Invesco Ltd.
Form 10-Q
October 27, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 1-13908
Invesco Ltd.
(Exact Name of Registrant as Specified in Its Charter)

Bermuda	98-0557567
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
1555 Peachtree Street, N.E., Suite 1800, Atlanta, GA	30309
(Address of Principal Executive Offices)	(Zip Code)

(404) 892-0896
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.) Yes o No þ
As of September 30, 2016, the most recent practicable date, the number of Common Shares outstanding was 408,535,481.

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We include cross references to captions elsewhere in this Quarterly Report on Form 10-Q, which we refer to as this "Report," where you can find related additional information. The following table of contents tells you where to find these captions.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
Invesco Ltd.
Condensed Consolidated Balance Sheets
(Unaudited)

$ in millions, except per share data	As of September 30, 2016	December 31, 2015
ASSETS		
Cash and cash equivalents	1,581.3	1,851.4
Unsettled fund receivables	688.1	566.3
Accounts receivable	511.9	528.1
Investments	877.7	1,019.1
Assets of consolidated sponsored investment products (CSIP)	—	319.1
Assets of consolidated investment products (CIP):		
Cash and cash equivalents of CIP	315.0	363.3
Accounts receivable and other assets of CIP	63.3	173.5
Investments of CIP	4,403.5	6,016.1
Assets held for policyholders	7,387.5	6,051.5
Prepaid assets	130.8	121.2
Other assets	83.5	107.0
Property, equipment and software, net	444.6	426.9
Intangible assets, net	1,407.9	1,354.0
Goodwill	6,242.6	6,175.7
Total assets	24,137.7	25,073.2
LIABILITIES		
Accrued compensation and benefits	505.7	661.3
Accounts payable and accrued expenses	868.3	863.1
Liabilities of CIP:		
Debt of CIP	3,860.0	5,437.0
Other liabilities of CIP	268.1	273.7
Policyholder payables	7,387.5	6,051.5
Unsettled fund payables	662.6	561.9
Long-term debt	2,073.2	2,072.8
Deferred tax liabilities, net	341.0	288.9
Total liabilities	15,966.4	16,210.2
Commitments and contingencies (See Note 11)		
TEMPORARY EQUITY		
Redeemable noncontrolling interests in consolidated entities	347.0	167.3
PERMANENT EQUITY		
Equity attributable to Invesco Ltd.:		
Common shares ($0.20 par value; 1,050.0 million authorized; 490.4 million shares issued as of September 30, 2016 and December 31, 2015)	98.1	98.1
Additional paid-in-capital	6,206.5	6,197.7

Treasury shares	(2,715.2)	(2,404.1)
Retained earnings	4,721.0	4,439.6
Accumulated other comprehensive income/(loss), net of tax	(573.7)	(446.0)
Total equity attributable to Invesco Ltd.	7,736.7	7,885.3
Equity attributable to nonredeemable noncontrolling interests in consolidated entities	87.6	810.4
Total permanent equity	7,824.3	8,695.7
Total liabilities, temporary and permanent equity	24,137.7	25,073.2

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Income
(Unaudited)

$ in millions, except per share data	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Operating revenues:				
Investment management fees	965.9	1,016.9	2,826.2	3,074.0
Service and distribution fees	213.4	214.8	614.5	647.8
Performance fees	3.4	15.6	26.8	69.1
Other	18.9	26.2	72.2	92.3
Total operating revenues	1,201.6	1,273.5	3,539.7	3,883.2
Operating expenses:				
Third-party distribution, service and advisory	362.1	392.3	1,057.7	1,204.7
Employee compensation	345.1	337.6	1,039.8	1,045.7
Marketing	26.4	24.9	79.6	81.3
Property, office and technology	78.2	79.0	240.4	230.7
General and administrative	83.5	87.0	240.0	266.0
Total operating expenses	895.3	920.8	2,657.5	2,828.4
Operating income	306.3	352.7	882.2	1,054.8
Other income/(expense):				
Equity in earnings of unconsolidated affiliates	5.5	8.2	(2.1)	32.0
Interest and dividend income	2.6	2.4	8.7	7.5
Interest expense	(23.9)	(20.4)	(69.9)	(58.7)
Other gains and losses, net	16.2	0.9	7.3	(5.2)
Other income/(expense) of CIP, net	39.0	1.5	69.4	39.1
Other income/(expense) of CSIP, net	—	(3.6)	—	10.9
Income before income taxes	345.7	341.7	895.6	1,080.4
Income tax provision	(89.8)	(100.4)	(245.4)	(311.1)
Net income	255.9	241.3	650.2	769.3
Net (income)/loss attributable to noncontrolling interests in consolidated entities	(14.7)	8.0	(22.5)	(3.1)
Net income attributable to Invesco Ltd.	241.2	249.3	627.7	766.2
Earnings per share:				
-basic	$0.58	$0.58	$1.51	$1.78
-diluted	$0.58	$0.58	$1.51	$1.78
Dividends declared per share	$0.28	$0.27	$0.83	$0.79

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

$ in millions	Three months ended September 30, 2016	Three months ended September 30, 2015	Nine months ended September 30, 2016	Nine months ended September 30, 2015
Net income	255.9	241.3	650.2	769.3
Other comprehensive income/(loss), net of tax:				
Currency translation differences on investments in foreign subsidiaries, net of tax	(63.4)	(223.9)	(132.8)	(364.2)
Actuarial (loss)/gain related to employee benefit plans, net of tax	—	—	(0.4)	—
Reclassification of prior service cost/(credit) into employee compensation expense, net of tax	(1.8)	(1.8)	(5.2)	(4.8)
Reclassification of actuarial (gain)/loss into employee compensation expense, net of tax	0.4	0.6	1.2	1.7
Share of other comprehensive income/(loss) of equity method investments, net of tax	2.4	(1.9)	3.0	(0.6)
Unrealized gains/(losses) on available-for-sale investments, net of tax	2.3	(5.8)	4.0	(7.6)
Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net, net of tax	(0.2)	(0.7)	(0.5)	(1.6)
Other comprehensive income/(loss), net of tax	(60.3)	(233.5)	(130.7)	(377.1)
Total comprehensive income/(loss)	195.6	7.8	519.5	392.2
Comprehensive loss/(income) attributable to noncontrolling interests in consolidated entities	(14.2)	8.0	(19.5)	(3.1)
Comprehensive income/(loss) attributable to Invesco Ltd.	181.4	15.8	500.0	389.1

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended September 30,	
$ in millions	2016	2015
Operating activities:		
Net income	650.2	769.3
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Amortization and depreciation	75.5	68.6
Share-based compensation expense	118.4	112.9
Other (gains)/losses, net	(7.3)	5.2
Other (gains)/losses of CSIP, net	—	(1.6)
Other (gains)/losses of CIP, net	(18.1)	12.6
Equity in earnings of unconsolidated affiliates	2.1	(32.0)
Dividends from unconsolidated affiliates	16.3	17.9
Changes in operating assets and liabilities:		
(Increase)/decrease in cash held by CIP	(66.2)	(184.3)
(Increase)/decrease in cash held by CSIP	—	(3.1)
(Purchase)/sale of investments by CIP, net	(131.9)	—
(Purchase)/sale of trading investments, net	(13.4)	(106.7)
(Increase)/decrease in receivables	(2,257.5)	(4,168.4)
Increase/(decrease) in payables	2,174.0	4,065.2
Net cash provided by/(used in) operating activities	542.1	555.6
Investing activities:		
Purchase of property, equipment and software	(101.3)	(88.1)
Purchase of available-for-sale investments	(4.3)	(41.5)
Sale of available-for-sale investments	38.4	48.5
Purchase of investments by CIP	(2,398.0)	(3,226.4)
Sale of investments by CIP	1,835.9	2,827.8
Purchase of investments by CSIP	—	(397.5)
Sale of investments by CSIP	—	384.0
Purchase of other investments	(98.3)	(115.2)
Sale of other investments	67.7	73.8
Returns of capital and distributions from unconsolidated partnership investments	30.0	45.1
Purchase of business	(121.9)	—
Net cash provided by/(used in) investing activities	(751.8)	(489.5)
Financing activities:		
Proceeds from exercises of share options	—	2.1
Purchases of treasury shares	(385.0)	(334.0)
Dividends paid	(346.3)	(340.8)
Excess tax benefits from share-based compensation	(2.4)	19.1
Third-party capital invested into CIP	193.9	63.3
Third-party capital distributed by CIP	(64.1)	(99.0)
Third-party capital invested into CSIP	—	13.5

Borrowings of debt by CIP	760.1	2,091.8
Repayments of debt by CIP	(130.2)	(1,457.5)
Net borrowings/(repayments) under credit facility	—	99.5
Payment of contingent consideration	(9.5)	(4.6)
Net cash provided by/(used in) financing activities	16.5	53.4
Increase/(decrease) in cash and cash equivalents	(193.2)	119.5
Foreign exchange movement on cash and cash equivalents	(76.9)	(43.0)
Cash and cash equivalents, beginning of period	1,851.4	1,514.2
Cash and cash equivalents, end of period	1,581.3	1,590.7
Supplemental Cash Flow Information:		
Interest paid	(60.4)	(49.0)
Interest received	4.0	6.8
Taxes paid	(148.1)	(232.7)

See accompanying notes.

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Invesco Ltd.
Condensed Consolidated Statements of Changes in Equity
(Unaudited)

	Equity Attributable to Invesco Ltd.								
$ in millions	Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Income/(Loss)	Total Equity Attributable to Invesco Ltd.	Nonredeemable Noncontrolling Interests in Consolidated Entities	Total Permanent Equity	Redeemable Noncontrolling Interests in Consolidated Entities Temporary Equity
January 1, 2016	98.1	6,197.7	(2,404.1)	4,439.6	(446.0)	7,885.3	810.4	8,695.7	167.3
Adjustment for adoption of ASU 2015-02	—	—	—	—	—	—	(733.5)	(733.5)	226.6
January 1, 2016, as adjusted	98.1	6,197.7	(2,404.1)	4,439.6	(446.0)	7,885.3	76.9	7,962.2	393.9
Net income	—	—	—	627.7	—	627.7	(2.0)	625.7	24.5
Other comprehensive income/(loss)	—	—	—	—	(127.7)	(127.7)	—	(127.7)	(3.0)
Change in noncontrolling interests in consolidated entities, net	—	—	—	—	—	—	12.7	12.7	(68.4)
Dividends	—	—	—	(346.3)	—	(346.3)	—	(346.3)	—
Employee share plans:									
Share-based compensation	—	118.4	—	—	—	118.4	—	118.4	—
Vested shares	—	(96.4)	96.4	—	—	—	—	—	—
Other share awards	—	0.6	6.0	—	—	6.6	—	6.6	—
Tax impact of share-based payment	—	(2.4)	—	—	—	(2.4)	—	(2.4)	—
Purchase of shares	—	(11.4)	(413.5)	—	—	(424.9)	—	(424.9)	—
September 30, 2016	98.1	6,206.5	(2,715.2)	4,721.0	(573.7)	7,736.7	87.6	7,824.3	347.0

See accompanying notes.

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Invesco Ltd.
Consolidated Statements of Changes in Equity (continued)
(Unaudited)

	Equity Attributable to Invesco Ltd.									
$ in millions	Common Shares	Additional Paid-in-Capital	Treasury Shares	Retained Earnings	Retained Earnings Appropriated for Investors in CIP	Accumulated Other Comprehensive Income	Total Equity Attributable to Invesco Ltd.	Nonredeemable Noncontrolling Interests in Consolidated Entities	Total Permanent Equity	Redeemable Noncontrolling Interests in Consolidated Entities Temporary Equity
January 1, 2015	98.1	6,133.6	(1,898.1)	3,926.0	17.6	48.8	8,326.0	793.8	9,119.8	165.5
Adjustment for adoption of ASU 2014-13	—	—	—	—	(17.6)	—	(17.6)	—	(17.6)	—
January 1, 2015, as adjusted	98.1	6,133.6	(1,898.1)	3,926.0	—	48.8	8,308.4	793.8	9,102.2	165.5
Net income	—	—	—	766.2	—	—	766.2	3.7	769.9	(0.6)
Other comprehensive income/(loss)	—	—	—	—	—	(377.1)	(377.1)	—	(377.1)	—
Change in noncontrolling interests in consolidated entities, net	—	—	—	—	—	—	—	(34.4)	(34.4)	11.5
Dividends	—	—	—	(340.8)	—	—	(340.8)	—	(340.8)	—
Employee share plans:										
Share-based compensation	—	112.9	—	—	—	—	112.9	—	112.9	—
Vested shares	—	(101.2)	101.2	—	—	—	—	—	—	—
Exercise of options	—	(0.5)	2.6	—	—	—	2.1	—	2.1	—
Other share awards	—	2.3	3.2	—	—	—	5.5	—	5.5	—
Tax impact of share-based payment	—	19.1	—	—	—	—	19.1	—	19.1	—
Purchase of shares	—	—	(403.6)	—	—	—	(403.6)	—	(403.6)	—
September 30, 2015	98.1	6,166.2	(2,194.7)	4,351.4	—	(328.3)	8,092.7	763.1	8,855.8	176.4

See accompanying notes.

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Invesco Ltd.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

1. ACCOUNTING POLICIES

Corporate Information

Invesco Ltd. (Parent) and all of its consolidated entities (collectively, the company or Invesco) provide retail and institutional clients with an array of global investment management capabilities. The company operates globally and its sole business is investment management.

Certain disclosures included in the company's annual report are not required to be included on an interim basis in the company's quarterly reports on Forms 10-Q. The company has condensed or omitted these disclosures. Therefore, this Form 10-Q (Report) should be read in conjunction with the company's annual report on Form 10-K for the year ended December 31, 2015.

Basis of Accounting and Consolidation

The unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with rules and regulations of the Securities and Exchange Commission and consolidate the financial statements of the Parent and all of its controlled subsidiaries. In the opinion of management, the financial statements reflect all adjustments, consisting of normal recurring accruals, which are necessary for the fair statement of the financial condition and results of operations for the periods presented. All significant intercompany transactions, balances, revenues and expenses are eliminated upon consolidation.

The company provides investment management services to, and has transactions with, various private equity funds, real estate funds, fund-of-funds, CLOs, and other investment products sponsored by the company in the normal course of business for the investment of client assets. The company serves as the investment manager, making day-to-day investment decisions concerning the assets of these products.

In addition to consolidating the financial statements of the Parent and all of its controlled subsidiaries, the Condensed Consolidated Financial Statements include the consolidation of certain investment products (“Consolidated Investment Products” or "CIP") that meet the definition of either a voting rights entity (“VOE”), if the company is deemed to have a controlling financial interest in the fund, or a variable interest entity (“VIE”) if the company has been deemed to be the primary beneficiary of the fund. At September 30, 2016, all CIP were VIEs.

Certain of these investment products, typically CLOs, funds that are structured as partnership entities (such as private equity funds, real estate funds, and fund-of-funds), and certain non-U.S. mutual funds, are considered, for accounting and consolidation analysis purposes, to be VIEs if the VIE criteria are met. A VIE, in the context of the company and its managed funds, is a fund that does not have sufficient equity to finance its operations without additional subordinated financial support, or a fund for which the risks and rewards of ownership are not directly linked to voting interests. If the company is deemed to have the power to direct the activities of the fund that most significantly impact the fund's economic performance, and the obligation to absorb losses/right to receive benefits from the fund that could potentially be significant to the fund, then the company is deemed to be the fund's primary beneficiary and is required to consolidate the fund.

The company's economic risk with respect to each investment in a CIP is limited to its equity ownership and any uncollected management and performance fees. See Note 13, "Consolidated Investment Products," for additional information regarding the impact of CIP.

Consolidation Analysis

The company inventories its funds by vehicle type on a quarterly basis. The company assesses modifications to existing funds on an ongoing basis to determine if a significant reconsideration event has occurred. The consolidation analysis includes a detailed review of the terms of the fund's governing documents and a comparison of the significant terms against the consolidation criteria in ASC Topic 810, including a determination of whether the fund is a VIE or a VOE. Seed money and co-investments in managed funds in which the company has determined that it is the primary beneficiary or in which the company has a controlling financial interest are consolidated if the impact of doing so is deemed material. Otherwise, these investments are accounted for as described in the “Investments” accounting policy in the Form 10-K for the year-ended December 31, 2015.

Upon consolidation of CLOs, the company's and the funds' accounting policies are effectively aligned, resulting in the reclassification of the company's gain or loss (representing the changes in the market value of the company's holding in the

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consolidated fund) from other comprehensive income into other gains/losses. The company's gain or loss on its investment (before consolidation) eliminates with the company's share of the offsetting loss or gain on the fund. The net impact from consolidation of funds previously carried as available-for-sale investments to net income attributable to Invesco Ltd. in each period primarily represents the changes in the value of the company's holding in its consolidated CLOs.

Consolidation of CLOs

A significant portion of VIEs are CLOs. CLOs are investment vehicles created for the sole purpose of issuing collateralized loan instruments that offer investors the opportunity for returns that vary with the risk level of their investment. The notes issued by the CLOs are backed by diversified collateral asset portfolios consisting primarily of loans or structured debt. For managing the collateral of the CLO entities, the company earns investment management fees, including in some cases subordinated management fees, as well as contingent performance fees. The company has invested in certain of the entities, generally taking a portion of the unrated, junior subordinated position. The company's investments in CLOs are generally subordinated to other interests in the entities and entitle the company and other subordinated tranche investors to receive the residual cash flows, if any, from the entities. The company's subordinated interest can take the form of (1) subordinated notes, (2) income notes or (3) preference/preferred shares. The company has determined that, although the junior tranches have certain characteristics of equity, they should be accounted for and disclosed as debt on the company's Condensed Consolidated Balance Sheets, as the subordinated and income notes have a stated maturity indicating a date for which they are mandatorily redeemable. The preference shares are also classified as debt, as redemption is required only upon liquidation or termination of the CLO and not of the company.

The company determined that it was the primary beneficiary of certain CLOs, as it has the power to direct the activities of the CLOs that most significantly impact the CLOs' economic performance, and the obligation to absorb losses/right to receive benefits from the CLOs that could potentially be significant to the CLOs. The primary beneficiary assessment includes an analysis of the rights of the company in its capacity as investment manager. In some CLOs, the company's role as investment manager provides that the company contractually has the power, as defined in ASC Topic 810, to direct the activities of the CLOs that most significantly impact the CLOs' economic performance, such as managing the collateral portfolio and the CLO's credit risk. In other CLOs, the company determined that it does not have this power in its role as investment manager due to certain rights held by other investors in the products or restrictions that limit the company's ability to manage the collateral portfolio and its credit risk. Additionally, the primary beneficiary assessment includes an analysis of the company's rights to receive benefits and obligations to absorb losses associated with its first loss position and management/performance fees.

The company has elected the fair value option under ASC Topic 825-10-25 to measure the assets of all consolidated CLOs at fair value. All of the investments held by VIEs are presented at fair value in the company's Condensed Consolidated Balance Sheets at September 30, 2016 and December 31, 2015. The company adopted ASU 2014-13 on January 1, 2015, and accordingly the notes issued by consolidated CLOs are no longer carried at fair value but are now measured under the measurement alternative discussed in Accounting Standard Update 2014-13, "Measuring the Financial Assets and the Financial Liabilities of a Consolidated Collateralized Financing Entity" (ASU 2014-13). The measurement alternative requires that the reporting entity measure both the financial assets and the financial liabilities of the CFE by using the more observable of the fair value of the financial assets and the fair value of the financial liabilities, removing any measurement difference previously recorded as net income (loss) attributable to noncontrolling interests in consolidated entities and as an adjustment to retained earnings appropriated for investors in CIP. The company’s subsequent earnings from consolidated CLOs reflect changes in fair value of its own economic interests in the CLOs. Gains or losses on assets and liabilities of the CLOs are not attributed to noncontrolling interests but are offset in other gains/(losses) of CIP.

Consolidation of Private Equity, Real Estate, and Fund-of-Funds

The company also consolidates certain private equity funds and from time to time real estate funds that are structured as partnerships in which the company is the general partner receiving a management and/or performance fee. Private equity investments made by the underlying funds consist of direct investments in, or fund investments in other private equity funds that hold direct investments in, equity or debt securities of operating companies that are generally not initially publicly traded. Private equity funds are considered investment companies and are therefore accounted for under ASC Topic 946, “Financial Services - Investment Companies.” The company has retained the specialized industry accounting principles of these investment products in its Condensed Consolidated Financial Statements. See Note 13, “Consolidated Investment Products,” for additional details.

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Consolidation basis

The Condensed Consolidated Financial Statements have been prepared primarily on the historical cost basis; however, certain items are presented using other bases such as fair value, where such treatment is required or voluntarily elected, as discussed above. The financial statements of subsidiaries, with the exception of certain CIP, are prepared for the same reporting period as the Parent and use consistent accounting policies, which, where applicable, have been adjusted to U.S. GAAP from local generally accepted accounting principles or reporting regulations. The financial information of certain CIP is included in the company's Condensed Consolidated Financial Statements on a one-month or a three-month lag based upon the availability of fund financial information. Noncontrolling interests in consolidated entities represents the interests in certain entities consolidated by the company either because the company has control over the entity or has determined that it is the primary beneficiary, but of which the company does not own all of the entity's equity. To the extent that noncontrolling interests represent equity which is redeemable or convertible for cash or other assets at the option of the equity holder, these are deemed to represent temporary equity, and are classified as equity attributable to redeemable noncontrolling interests in the Condensed Consolidated Balance Sheets. Nonredeemable noncontrolling interests are classified as a component of permanent equity.

Money Market Fee Waivers

The company is currently voluntarily providing yield support waivers of its management fees on certain money market funds to ensure that they maintain a minimum level of daily net investment income. During the three and nine months ended September 30, 2016, yield support waivers resulted in a reduction of management and service and distribution fees of approximately $3.3 million and $12.3 million, respectively. During the three and nine months ended September 30, 2016, approximately 67% and 55%, respectively, of yield support waivers are offset by a reduction in third party distribution, service and advisory expenses, resulting in a net waiver of $1.1 million and $5.5 million for the three and nine months ended September 30, 2016. The company has provided yield support waivers in prior periods and may increase or decrease the level of fee waivers in future periods.

Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 was originally effective for fiscal years and interim periods within those years beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, which deferred the effective date of ASU 2014-09 by one year for periods beginning after December 15, 2017. Early adoption is permitted as of the original effective date and requires either a retrospective or a modified retrospective approach to adoption. In March 2016, the FASB issued ASU 2016-08, “Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Gross versus Net)” (ASU 2016-08). ASU 2016-08 clarified implementation guidance on determining if the entity acts as a principal or agent to the customer when another party is involved in providing goods or services. In April 2016, the FASB issued ASU 2016-10, “Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing” (ASU 2016-10). ASU 2016-10 clarifies guidance relating to identifying performance obligations and accounting for an entity’s promise to grant a license. In May 2016, the FASB issued ASU 2016-12, “Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients” (ASU 2016-12). ASU 2016-12 provides narrow-scope improvements relating to collectibility of consideration, presentation of sales and other similar taxes, noncash consideration, and the definition of completed contracts at transition. ASU 2016-12 also provides a practical expedient for dealing with contract modifications at transition and other technical corrections in applying the retrospective transition method. The company is currently evaluating the potential impact on its Consolidated Financial Statements, as well as the available transition methods.

In February 2015, the FASB issued Accounting Standard Update 2015-02, “Consolidation (Topic 810): Amendments to the Consolidation Analysis.” This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. The company adopted ASU 2015-02 on January 1, 2016 using the modified retrospective approach, which did not require the restatement of prior periods to conform to the post-adoption presentation. The impacts of the adoption of ASU 2015-02 on January 1, 2016 were as follows:

•The company consolidated CIP with total assets and liabilities/equity of $458.5 million. The company deconsolidated CIP with total assets and total liabilities and equity of $3,170.6 million, including CLOs of $2,366.5 million.
•VOE partnership entities (consolidated private equity and fund-of-fund entities) became VIEs upon the adoption and were deconsolidated, along with certain VIE partnership entities.
•The adoption resulted in the consolidation of certain investment products which became VIEs upon adoption and which were not previously consolidated.

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•The funds consolidated in prior periods as Consolidated Sponsored Investment Products, "CSIP," became VIEs. Accordingly, with effect from January 1, 2016, the consolidation of all VIEs is presented in the aggregate as part of CIP. See Notes 12, “Consolidated Sponsored Investment Products,” and 13, “Consolidated Investment Products.”

In May 2015, the FASB issued Accounting Standards Update 2015-07, "Fair Value Measurement - Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)" (ASU 2015-07). ASU 2015-07 removes the requirement to categorize investments within the fair value hierarchy for which fair value is measured using the net asset value (NAV) practical expedient. The company adopted ASU 2015-07 on January 1, 2016; it required retrospective application for each prior period presented. The adoption did not impact the company's financial condition, results of operations or cash flows, as the update relates to financial statement disclosures. See Notes 12, "Consolidated Sponsored Investment Products," and 13, "Consolidated Investment Products."

In January 2016, the FASB issued Accounting Standards Update 2016-01, “Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities” (ASU 2016-01). The standard amends certain aspects of recognition, measurement, presentation, and disclosure of financial assets and liabilities. ASU 2016-01 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and, in general, requires a modified retrospective approach to adoption. In June 2016, the FASB issued ASU 2016-13, “Financial Instruments-Credit Losses: Measurement of Credit Losses on Financial Instruments” (ASU 2016-13). ASU 2016-13 amends guidance on reporting credit losses for assets measured at amortized cost and available for sale securities. ASU 2016-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019 and requires a modified retrospective approach to adoption. Early adoption in fiscal years, and interim periods within those years, beginning after December 15, 2018 is permitted. The company is currently evaluating the potential impacts of these standards as well as available transition methods.

In February 2016, the FASB issued Accounting Standards Update 2016-02, “Leases” (ASU 2016-02). The standard requires that lessees recognize lease assets and lease liabilities on the balance sheet for all leases with a lease term greater than 12 months. ASU 2016-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2018 and requires a modified retrospective approach to adoption. Early adoption is permitted. The company is currently evaluating the potential impact of this standard.

In March 2016, the FASB issued Accounting Standards Update 2016-09, “Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting” (ASU 2016-09). The standard is intended to simplify aspects of the accounting for share-based payment transactions, including income tax impacts, classification on the statement of cash flows, and forfeitures. ASU 2016-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016. The various amendments within the standard require different approaches to adoption of either retrospective, modified retrospective or prospective. Early adoption is permitted. The company is currently evaluating the potential impact of this standard as well as the available transition methods.

In August 2016, the FASB issued Accounting Standards Updated 2016-15, “Statement of Cash Flows - Classification of Certain Cash Receipts and Cash Payments” (ASU 2016-15). The standard addresses eight specific cash flow issues to reduce diversity in practice in how certain cash receipts and cash payments are presented on the Statements of Cash Flows. ASU 2016-15 is effective for fiscal years and interim periods within those years beginning after December 15, 2017. The amendments require a retrospective approach to adoption and early adoption is permitted, including in an interim period. The company is currently evaluating the potential impact of this standard.

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2. FAIR VALUE OF ASSETS AND LIABILITIES

The carrying value and fair value of financial instruments are presented in the below summary table. The fair value of financial instruments held by CSIP (for the prior period) and CIP are presented in Notes 12, "Consolidated Sponsored Investment Products" and 13, "Consolidated Investment Products," respectively.

$ in millions	Footnote Reference	September 30, 2016 Carrying Value	September 30, 2016 Fair Value	December 31, 2015 Carrying Value	December 31, 2015 Fair Value
Cash and cash equivalents		1,581.3	1,581.3	1,851.4	1,851.4
Available-for-sale investments	3	161.2	161.2	233.2	233.2
Trading investments	3	411.1	411.1	402.7	402.7
Foreign time deposits *	3	27.0	27.0	24.7	24.7
Assets held for policyholders		7,387.5	7,387.5	6,051.5	6,051.5
Policyholder payables *		(7,387.5)	(7,387.5)	(6,051.5)	(6,051.5)
Put option contracts		17.6	17.6	1.4	1.4
UIT-related financial instruments sold, not yet purchased		(0.2)	(0.2)	(2.5)	(2.5)
Contingent consideration liability		(80.7)	(80.7)	(83.9)	(83.9)
Long-term debt *	4	(2,073.2)	(2,279.5)	(2,072.8)	(2,161.3)

* These financial instruments are not measured at fair value on a recurring basis. See the indicated footnotes or most recently filed Form 10-K for additional information about the carrying and fair values of these financial instruments. Foreign time deposits are measured at cost plus accrued interest, which approximates fair value, and are accordingly classified as Level 2 securities.

A three-level valuation hierarchy exists for disclosure of fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

An asset or liability's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

There are three types of valuation approaches: a market approach, which uses observable prices and other relevant information that is generated by market transactions involving identical or comparable assets or liabilities; an income approach, which uses valuation techniques to convert future amounts to a single, discounted present value amount; and a cost approach, which is based on the amount that currently would be required to replace the service capacity of an asset.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Cash equivalents

Cash investments in money market funds are valued under the market approach through the use of quoted market prices in an active market, which is the net asset value of the underlying funds, and are classified within level 1 of the valuation hierarchy.

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Available-for-sale investments

Seed money is valued under the market approach through the use of quoted market prices available in an active market and is classified within level 1 of the valuation hierarchy; there is no modeling or additional information needed to arrive at the fair values of these investments. At September 30, 2016 and December 31, 2015, investments in CLOs were valued using pricing information obtained by an independent third-party pricing source. Due to liquidity constraints within the market for CLO products that require the use of unobservable inputs, these investments are classified within level 3 of the valuation hierarchy. Other debt securities are valued using a cost valuation technique due to the lack of available cash flow and market data and are accordingly also classified within level 3 of the valuation hierarchy.

Trading investments

•Investments related to deferred compensation plans

Investments related to deferred compensation plans are valued under the market approach through the use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy.

•Seed money

Seed money is valued under the market approach through the use of quoted market prices available in an active market and is classified within level 1 of the valuation hierarchy; there is no modeling or additional information needed to arrive at the fair values of these investments.

•Other equity securities

Other equity securities consist of investments in publicly-traded equity securities. These securities are valued under the market approach through the use of quoted prices on an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

•UIT-related equity and debt securities

The company invests in UIT-related equity and debt securities consisting of investments in corporate equities, UITs, and municipal securities. Each is discussed more fully below.

Corporate equities

The company temporarily holds investments in corporate equities for purposes of creating a UIT. Corporate equities are valued under the market approach through use of quoted prices on an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

UITs

The company may hold units of its sponsored UITs at period-end for sale in the primary market or secondary market. Equity UITs are valued under the market approach through use of quoted prices on an exchange. Fixed income UITs are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

Municipal securities

Municipal securities are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs.

Depending on the nature of the inputs, these investments are categorized as level 1, 2, or 3.

Put option contracts

The company has purchased put option contracts to hedge economically foreign currency risk on the translation of a portion of its Pound Sterling-denominated earnings and Euro-denominated earnings into U.S. Dollars (purchases of $7.5 million and $14.5 million

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in the three and nine months ended September 30, 2016, respectively). These were the only contracts entered into during the period to hedge economically foreign currency risk and provide coverage through December 31, 2017. The economic hedge is predominantly triggered upon the impact of a significant decline in the respective Pound Sterling/U.S. Dollar foreign exchange rate or Euro/U.S. Dollar foreign exchange rate. Open put option contracts are marked-to-market through earnings, which are recorded in the company's Condensed Consolidated Statements of Income in other gains and losses, net. These derivative contracts are valued using option valuation models and are included in other assets in the company's Condensed Consolidated Balance Sheets. The significant inputs in these models (volatility, forward points and swap curves) are readily available in public markets or can be derived from observable market transactions for substantially the full terms of the contracts and are classified within level 2 of the valuation hierarchy. The company recognized a $0.9 million and $10.0 million net gain in the three and nine months ended September 30, 2016, respectively (three and nine months ended September 30, 2015: $0.2 million net gain and $7.6 million net loss, respectively) related to the change in market value of these put option contracts.

Assets held for policyholders

Assets held for policyholders are measured at fair value under the market approach based on the quoted prices of the underlying funds in an active market and are classified within level 1 of the valuation hierarchy. The policyholder payables are indexed to the value of the assets held for policyholders and are therefore not included in the tables below.

UIT-related financial instruments sold, not yet purchased, and derivative instruments

The company uses U.S. Treasury futures, which are types of derivative financial instruments, to hedge economically fixed income UIT inventory and securities in order to mitigate market risk. Open futures contracts are marked-to-market daily through earnings, which are recorded in the company’s Condensed Consolidated Statements of Income in other revenue, along with the mark-to-market on the underlying trading securities held. Fair values of derivative contracts in an asset position are included in other assets in the company’s Condensed Consolidated Balance Sheets. Fair values of derivative contracts in a liability position are included in other liabilities in the company’s Condensed Consolidated Balance Sheets. These derivative contracts are valued under the market approach through use of quoted prices in an active market and are classified within level 1 of the valuation hierarchy. At September 30, 2016 there were 2 futures contracts with a notional value of $0.3 million (December 31, 2015: 15 open futures contracts with a notional value of $1.9 million). Additionally, to hedge economically the market risk associated with equity and debt securities and UITs temporarily held as trading investments, the company will hold short positions in corporate equities, exchange-traded funds, or U.S. treasury security positions. These transactions are recorded as financial instruments sold, not yet purchased and are included in accounts payable and accrued expenses in the company’s Condensed Consolidated Balance Sheets. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within level 1 of the valuation hierarchy; otherwise, they are categorized in level 2.

Contingent Consideration Liability

During 2015, the company acquired certain investment management contracts from Deutsche Bank. Indefinite-lived intangible assets were valued at $119.3 million. This transaction was a non-cash investing activity during that period. The purchase price was comprised solely of contingent consideration payable in future periods, and is linked to future revenues generated from the contracts. The contingent consideration liability was recorded at fair value as of the date of acquisition using a discounted cash flow model, and is categorized within level 3 of the valuation hierarchy. Anticipated future cash flows were determined using forecast AUM levels and discounted back to the valuation date. The company reassesses significant unobservable inputs during each reporting period. At September 30, 2016 inputs used in the model included assumed growth rates in AUM ranging from 0.69% to 4.6% (weighted average growth rate of 2.89%) and a discount rate of 3.27%. Changes in fair value are recorded in other gains and losses, net in the

Condensed Consolidated Statements of Income in the period incurred. An increase in AUM levels and a decrease in the discount rate would increase the fair value of the contingent consideration liability while a decrease in forecasted AUM and an increase in the discount rate would decrease the liability.

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The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities, including major security type for equity and debt securities, which are measured at fair value on the company's Condensed Consolidated Balance Sheet as of September 30, 2016:

$ in millions	As of September 30, 2016 Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	489.2	489.2	—	—
Investments:*				
Available-for-sale:				
Seed money	145.9	145.9	—	—
CLOs	12.0	—	—	12.0
Other debt securities	3.3	—	—	3.3
Trading investments:				
Investments related to deferred compensation plans	172.5	172.5	—	—
Seed money	208.1	208.1	—	—
Other equity securities	29.1	29.1	—	—
UIT-related equity and debt securities:				
Corporate equities	1.0	1.0	—	—
UITs	0.4	0.4	—	—
Municipal securities	—	—	—	—
Assets held for policyholders	7,387.5	7,387.5	—	—
Put option contracts	17.6	—	17.6	—
Total	8,466.6	8,433.7	17.6	15.3
Liabilities:				
UIT-related financial instruments sold, not yet purchased:				
Corporate equities	(0.2)	(0.2)	—	—
Contingent consideration liability	(80.7)	—	—	(80.7)
Total	(80.9)	(0.2)	—	(80.7)

* Foreign time deposits of $27.0 million are excluded from this table. Equity method and other investments of $272.7 million and $5.7 million, respectively, are also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

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The following table presents, for each of the hierarchy levels described above, the carrying value of the company's assets and liabilities, including major security type for equity and debt securities, which are measured at fair value on the company's Condensed Consolidated Balance Sheet as of December 31, 2015:

	As of December 31, 2015			
$ in millions	Fair Value Measurements	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Cash equivalents:				
Money market funds	383.3	383.3	—	—
Investments:*				
Available-for-sale:				
Seed money	225.9	225.9	—	—
CLOs	1.4	—	—	1.4
Other debt securities	5.9	—	—	5.9
Trading investments:				
Investments related to deferred compensation plans	158.8	158.8	—	—
Seed Money	191.2	191.2	—	—
Other equity securities	48.1	48.1	—	—
UIT-related equity and debt securities:				
Corporate equities	1.8	1.8	—	—
UITs	1.5	1.5	—	—
Municipal securities	1.3	—	1.3	—
Assets held for policyholders	6,051.5	6,051.5	—	—
Put option contracts	1.4	—	1.4	—
Total	7,072.1	7,062.1	2.7	7.3
Liabilities:				
UIT-related financial instruments sold, not yet purchased:				
Corporate equities	(2.5)	(2.5)	—	—
Contingent consideration liability	(83.9)	—	—	(83.9)
Total	(86.4)	(2.5)	—	(83.9)

* Foreign time deposits of $24.7 million are excluded from this table. Equity method and other investments of $352.8 million and $5.7 million, respectively, are also excluded from this table. These investments are not measured at fair value, in accordance with applicable accounting standards.

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The following table shows a reconciliation of the beginning and ending fair value measurements for level 3 assets and liabilities during the three and nine months ended September 30, 2016 and September 30, 2015, which are valued using significant unobservable inputs:

$ in millions	Three months ended September 30, 2016 Contingent Consideration Liability	CLOs	Other Debt Securities	Nine months ended September 30, 2016 Contingent Consideration Liability	CLOs	Other Debt Securities
Beginning balance	(89.3)	11.5	3.3	(83.9)	1.4	5.9
Adjustment for adoption of ASU 2015-02	—	—	—	—	11.5	—
Beginning balance, as adjusted	(89.3)	11.5	3.3	(83.9)	12.9	5.9
Returns of capital	—	(0.9)	—	—	(2.3)	(2.6)
Net unrealized gains and losses included in other gains and losses, net*	5.3	—	—	(6.3)	—	—
Net unrealized gains and losses included in accumulated other comprehensive income/(loss)*	—	1.4	—	—	1.4	—
Disposition/settlements	3.3	—	—	9.5	—	—
Ending balance	(80.7)	12.0	3.3	(80.7)	12.0	3.3

$ in millions	Three months ended September 30, 2015 Contingent Consideration Liability	CLOs	Other Debt Securities	Nine months ended September 30, 2015 Contingent Consideration Liability	CLOs	Other Debt Securities
Beginning balance	(118.7)	1.3	6.3	—	3.4	6.3
Acquisition	—	—	—	(119.3)	—	—
Returns of capital	—	—	(0.4)	—	(0.1)	(0.4)
Net unrealized gains and losses included in other gains and losses*	18.4	—	—	18.4	—	—
Net unrealized gains and losses included in accumulated other comprehensive income/(loss)*	—	(0.2)	—	—	(0.2)	—
Disposition/settlements	4.0	—	—	4.6	(2.0)	—
Ending balance	(96.3)	1.1	5.9	(96.3)	1.1	5.9

*These unrealized gains and losses are attributable to balances still held at the respective period ends.

3. INVESTMENTS

The disclosures below include details of the company's investments. Investments held by CSIP (for the prior period) and CIP are detailed in Notes 12, "Consolidated Sponsored Investment Products, and 13, "Consolidated Investment Products."

$ in millions	September 30, 2016	December 31, 2015
Available-for-sale investments:		
Seed money	145.9	225.9
CLOs	12.0	1.4
Other debt securities	3.3	5.9
Trading investments:		

Investments related to deferred compensation plans	172.5	158.8
Seed money	208.1	191.2
Other equity securities	29.1	48.1
UIT-related equity and debt securities	1.4	4.6
Equity method investments	272.7	352.8
Foreign time deposits	27.0	24.7
Other	5.7	5.7
Total investments	877.7	1,019.1

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Available for sale investments

Realized gains and losses recognized in the Condensed Consolidated Statements of Income during the period from investments classified as available-for-sale are as follows:

$ in millions	For the three months ended September 30, 2016			For the nine months ended September 30, 2016		
	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses
Seed money	31.7	0.8	(0.7)	33.5	1.2	(0.7)
CLOs	1.0	—	—	2.3	—	—
Other debt securities	—	—	—	2.6	—	—
	32.7	0.8	(0.7)	38.4	1.2	(0.7)

$ in millions	For the three months ended September 30, 2015			For the nine months ended September 30, 2015		
	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses	Proceeds from Sales	Gross Realized Gains	Gross Realized Losses
Seed money	29.8	1.0	(0.2)	45.5	2.0	(0.2)
CLOs	0.3	0.3	—	2.6	0.5	—
Other debt securities	0.4	—	—	0.4	—	—
	30.5	1.3	(0.2)	48.5	2.5	(0.2)

Upon the sale of available-for-sale securities, net realized gains of $0.1 million and $0.5 million were transferred from accumulated other comprehensive income into the Condensed Consolidated Statements of Income during the three and nine months ended September 30, 2016, (three and nine months ended September 30, 2015: $1.1 million and $2.3 million). The specific identification method is used to determine the realized gain or loss on securities sold or otherwise disposed.

Gross unrealized holding gains and losses recognized in other accumulated comprehensive income from available-for-sale investments are presented in the table below:

$ in millions	September 30, 2016				December 31, 2015			
	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
Seed money	144.0	7.3	(5.4)	145.9	227.6	7.6	(9.3)	225.9
CLOs	9.9	2.4	(0.3)	12.0	1.3	0.1	—	1.4
Other debt securities	3.1	0.2	—	3.3	5.9	—	—	5.9
	157.0	9.9	(5.7)	161.2	234.8	7.7	(9.3)	233.2

At September 30, 2016, 95 seed money funds (December 31, 2015: 192 seed money funds) had incurred gross unrealized holding losses. The following table provides a breakdown of the unrealized losses.

$ in millions	September 30, 2016	December 31, 2015

	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Less than 12 months	17.5	(0.5)	93.0	(3.0)
12 months or greater	71.9	(4.9)	65.5	(6.3)
Total	89.4	(5.4)	158.5	(9.3)

The company has reviewed investment securities for other-than-temporary impairment (OTTI) in accordance with its accounting policy and has recognized no other-than-temporary impairment charges on available-for-sale investments during the nine months ended September 30, 2016 (nine months ended September 30, 2015: none). The company reviewed the financial condition and near-term prospects of the underlying securities in the seeded funds as well as the severity and duration of the impairment and concluded that the gross unrealized losses on these securities did not represent other-than-temporary impairments. The securities are expected to recover their value over time and the company has the intent and ability to hold the securities until this recovery occurs. For CLO investments, the company reviewed the estimated future cashflows of each CLO.

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If the present value of the estimated future cashflows is lower than the carrying value of the investment and there is an adverse change in estimated cashflows, the impairment is considered to be other than temporary. During the nine months ended September 30, 2016 and 2015, no other-than-temporary impairment related to credit related factors was recognized.

Available-for-sale debt securities as of September 30, 2016 by maturity, are set out below:

	Available-for-Sale (Fair Value)
Less than one year	1.7
One to five years	1.7
Five to ten years	9.1
Greater than ten years	2.8
Total available-for-sale	15.3

Trading investments

The portion of trading gains and losses for the three and nine months ended September 30, 2016, that relates to trading securities still held at September 30, 2016, was a $11.3 million net gain and $12.9 million net gain, respectively (three and nine months ended September 30, 2015: $17.0 million net loss and $18.9 million net loss, respectively).

Equity method investments

On April 5, 2016, the company purchased the remaining 51% of Invesco Asset Management (India) Private Limited (formerly our joint venture, Religare Invesco Asset Management Company), increasing our interest to 100%, replacing the equity method investment with a fully consolidated subsidiary. At March 31, 2016, Invesco was committed to its plan of acquisition, which under U.S. GAAP requires the company to include any cumulative translation adjustments as part of the carrying value of the investment for the purpose of other-than-temporary impairment testing. As a result, during the three months ended March 31, 2016, the company recorded a non-cash impairment charge of $17.8 million related to its 49% investment in the joint venture. The charge relates entirely to the devaluation of the Indian Rupee against the U.S. Dollar over the period since the 2013 purchase and is included in equity in earnings of unconsolidated affiliates.

4. LONG-TERM DEBT

The disclosures below include details of the company's debt. Debt of CIP is detailed in Note 13, “Consolidated Investment Products.”

$ in millions	September 30, 2016		December 31, 2015	
	Carrying Value**	Fair Value	Carrying Value**	Fair Value
Floating rate credit facility expiring August 7, 2020	—	—	—	—
Unsecured Senior Notes*:				
$600 million 3.125% - due November 30, 2022	596.2	622.6	596.1	601.4
$600 million 4.000% - due January 30, 2024	593.0	651.2	592.7	628.3
$500 million 3.750% - due January 15, 2026	494.4	531.4	494.2	503.0
$400 million 5.375% - due November 30, 2043	389.6	474.3	389.8	428.6
Long-term debt	2,073.2	2,279.5	2,072.8	2,161.3

* The company's senior note indentures contain certain restrictions on mergers or consolidations. Beyond these items, there are no other restrictive covenants in the indentures.

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The difference between the principal amounts and the carrying values of the senior notes in the table above reflect the unamortized debt issuance costs and discounts.

The issuer of the senior notes is an indirect 100% owned finance subsidiary of Invesco Ltd. (the Parent), and the Parent fully and unconditionally guaranteed the securities. The requirement of certain subsidiaries of the Parent to maintain minimum levels of capital and other similar provisions of applicable law may have the effect of limiting withdrawals of capital, repayment of intercompany loans and payment of dividends by such entities.

The fair market value of the company's senior notes was determined by market quotes provided by Bloomberg, which is considered a Level 2 valuation input. In the absence of an active market, the company relies upon the average price quoted by brokers for determining the fair market value of the debt.
At September 30, 2016, the company's outstanding senior notes of $2,073.2 million mature in periods greater than five years from the balance sheet date. The floating rate credit facility will expire in less than five years.
At September 30, 2016, the outstanding balance on the $1.25 billion credit facility was zero (December 31, 2015: zero). Borrowings under the credit facility will bear interest at (i) LIBOR for specified interest periods or (ii) a floating base rate (based upon the highest of (a) the Bank of America prime rate, (b) the Federal Funds rate plus 0.50% and (c) LIBOR for an interest period of one month plus 1.00%), plus, in either case, an applicable margin determined with reference to the higher of the available credit ratings of the company or its indirect subsidiary Invesco Finance PLC. Based on credit ratings as of September 30, 2016 of the company, the applicable margin for LIBOR-based loans was 0.875% and for base rate loans was 0.00%. In addition, the company is required to pay the lenders a facility fee on the aggregate commitments of the lenders (whether or not used) at a rate per annum which is based on the higher of the available credit ratings of the company or its indirect subsidiary Invesco Finance PLC. Based on credit ratings as of September 30, 2016, the annual facility fee was equal to 0.125%.
The credit agreement governing the credit facility contains customary restrictive covenants on the company and its subsidiaries. Restrictive covenants in the credit agreement include, but are not limited to: prohibitions on creating, incurring or assuming any liens; entering into merger arrangements; selling, leasing, transferring or otherwise disposing of assets; making a material change in the nature of the business; making a significant accounting policy change in certain situations; entering into transactions with affiliates; and incurring indebtedness through the subsidiaries (other than the borrower, Invesco Finance PLC). Many of these restrictions are subject to certain minimum thresholds and exceptions. Financial covenants under the credit agreement include: (i) the quarterly maintenance of a debt/EBITDA leverage ratio, as defined in the credit agreement, of not greater than 3.25:1.00, (ii) a coverage ratio (EBITDA, as defined in the credit agreement/interest payable for the four consecutive fiscal quarters ended before the date of determination) of not less than 4.00:1.00.
The credit agreement governing the credit facility also contains customary provisions regarding events of default which could result in an acceleration or increase in amounts due, including (subject to certain materiality thresholds and grace periods) payment default, failure to comply with covenants, material inaccuracy of representation or warranty, bankruptcy or insolvency proceedings, change of control, certain judgments, ERISA matters, cross-default to other debt agreements, governmental action prohibiting or restricting the company or its subsidiaries in a manner that has a material adverse effect and failure of certain guaranty obligations. The company is in compliance with all regulatory minimum net capital requirements.
The lenders (and their respective affiliates) may have provided, and may in the future provide, investment banking, cash management, underwriting, lending, commercial banking, leasing, foreign exchange, trust or other advisory services to the company and its subsidiaries and affiliates. These parties may have received, and may in the future receive, customary compensation for these services.
The company maintains approximately $18.5 million in letters of credit from a variety of banks. The letters of credit are generally one-year automatically-renewable facilities and are maintained for various commercial reasons.

5. SHARE CAPITAL

The number of common shares and common share equivalents issued are represented in the table below:

In millions	As of September 30, 2016	December 31, 2015
Common shares issued	490.4	490.4
Less: Treasury shares for which dividend and voting rights do not apply	(81.9)	(72.9)

Common shares outstanding	408.5	417.5

Total treasury shares at September 30, 2016 were 91.3 million (December 31, 2015: 81.3 million), including 9.4 million unvested restricted stock awards (December 31, 2015: 8.4 million) for which dividend and voting rights apply. The market price of common shares at September 30, 2016 was $31.27. The total market value of the company's 91.3 million treasury shares was $2.9 billion at September 30, 2016.

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6. OTHER COMPREHENSIVE INCOME/(LOSS)

The components of accumulated other comprehensive income/(loss) were as follows:

	For the three months ended September 30, 2016				
$ in millions	Foreign currency translation	Employee benefit plans	Equity method investments	Available-for-sale investments	Total
Other comprehensive income/(loss) net of tax:					
Currency translation differences on investments in foreign subsidiaries, net of tax	(63.4)	—	—	—	(63.4)
Actuarial (loss)/gain related to employee benefit plans, net of tax	—	—	—	—	—
Reclassification of prior service cost/(credit) into employee compensation expense, net of tax	—	(1.8)	—	—	(1.8)
Reclassification of actuarial (gain)/loss into employee compensation expense, net of tax	—	0.4	—	—	0.4
Share of other comprehensive income/(loss) of equity method investments, net of tax	—	—	2.4	—	2.4
Unrealized gains/(losses) on available-for-sale investments, net of tax	—	—	—	2.3	2.3
Reclassification of net (gains)/losses realized on available-for-sale investments included in other gains and losses, net, net of tax	—	—	—	(0.2)	(0.2)
Other comprehensive income/(loss), net of tax	(63.4)	(1.4)	2.4	2.1	(60.3)
Beginning balance	(432.7)	(88.6)	6.5	0.9	(513.9)
Other comprehensive income/(loss), net of tax	(63.4)	(1.4)	2.4	2.1	(60.3)
Other comprehensive (income)/loss attributable to noncontrolling interests	0.5	—	—	—	0.5
Ending balance	(495.6)	(90.0)	8.9	3.0	(573.7)

	For the nine months ended September 30, 2016				
$ in millions	Foreign currency translation	Employee benefit plans	Equity method investments	Available-for-sale investments	Total
Other comprehensive income/(loss) net of tax:					
Currency translation differences on investments in foreign subsidiaries, net of tax	(132.8)	—	—	—	(132.8)
Actuarial (loss)/gain related to employee benefit plans, net of tax	—	(0.4)	—	—	(0.4)
Reclassification of prior service cost/(credit) into employee compensation expense, net of tax	—	(5.2)	—	—	(5.2)
Reclassification of actuarial (gain)/loss into employee compensation expense, net of tax	—	1.2	—	—	1.2
Share of other comprehensive income/(loss) of equity method investments, net of tax	—				