATED UNDER FEDERAL OR OTHER REGULATIONS AND RESTRICTED CASH — End of period	$ 2,275,034	$ 3,579,220
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 134,328	$ 86,382
Income taxes paid	$ 89,097	$ 157,060
Cash paid for amounts included in the measurement of operating lease liabilities	$ 20,733	$ 18,321
Cash paid for amounts included in the measurement of finance lease liabilities	$ 6,414	$ 6,699
NONCASH DISCLOSURES:		
Capital expenditures included in accounts payable and accrued liabilities	$ 14,923	$ 26,000
Lease assets obtained in exchange for operating lease liabilities	$ 14,602	$ 9,084

	September 30,	
	2023	**2022**
Cash and equivalents	$ 799,209	$ 1,219,418
Cash and equivalents segregated under federal or other regulations	1,370,108	2,268,090
Restricted cash	105,717	91,712
Total cash and equivalents, cash and equivalents segregated under federal or other regulations and restricted cash shown in the statements of cash flows	$ 2,275,034	$ 3,579,220

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 enterprises (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 personalized 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”) is an intermediate holding company and directly or indirectly owns 100% of the issued and outstanding equity interests of all of LPLFH’s indirect subsidiaries, including a 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 advisor that principally transacts business as an agent for its advisors and enterprises 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 advisors (“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 provides an advisor-facing trading and portfolio rebalancing platform.
- 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, together with its affiliate Fiduciary Trust Company of New Hampshire, 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 (“OCC”).
- LPL Employee Services, LLC and its subsidiary, Allen & Company of Florida, LLC, along with their affiliate Financial Resources Group Investment Services, LLC (“FRGIS”), provide primary support for the Company’s employee advisor affiliation model.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These unaudited condensed consolidated financial statements (“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, goodwill and other intangibles, allowance for credit losses on receivables, share-based compensation, accruals for liabilities, income taxes, revenue and expense accruals and other matters that affect the condensed consolidated financial statements and related disclosures. The condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary to present fairly the results of operations 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 condensed consolidated financial statements.

The condensed consolidated financial statements include the accounts of LPLFH and its subsidiaries. Intercompany transactions and balances have been eliminated. The 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, 2022, contained in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission ("SEC").

Condensed Consolidated Financial Statement Presentation Changes

Certain financial statement line items have been reclassified in the condensed consolidated statement of financial condition as of September 30, 2023 to better align with industry practice and the Company's business. The Company reclassified liabilities for contingent consideration, which were previously included in accounts payable and accrued liabilities, to other liabilities in the condensed consolidated statement of financial condition as of September 30, 2023. This reclassification has not been applied retroactively as the impact on the prior year was not material. This change did not impact total liabilities for the periods presented; however, the condensed consolidated statement of cash flows for the nine months ended September 30, 2023 has been updated to conform to the current presentation on the condensed consolidated statement of financial condition.

Recently Issued or Adopted Accounting Pronouncements

There are no relevant recently issued accounting pronouncements that would materially impact the Company's condensed consolidated financial statements and related disclosures. There were no new accounting pronouncements adopted during the nine months ended September 30, 2023 that materially impacted the Company's condensed consolidated financial statements and related disclosures.

NOTE 3 - REVENUE

Commission

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Commission revenue				
Annuities	$ 371,304	$ 327,386	$ 1,074,210	$ 938,383
Mutual funds	169,318	164,190	499,550	521,951
Fixed income	42,286	32,729	113,736	86,947
Equities	27,414	24,278	80,778	88,820
Other	33,278	36,397	101,937	107,780
Total commission revenue	$ 643,600	$ 584,980	$ 1,870,211	$ 1,743,881

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Commission revenue				
Trailing				
Annuities	$ 187,330	$ 175,043	$ 555,520	$ 549,936
Mutual funds	134,600	130,116	390,924	400,810
Other	9,878	9,928	26,942	30,418
Total trailing revenue	$ 331,808	$ 315,087	$ 973,386	$ 981,164
Sales-based				
Annuities	$ 183,974	$ 152,343	$ 518,690	$ 388,447
Mutual funds	34,718	34,074	108,626	121,141
Fixed income	42,286	32,729	113,736	86,947
Equities	27,414	24,278	80,778	88,820
Other	23,400	26,469	74,995	77,362
Total sales-based revenue	$ 311,792	$ 269,893	$ 896,825	$ 762,717
Total commission revenue	$ 643,600	$ 584,980	$ 1,870,211	$ 1,743,881

Asset-Based

The following table sets forth asset-based revenue disaggregated by product category (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Asset-based revenue				
Client cash	$ 360,518	$ 294,993	$ 1,157,208	$ 534,409
Sponsorship programs	118,871	93,344	330,597	299,319
Recordkeeping	105,743	100,926	308,790	315,533
Total asset-based revenue	$ 585,132	$ 489,263	$ 1,796,595	$ 1,149,261

Service and Fee

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Service and fee revenue				
Over time(1)	$ 101,129	$ 90,723	$ 288,745	$ 260,469
Point-in-time(2)	34,519	31,022	89,012	86,890
Total service and fee revenue	$ 135,648	$ 121,745	$ 377,757	$ 347,359

(1) Service and fee revenue recognized over time includes revenue such as IRA custodian fees, error and omission insurance fees, and technology fees.

(2) Service and fee revenue recognized at a point-in-time includes revenue such as IRA termination fees, account fees, and conference services.

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. Unearned revenue increased from $138.1 million as of December 31, 2022 to $172.2 million as of September 30, 2023. The increase in unearned revenue for the nine months ended September 30, 2023 is primarily driven by cash payments received or due in advance of satisfying the Company's performance obligations, partially offset by $136.7 million of revenue recognized during the nine months ended September 30, 2023 that was included in the unearned revenue balance as of December 31, 2022.

The Company receives cash in advance for advisory services to be performed and conferences to be held in future periods. 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

Acquisition of Financial Resources Group Investment Services, LLC

On January 31, 2023, the Company acquired Financial Resources Group Investment Services, LLC, a broker-dealer and independent branch office, in order to expand its addressable markets and complement organic growth. The transaction closed on January 31, 2023 for an initial payment of approximately $140 million with potential contingent payments over the three years following the closing. The Company accounted for the acquisition under the acquisition method of accounting for business combinations. At September 30, 2023, the Company had allocated $129.7 million of the purchase price to goodwill, $53.5 million to definite-lived intangible assets, $45.4 million to liabilities for contingent consideration, $9.0 million to cash acquired and the remainder to other assets acquired and liabilities assumed as part of the acquisition.

The goodwill primarily includes synergies expected to result from combining operations and is deductible for tax purposes. The intangible assets are comprised of $34.7 million of bank relationships and $18.8 million of advisor relationships, which were valued using the income approach and are included in the Advisor and enterprise relationships line item in Note 7 - *Goodwill and Other Intangibles, Net*. The fair value determination of bank and advisor relationships required the Company to make significant estimates and assumptions related to future net cash flows and discount rates.

Other Acquisitions

During the nine months ended September 30, 2023, the Company also allocated $160.7 million to customer relationships and $70.2 million to advisor relationships acquired under its Liquidity & Succession solution and as part of the Company's acquisition of Boenning & Scattergood's Private Client Group on January 31, 2023. These transactions include potential contingent payments of $115.9 million, which may become payable over the next five years. The Company has not recognized a liability for these contingent payments as the amounts to be paid will be uncertain until a future measurement date. See Note 7 - *Goodwill and Other Intangibles, Net*, for additional information.

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 nine months ended September 30, 2023 or 2022.

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 September 30, 2023 and December 31, 2022, 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 and U.S. government obligations, which are short term in nature with readily determinable values derived from active markets.

Cash Equivalents Segregated Under Federal or Other Regulations — The Company's cash equivalents segregated under federal or other regulations include U.S. treasury bills, which are short term in nature with readily determinable values derived from active markets.

Trading Securities 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 negotiable 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 September 30, 2023 and December 31, 2022, 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 life insurance, 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.

Fractional Shares — The Company's investment in fractional shares held by customers is reflected in other assets while the related purchase obligation for such shares is reflected in other liabilities. The Company uses prices obtained from independent third-party pricing services to measure the fair value of its investment in fractional shares held by customers and the related repurchase obligation. 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. At September 30, 2023 and December 31, 2022, the Company did not adjust prices received from the independent third-party pricing services.

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 forecasted assets under management or number of future transactions. The contingent payments are estimated by applying assumptions, including forecasted volatility and discount rates, to the forecasted payments to calculate the fair value as of the valuation date. The Company 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.

Recurring Fair Value Measurements

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

September 30, 2023	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 666	$ —	$ —	$ 666
Cash equivalents segregated under federal or other regulations	596,034	—	—	596,034
Investment securities — trading:				
U.S. treasury obligations	25,041	—	—	25,041
Mutual funds	10,917	—	—	10,917
Money market funds	107	—	—	107
Equity securities	97	—	—	97
Debt securities	—	39	—	39
Total investment securities — trading	36,162	39	—	36,201
Other assets:				
Deferred compensation plan	591,942	—	—	591,942
Fractional shares — investment(1)	147,864	—	—	147,864
Other investments		4,218	—	4,218
Total other assets:	739,806	4,218	—	744,024
Total assets at fair value	$ 1,372,668	$ 4,257	$ —	$ 1,376,925
Liabilities				
Other liabilities:				
Securities sold, but not yet purchased:				
Equity securities	$ 44	$ —	$ —	$ 44
Total securities sold, but not yet purchased	44	—	—	44
Fractional shares — repurchase obligation(1)	147,864	—	—	147,864
Contingent consideration	—	—	49,387	49,387
Total other liabilities	147,908	—	49,387	197,295
Total liabilities at fair value	$ 147,908	$ —	$ 49,387	$ 197,295

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's dividend reinvestment program ("DRIP").

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

December 31, 2022	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$ 13,639	$ —	$ —	$ 13,639
Cash equivalents segregated under federal or other regulations	1,131,040	—	—	1,131,040
Investment securities — trading:				
U.S. treasury obligations	24,402	—	—	24,402
Mutual funds	10,679	—	—	10,679
Equity securities	980	—	—	980
Debt securities	—	585	—	585
Money market funds	112	—	—	112
Total investment securities — trading	36,173	585	—	36,758
Other assets:				
Deferred compensation plan	489,976	—	—	489,976
Fractional shares — investment(1)	122,253	—	—	122,253
Other investments	—	5,248	—	5,248
Total other assets	612,229	5,248	—	617,477
Total assets at fair value	$ 1,793,081	$ 5,833	$ —	$ 1,798,914
Liabilities				
Accounts payable and accrued liabilities — contingent consideration	$ —	$ —	$ 3,860	$ 3,860
Other liabilities:				
Securities sold, but not yet purchased:				
Debt securities	—	61	—	61
Equity securities	20	—	—	20
Mutual funds	4	—	—	4
Total securities sold, but not yet purchased	24	61	—	85
Fractional shares — repurchase obligation(1)	122,253	—	—	122,253
Total other liabilities	122,277	61	—	122,338
Total liabilities at fair value	$ 122,277	$ 61	$ 3,860	$ 126,198

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company’s DRIP.

Fair Value of Financial Instruments Not Measured at Fair Value

The following tables summarize the carrying values, fair values and fair value hierarchy level classification of financial instruments that are not measured at fair value (in thousands):

September 30, 2023	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets					
Cash	$ 798,543	$ 798,543	$ —	$ —	$ 798,543
Cash segregated under federal or other regulations	774,074	774,074	—	—	774,074
Restricted cash	105,717	105,717	—	—	105,717
Receivables from clients, net	581,017	—	581,017	—	581,017
Receivables from brokers, dealers and clearing organizations	41,081	—	41,081	—	41,081
Advisor repayable loans, net(1)	318,077	—	—	235,570	235,570
Other receivables, net	723,573	—	723,573	—	723,573
Investment securities — held-to-maturity securities	16,422	—	16,047	—	16,047
Other assets:					
Securities borrowed	9,349	—	9,349	—	9,349
Deferred compensation plan(2)	7,987	7,987	—	—	7,987
Other investments(3)	4,694	—	4,694	—	4,694
Total other assets	22,030	7,987	14,043	—	22,030
Liabilities					
Client payables	$ 1,999,555	$ —	$ 1,999,555	$ —	$ 1,999,555
Payables to brokers, dealers and clearing organizations	98,697	—	98,697	—	98,697
Corporate debt and other borrowings, net	3,124,480	—	2,936,206	—	2,936,206

December 31, 2022	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
Assets					
Cash	$ 833,880	$ 833,880	$ —	$ —	$ 833,880
Cash segregated under federal or other regulations	1,068,322	1,068,322	—	—	1,068,322
Restricted cash	90,389	90,389	—	—	90,389
Receivables from clients, net	561,569	—	561,569	—	561,569
Receivables from brokers, dealers and clearing organizations	56,276	—	56,276	—	56,276
Advisor repayable loans, net(1)	280,040	—	—	219,062	219,062
Other receivables, net	677,766	—	677,766	—	677,766
Investment securities - held-to-maturity securities	15,852	—	15,471	—	15,471
Other assets:					
Securities borrowed	9,626	—	9,626	—	9,626
Deferred compensation plan(2)	6,343	6,343	—	—	6,343
Other investments(3)	4,647	—	4,647	—	4,647
Total other assets	20,616	6,343	14,273	—	20,616
Liabilities					
Client payables	$ 2,694,929	$ —	$ 2,694,929	$ —	$ 2,694,929
Payables to brokers, dealers and clearing organizations	147,752	—	147,752	—	147,752
Corporate debt and other borrowings, net	2,717,444	—	2,530,011	—	2,530,011

(1) Includes repayable loans and forgivable loans which have converted to repayable upon advisor termination or change in agreed upon terms.

(2) Includes cash balances awaiting investment or distribution to plan participants.

(3) Other investments include Depository Trust Company common shares and Federal Reserve stock.

NOTE 6 - INVESTMENT SECURITIES

The Company's investment securities include debt and equity securities that the Company has classified as trading securities, which are carried at fair value, as well as investments in U.S. government notes, which are held by The Private Trust Company, N.A. to satisfy minimum capital requirements of the OCC. These securities are recorded at amortized cost and classified as held-to-maturity as the Company has both the intent and ability to hold these investments to maturity.

The following table summarizes investment securities (in thousands):

	September 30, 2023	December 31, 2022
Trading securities — at fair value:		
U.S. treasury obligations	$ 25,041	$ 24,402
Mutual funds	10,917	10,679
Money market funds	107	112
Equity securities	97	980
Debt securities	39	585
Total trading securities	$ 36,201	$ 36,758
Held-to-maturity securities — at amortized cost:		
U.S. government notes	$ 16,422	$ 15,852
Total held-to-maturity securities	$ 16,422	$ 15,852
Total investment securities	$ 52,623	$ 52,610

At September 30, 2023, 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	After ten years	Total
U.S. government notes — at amortized cost	$ 4,981	$ 11,441	$ —	$ —	$ 16,422
U.S. government notes — at fair value	$ 4,871	$ 11,176	$ —	$ —	$ 16,047

NOTE 7 - GOODWILL AND OTHER INTANGIBLES, NET

On January 31, 2023, the Company acquired Financial Resources Group Investment Services, LLC. See Note 4 - *Acquisitions*, for additional information.

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

Balance at December 31, 2021	$ 1,642,443
Goodwill acquired	25
Balance at December 31, 2022	1,642,468
Goodwill acquired	129,714
Balance at September 30, 2023	$ 1,772,182

The components of other intangibles, net were as follows at September 30, 2023 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangibles, net(1):				
Advisor and enterprise relationships	6.4	$ 934,704	$ (595,557)	$ 339,147
Product sponsor relationships	2.4	234,086	(206,098)	27,988
Client relationships	12.8	269,741	(45,143)	224,598
Technology	4.8	19,040	(9,426)	9,614
Total definite-lived intangible assets, net		$ 1,457,571	$ (856,224)	$ 601,347
Other indefinite-lived intangibles:				
Trademark and trade name				39,819
Total other intangibles, net				$ 641,166

(1) During the nine months ended September 30, 2023, the Company allocated $230.9 million to intangible assets acquired under its Liquidity & Succession solution and the acquisition of Boenning & Scattergood's Private Client Group. These intangible assets were comprised primarily of customer relationships with an assigned useful life of 14 years.

The components of other intangibles, net were as follows at December 31, 2022 (in thousands):

	Weighted-Average Life Remaining (in years)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Definite-lived intangibles, net:				
Advisor and enterprise relationships	5.1	$ 809,872	$ (542,415)	$ 267,457
Product sponsor relationships	3.2	234,086	(197,165)	36,921
Client relationships(1)	8.0	102,491	(30,318)	72,173
Technology	5.4	19,040	(7,734)	11,306
Total definite-lived intangibles, net		$ 1,165,489	$ (777,632)	$ 387,857
Other indefinite-lived intangibles:				
Trademark and trade name				39,819
Total other intangibles, net				$ 427,676

(1) During the year ended December 31, 2022, the Company acquired client relationship intangible assets of $54.1 million as a result of acquisitions under its Liquidity & Succession solution. These acquisitions were accounted for as asset acquisitions with an assigned useful life of 9 years.

Total amortization of other intangibles was $27.8 million and $22.7 million for the three months ended September 30, 2023 and 2022, respectively, and $78.6 million and $65.0 million for the nine months ended September 30, 2023 and 2022, respectively. Future amortization is estimated as follows (in thousands):

2023 - remainder	$ 27,161
2024	108,468
2025	100,094
2026	61,838
2027	56,689
Thereafter	247,097
Total	$ 601,347

NOTE 8 - OTHER ASSETS AND OTHER LIABILITIES

The components of other assets and other liabilities were as follows (dollars in thousands):

	September 30, 2023	December 31, 2022
Other assets:		
Deferred compensation	$ 599,929	$ 496,319
Prepaid assets	115,727	144,607
Fractional shares — investment(1)	147,864	122,253
Deferred tax assets, net	99,157	98,997
Operating lease assets	95,003	92,534
Debt issuance costs, net	10,382	6,422
Other	79,616	62,098
Total other assets	$ 1,147,678	$ 1,023,230
Other liabilities:		
Deferred compensation	$ 598,975	$ 497,736
Unearned revenue(2)	172,180	138,109
Fractional shares — repurchase obligation(1)	147,864	122,253
Operating lease liabilities	125,412	125,280
Finance lease liabilities	105,516	105,660
Taxes payable	326,859	113,503
Other	99,430	86
Total other liabilities	$ 1,576,236	$ 1,102,627

(1) Investment in and related repurchase obligation for fractional shares resulting from the Company's DRIP program.

(2) See Note 3 - *Revenue* for further information.

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NOTE 9 - CORPORATE DEBT AND OTHER BORROWINGS, NET

The Company's outstanding corporate debt and other borrowings, net were as follows (in thousands):

	September 30, 2023			December 31, 2022			
Corporate Debt	**Balance**	**Applicable Margin**	**Interest Rate**	**Balance**	**Applicable Margin**	**Interest rate**	**Maturity**
Term Loan B(1)(2)	$ 1,029,875	SOFR+185 bps	7.180 %	$ 1,037,900	LIBOR+175 bps	5.870 %	11/12/2026
2027 Senior Notes(1)	400,000	Fixed Rate	4.625 %	400,000	Fixed Rate	4.625 %	11/15/2027
2029 Senior Notes(1)	900,000	Fixed Rate	4.000 %	900,000	Fixed Rate	4.000 %	3/15/2029
2031 Senior Notes(1)	400,000	Fixed Rate	4.375 %	400,000	Fixed Rate	4.375 %	5/15/2031
Total Corporate Debt	2,729,875			2,737,900			
Less: Unamortized Debt Issuance Cost	(17,395)			(20,456)			
Corporate debt, net	$ 2,712,480			$ 2,717,444			
Other Borrowings							
Revolving Credit Facility(2)(3)	412,000	ABR+37.5 bps / SOFR+147.5 bps	7.002 %	—	LIBOR+25 bps	5.642 %	3/15/2026
Total other borrowings	$ 412,000			$ —			
Corporate Debt and Other Borrowings, Net	$ 3,124,480			$ 2,717,444			

(1) No leverage or interest coverage maintenance covenants.

(2) In March 2023, the Company amended its Credit Agreement to transition the Parent Revolving Credit Facility and Term Loan B from London Interbank Offered Rate ("LIBOR")-based to Secured Overnight Financing Rate ("SOFR")-based interest rates, which became effective in March and April 2023, respectively.

(3) The Parent's outstanding balance at September 30, 2023 was comprised of an alternate base rate ("ABR")-based balance of $40.0 million with the applicable margin of ABR + 37.5 bps (8.875%) and a SOFR-based balance of $372.0 million with the applicable margin of SOFR + 147.5 bps (6.801%).

The following table presents amounts outstanding and available under the Company's external lines of credit at September 30, 2023 (in millions):

Description	**Borrower**	**Maturity Date**	**Outstanding**	**Available**
Senior secured, revolving credit facility	LPL Holdings, Inc.	March 2026	$ 412	$ 1,588
Broker-dealer revolving credit facility	LPL Financial LLC	July 2024	$ —	$ 1,000
Unsecured, uncommitted lines of credit	LPL Financial LLC	None	$ —	$ 75
Unsecured, uncommitted lines of credit	LPL Financial LLC	September 2024	$ —	$ 50
Secured, uncommitted lines of credit	LPL Financial LLC	March 2025	$ —	$ 75
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified
Secured, uncommitted lines of credit	LPL Financial LLC	None	$ —	unspecified

Credit Agreement

On March 13, 2023, LPLFH and LPLH entered into a sixth amendment agreement to the Company's amended and restated credit agreement (the "Credit Agreement"), which, among other things, replaced LIBOR with SOFR. The Credit Agreement subjects the Company to certain financial and non-financial covenants. As of September 30, 2023, the Company was in compliance with such covenants.

Parent Revolving Credit Facility

On July 18, 2023, LPLH amended its revolving credit facility to, among other things, increase the maximum borrowing from $1.0 billion to $2.0 billion. Borrowings under the revolving credit facility bear interest at a rate per annum ranging from 112.5 to 187.5 basis points over SOFR plus 10 basis points or 12.5 to 87.5 basis points over the alternate base rate (the greatest of (i) the NYFRB Rate plus 1/2 of 1%, (ii) the Prime Rate and (iii) the Adjusted Term SOFR Rate for a one month Interest Period plus 1%, each as defined in the Credit Agreement) depending on the Debt Ratings (as defined in the Credit Agreement). In connection with the amendment of the credit facility, LPLH incurred $5.5 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition.

Broker-Dealer Revolving Credit Facility

On July 18, 2023, LPL Financial, the Company's broker-dealer subsidiary, renewed its committed senior unsecured revolving credit facility that matures on July 16, 2024 and allows for a maximum borrowing of up to $1.0 billion. Borrowings under the credit facility bear interest at a rate per annum equal to 1.25% per annum plus the greatest of (i) SOFR plus 0.10%, (ii) the effective federal funds rate and (iii) the overnight bank funding rate, in each case, as such rate is administered or determined by the Federal Reserve Bank of New York from time to time. In connection with the renewal of the credit facility, LPL Financial incurred $1.7 million in costs, which were capitalized as debt issuance costs in the condensed consolidated statements of financial condition. The broker-dealer credit agreement subjects LPL Financial to certain financial and non-financial covenants. LPL Financial was in compliance with such covenants as of September 30, 2023.

Other External Lines of Credit

LPL Financial maintained five uncommitted lines of credit as of September 30, 2023. Two of the lines have unspecified limits, which are primarily dependent on LPL Financial's ability to provide sufficient collateral. The other three lines have a total limit of $200.0 million, which allow for uncollateralized borrowings. There were no balances outstanding under these lines at September 30, 2023 or December 31, 2022.

NOTE 10 - 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 advisors and enterprises, primarily to newly recruited advisors and enterprises 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 or enterprise joining LPL Financial. LPL Financial had no significant unfunded loan commitments at September 30, 2023 or December 31, 2022.

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 condensed 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; or the potential opportunities for settlement and the status of any settlement discussions. 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.

In October 2022, the Company received a request for information from the SEC in connection with an investigation of the Company's compliance with records preservation requirements for business-related electronic communications stored on personal devices or messaging platforms that have not been approved by the Company.

The staff of the SEC proposed a potential settlement with the Company to resolve its civil investigation. Under the SEC's proposed resolution, the Company would pay a $50.0 million civil monetary penalty. As a result of the foregoing, the Company has recorded $40.0 million in other expense in the condensed consolidated statements of income for the three and nine months ended September 30, 2023 to reflect the amount of the penalty that is not covered by the Company's captive insurance subsidiary. The Company has not yet reached a settlement in principle with the SEC, and any settlement agreement remains subject to the negotiation of the civil monetary penalty and definitive documentation.

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 its 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 actuarial assumptions and estimates. 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. Self-insurance liabilities are included in accounts payable and accrued liabilities in the condensed consolidated statements of financial condition. Self-insurance related charges are included in other expense in the condensed consolidated statements of income.

The following table provides a reconciliation of the beginning and ending balances of self-insurance liabilities for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2023	**2022**
Beginning balance — January 1	$ 74,071	$ 67,152
Losses incurred	27,140	27,376
Losses paid	(17,659)	(24,347)
Ending balance — September 30	$ 83,552	$ 70,181

Other Commitments

As of September 30, 2023, the Company had approximately $485.9 million of client margin loans that were collateralized with securities having a fair value of approximately $680.3 million that LPL Financial can repledge, loan or sell. Of these securities, approximately $242.6 million were client-owned securities pledged to the Options Clearing Corporation as collateral to secure client obligations related to options positions. As of September 30, 2023, there were no restrictions that materially limited the Company's ability to repledge, loan or sell the remaining $437.7 million of client collateral.

Investment securities on the condensed consolidated statements of financial condition include $5.4 million and $4.5 million of trading securities pledged to the Options Clearing Corporation at September 30, 2023 and December 31, 2022, respectively, and $19.6 million and $19.9 million of trading securities pledged to the National Securities Clearing Corporation at September 30, 2023 and December 31, 2022, respectively.

NOTE 11 - STOCKHOLDERS' EQUITY

Dividends

The payment, timing and amount of any dividends are subject to approval by LPLFH's Board of Directors (the "Board") as well as certain limits under the Credit Agreement and the indentures governing the Company's senior unsecured notes (the "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):

	2023		2022	
	Dividend per Share	**Total Cash Dividend**	**Dividend per Share**	**Total Cash Dividend**
First quarter	$ 0.30	$ 23.6	$ 0.25	$ 20.0
Second quarter	$ 0.30	$ 23.1	$ 0.25	$ 20.0
Third quarter	$ 0.30	$ 22.8	$ 0.25	$ 20.0

Share Repurchases

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

During the nine months ended September 30, 2023 LPLFH repurchased 4,062,437 shares of common stock at a weighted-average price of $215.41 for a total of $875 million. The Company also recognized $7.7 million of excise tax in connection with these repurchases during the nine months ended September 30, 2023. As of September 30, 2023, the Company had $1.1 billion remaining under the existing share repurchase program. Future share repurchases may be effected in open market or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of stock purchased generally determined at the discretion of the Company within the constraints of the Credit Agreement, the Indentures and the Company's general working capital needs.

NOTE 12 - SHARE-BASED COMPENSATION

In May 2021, the Company adopted its 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 12,751,630 shares remaining available for future issuance at September 30, 2023.

Stock Options and Warrants

The Company has not granted stock options or warrants since 2019. The following table summarizes the Company's stock option and warrant activity as of and for the nine months ended September 30, 2023:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding — December 31, 2022	673,764	$ 53.45		
Granted	—	$ —		
Exercised	(101,188)	$ 45.69		
Forfeited and Expired	—	$ —		
Outstanding — September 30, 2023	572,576	$ 54.83	3.82	$ 104,680
Exercisable — September 30, 2023	572,576	$ 54.83	3.82	$ 104,680
Exercisable and expected to vest — September 30, 2023	572,576	$ 54.83	3.82	$ 104,680

The following table summarizes information about outstanding stock options and warrants as of September 30, 2023:

	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	63,123	$ 19.85	2.40	63,123	$ 19.85
$25.01 - $35.00	—	$ —	0.00	—	$ —
$35.01 - $45.00	161,250	$ 39.48	3.44	161,250	$ 39.48
$45.01 - $65.00	53,658	$ 48.84	1.07	53,658	$ 48.84
$65.01 - $75.00	139,939	$ 65.50	4.37	139,939	$ 65.50
$75.01 - $80.00	154,606	$ 77.53	5.25	154,606	$ 77.53
	572,576	$ 54.83	3.82	572,576	$ 54.83

The Company recognized no share-based compensation expense related to the vesting of stock options awarded to employees and officers during the three months ended September 30, 2023 and 2022, no expense during the nine months ended September 30, 2023, and $0.2 million of expense during the nine months ended September 30, 2022. As of September 30, 2023, there was no unrecognized compensation cost related to non-vested stock options as the remaining share-based compensation expense was recognized during the three months ended March 31, 2022.

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 nine months ended September 30, 2023:

	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, 2022	814	$ 173.78	863,174	$ 149.11
Granted	2,753	$ 190.92	405,585	$ 220.57
Vested	(1,999)	$ 186.29	(439,077)	$ 108.43
Forfeited	—	$ —	(35,519)	$ 208.71
Outstanding — September 30, 2023	1,568	$ 187.93	794,163 (1)	$ 205.43
Expected to vest — September 30, 2023	1,568	$ 187.93	650,643	$ 219.43

(1) Includes 90,253 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 $13.5 million and $10.2 million of share-based compensation expense related to the vesting of these restricted stock awards and stock units during the three months ended September 30, 2023 and 2022, respectively, and $44.3 million and $34.9 million during the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, total unrecognized compensation cost for restricted stock awards and stock units was $89.6 million, which is expected to be recognized over a weighted-average remaining period of 2.04 years.

The Company also grants restricted stock units to its advisors and to enterprises. The Company recognized share-based compensation expense of $0.7 million related to the vesting of these awards during both the three months ended September 30, 2023 and 2022, respectively, and $2.0 million and $1.9 million during the nine months ended September 30, 2023 and 2022, respectively. As of September 30, 2023, total unrecognized compensation cost for restricted stock units granted to advisors and enterprises was $6.1 million, which is expected to be recognized over a weighted-average remaining period of 2.35 years.

NOTE 13 - 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income	$ 224,291	$ 232,331	$ 848,695	$ 526,620
Basic weighted-average number of shares outstanding	76,062	79,805	77,339	79,909
Dilutive common share equivalents	1,085	1,445	1,100	1,506
Diluted weighted-average number of shares outstanding	77,147	81,250	78,439	81,415
Basic earnings per share	$ 2.95	$ 2.91	$ 10.97	$ 6.59
Diluted earnings per share	$ 2.91	$ 2.86	$ 10.82	$ 6.47

The computation of diluted earnings per share excludes stock options, warrants and stock units that are anti-dilutive. For the three months ended September 30, 2023 and 2022, stock options, warrants and stock units representing common share equivalents of 9,513 shares and 7,843 shares, respectively, were anti-dilutive. For the nine months ended September 30, 2023 and 2022, stock options, warrants and stock units representing common share equivalents of 120,753 shares and 3,000 shares, respectively, were anti-dilutive.

NOTE 14 - NET CAPITAL AND REGULATORY REQUIREMENTS

The Company's broker-dealer subsidiaries are subject to the SEC's Uniform Net Capital Rule (Rule 15c3-1 under the Exchange Act of 1934, as amended), which requires the maintenance of minimum net capital. The net capital rules also provide that a 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 the Financial Industry Regulatory Authority ("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.

The following table presents the net capital position of the Company's primary broker-dealer subsidiary (in thousands):

	September 30, 2023
LPL Financial LLC	
Net capital	$ 280,685
Less: required net capital	15,082
Excess net capital	$ 265,603

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 September 30, 2023, LPL Financial and PTC met all capital adequacy requirements to which they were subject.

NOTE 15 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET CREDIT RISK AND CONCENTRATIONS OF CREDIT RISK

LPL Financial may offer loans to new and existing advisors and enterprises to facilitate their relationship with LPL Financial, transition to LPL Financial's platform or fund business development activities. LPL Financial may incur losses if advisors or enterprises do not fulfill their obligations with respect to these loans. To mitigate this risk, LPL Financial evaluates the performance and creditworthiness of the advisor or enterprise prior to offering repayable loans.

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 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 16 - SUBSEQUENT EVENTS

The Board declared a cash dividend of $0.30 per share on LPLFH's outstanding common stock to be paid on November 27, 2023 to all stockholders of record on November 9, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk

We maintain trading securities 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, to track the performance of our research models and in connection with our dividend reinvestment program. Trading securities are included in investment securities while securities sold, but not yet purchased are included in other liabilities on the condensed consolidated statements of financial condition and can include mutual funds, money market funds, debt securities and equity securities. We enter into market risk sensitive instruments for purposes other than trading, which are included in other assets on the condensed consolidated statements of financial condition and can include deferred compensation plan assets invested in life insurance, money market and other mutual funds, investments in fractional shares held by customers, and other non-traded real estate investment trusts. Changes in the value of our market risk sensitive instruments 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 trading securities 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 Trading and Operations departments.

Positions held to meet clearing deposit requirements consist of U.S. government securities and equity 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 Trading and Operations departments.

Our Research department develops model portfolios that are used by advisors in developing client portfolios. We maintain trading securities 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 operational risk events, which can require customer trade corrections. We also bear market risk on the fees we earn that are based on the market value of advisory and brokerage assets, as well as assets on which trailing commissions are paid and assets eligible for sponsor payments.

As of September 30, 2023, the fair value of our trading securities was $36.2 million and securities sold, but not yet purchased were not material. The fair value of market risk sensitive instruments entered into for other than trading purposes included within other assets was $744.0 million as of September 30, 2023. See Note 5 - *Fair Value Measurements*, within the notes to the condensed consolidated financial statements for information regarding the fair value of trading securities; securities sold, but not yet purchased; and other assets associated with our client facilitation activities.

Interest Rate Risk

We are exposed to risk associated with changes in interest rates. As of September 30, 2023, $1.4 billion of our outstanding debt 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 net income given revenue generated by our client cash balances, which is 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):

Corporate Debt and Other Borrowings	Outstanding Balance at September 30, 2023	Annual Impact of an Interest Rate(†) Increase of 10 Basis Points	25 Basis Points	50 Basis Points	100 Basis Points
Term Loan B	$ 1,029,875	$ 1,023	$ 2,558	$ 5,116	$ 10,232
Revolving Credit Facility	412,000	412	1,030	2,060	4,120
Variable Rate Debt Outstanding	$ 1,441,875	$ 1,435	$ 3,588	$ 7,176	$ 14,352

(†) Our interest rate for our 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 9 - *Corporate Debt and Other Borrowings, Net,* within the notes to the condensed consolidated financial statements for additional information.

We offer our advisors and their clients two FDIC insured bank sweep vehicles and a client cash account ("CCA") that are interest rate sensitive. Our FDIC insured sweep vehicles include an (1) 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. Clients earn interest on deposits in the ICA and the DCA while we earn a fee. The fees we earn from cash held in the ICA are based primarily on prevailing interest rates in the current interest rate environment. The fees we earn from the DCA are calculated as a per account fee, and such fees increase as the federal funds target rate increases, subject to a cap.

The Company places ICA sweep overflow into the CCA. These deposits are either used to fund client margin lending or placed in third-party bank or investment accounts, both of which are segregated under federal or other regulations, where they are held as cash or invested in short-term U.S. treasury bills. We earn interest income on these bank deposits and investments in short-term U.S. treasury bills and pay interest to clients on these CCA balances, which are sensitive to prevailing interest rates. This interest income and expense is included in interest income, net in the condensed consolidated statements of income. Changes in interest rates and fees for the 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 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. We are subject to credit risk from certain loans extended to advisors and enterprises when we extend loans with repayment terms to facilitate advisors' and enterprises' transition to our platform or to fund business development activities. We are also subject to credit risk when a forgivable loan to an advisor or enterprise converts to repayable upon advisor termination or change in agreed upon terms.

Credit risk arises when collateral posted with LPL Financial by clients to support margin lending or derivative trading is insufficient to meet clients' contractual obligations to LPL Financial. 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 nine months ended September 30, 2023 and 2022. 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, 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 current market conditions, 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.

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 third quarter ended September 30, 2023 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 10 - *Commitments and Contingencies,* within the notes to the 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 2022 Annual Report on Form 10-K.

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

The table below sets forth information regarding repurchases, reported on a trade date basis, during the three months ended September 30, 2023:

Period	Total Number of Shares Purchased	Weighted-Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Program (millions)(1)
July 1, 2023 through July 31, 2023	385,201	$ 226.85	385,201	$ 1,287.6
August 1, 2023 through August 31, 2023	431,976	$ 229.86	431,976	$ 1,188.3
September 1, 2023 through September 30, 2023	262,275	$ 241.52	262,275	$ 1,125.0
Total	1,079,452		1,079,452	

(1) On September 21, 2022, the Board authorized a $2.1 billion increase to the amount available for repurchases of LPLFH's issued and outstanding common shares. See Note 11 - *Stockholders' Equity*, within the notes to the condensed consolidated financial statements for additional information.

The repurchases may be executed from time to time, subject to general business and market conditions and other investment opportunities, through open market purchases or privately negotiated transactions, including transactions with affiliates, with the timing of purchases and the amount of shares purchased generally determined at the discretion of the Company within the constraints of the Credit Agreement, the Indentures, applicable laws and consideration of the Company's general liquidity needs.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2023, none of our officers (as defined in Rule 16a-1(f) under the Exchange Act) entered into, modified or terminated contracts, instructions or written plans for the purchase or sale of our common stock that are intended to satisfy the affirmative defense conditions specified in Rule 10b5-1(c) under the Exchange Act.

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, File No. 333-167325).
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, File No. 001-34963).
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, File No. 001-34963).
3.4	Sixth Amended and Restated Bylaws of LPL Financial Holdings Inc. (incorporated by reference to the Form 8-K filed on February 23, 2022, File No. 001-34963).
10.1	Seventh Amendment, dated July 18, 2023, among LPL Financial Holdings Inc., LPL Holdings, Inc., certain subsidiaries of the Company, as Subsidiary Guarantors (as defined therein), the Incremental Revolving Lenders (as defined therein), JPMorgan Chase Bank, N.A., as administrative agent and collateral agent, letter of credit issuer and swingline lender, and the lenders and parties party thereto from time to time.*
22.1	List of Subsidiary Guarantors and Issuers of Guaranteed Securities.*
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)

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* 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: October 31, 2023	By: /s/ DAN H. ARNOLD
	Dan H. Arnold
	President and Chief Executive Officer
Date: October 31, 2023	By: /s/ MATTHEW J. AUDETTE
	Matthew J. Audette
	Chief Financial Officer