SEI INVESTMENTS CO
Form 10-Q
October 23, 2014

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

FORM 10-Q

(Mark One)*
ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended September 30, 2014
or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to
0-10200
(Commission File Number)

SEI INVESTMENTS COMPANY
(Exact name of registrant as specified in its charter)

Pennsylvania	23-1707341
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100
(Address of principal executive offices)
(Zip Code)
(610) 676-1000
(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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No ý
The number of shares outstanding of the registrant's common stock as of October 21, 2014 was 167,235,919.

SEI Investments Company

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

SEI Investments Company
Consolidated Balance Sheets
(unaudited)
(In thousands, except par value)

	September 30, 2014	December 31, 2013
Assets		
Current Assets:		
Cash and cash equivalents	$577,914	$578,273
Restricted cash	5,500	5,500
Receivables from regulated investment companies	46,533	39,364
Receivables, net of allowance for doubtful accounts of $1,038 and $651	211,228	186,664
Securities owned	21,173	21,133
Other current assets	21,028	16,166
Total Current Assets	883,376	847,100
Property and Equipment, net of accumulated depreciation of $235,606 and $220,064	128,775	118,995
Capitalized Software, net of accumulated amortization of $208,502 and $180,062	310,368	312,615
Investments Available for Sale	81,084	83,323
Trading Securities	4,908	4,849
Investment in Unconsolidated Affiliates	63,858	61,370
Other Assets, net	13,410	10,917
Total Assets	$1,485,779	$1,439,169
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$6,512	$16,235
Accrued liabilities	148,839	188,123
Deferred income taxes, net	1,868	1,653
Deferred revenue	1,098	1,977
Total Current Liabilities	158,317	207,988
Deferred Income Taxes	71,552	66,572
Other Long-term Liabilities	11,270	8,607
Total Liabilities	241,139	283,167
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, $.01 par value, 750,000 shares authorized; 167,112 and 169,242 shares issued and outstanding	1,671	1,692
Capital in excess of par value	805,197	721,219
Retained earnings	440,767	431,604
Accumulated other comprehensive (loss) income, net	(2,995)	1,487
Total Shareholders' Equity	1,244,640	1,156,002
Total Liabilities and Shareholders' Equity	$1,485,779	$1,439,169

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company
Consolidated Statements of Operations
(unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Asset management, administration and distribution fees	$244,704	$208,780	$705,966	$611,135
Information processing and software servicing fees	70,020	64,606	215,026	191,606
Transaction-based and trade execution fees	7,323	7,269	22,256	24,367
Total revenues	322,047	280,655	943,248	827,108
Expenses:				
Subadvisory, distribution and other asset management costs	39,737	31,209	110,993	88,795
Software royalties and other information processing costs	8,562	7,541	25,532	22,912
Brokerage commissions	5,119	5,519	16,217	18,291
Compensation, benefits and other personnel	94,316	89,311	281,210	264,636
Stock-based compensation	3,786	11,097	9,481	26,997
Consulting, outsourcing and professional fees	34,946	33,367	103,283	98,667
Data processing and computer related	13,555	12,654	39,553	37,028
Facilities, supplies and other costs	16,136	13,573	49,354	47,280
Amortization	9,813	8,829	28,611	25,498
Depreciation	5,579	5,616	16,494	17,050
Total expenses	231,549	218,716	680,728	647,154
Income from operations	90,498	61,939	262,520	179,954
Net (loss) gain from investments	(478)	535	49	638
Interest and dividend income	750	679	2,248	2,420
Interest expense	(115)	(195)	(342)	(422)
Equity in earnings of unconsolidated affiliates	37,963	31,028	104,080	86,204
Gain on sale of subsidiary	—	—	5,582	22,112
Other income	—	—	—	43,429
Income before income taxes	128,618	93,986	374,137	334,335
Income taxes	44,635	26,791	132,521	111,376
Net income	83,983	67,195	241,616	222,959
Less: Net income attributable to the noncontrolling interest	—	—	—	(350)
Net income attributable to SEI Investments Company	$83,983	$67,195	$241,616	$222,609
Basic earnings per common share	$0.50	$0.39	$1.43	$1.29
Shares used to compute basic earnings per share	167,925	171,308	168,612	172,043
Diluted earnings per common share	$0.49	$0.38	$1.39	$1.26
Shares used to compute diluted earnings per share	172,905	176,043	173,700	176,036
Dividends declared per common share	$—	$—	$0.22	$0.20

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company
Consolidated Statements of Comprehensive Income
(unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	$83,983	$67,195	$241,616	$222,959
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(6,308)	3,146	(4,896)	(3,961)
Unrealized (loss) gain on investments:				
Unrealized (losses) gains during the period, net of income taxes of $330, $111, $(426) and $(701)	(584)	354	407	(886)
Less: reclassification adjustment for losses (gains) realized in net income, net of income taxes of $(39), $23, $(1) and $(162)	76 (508)	55 409	7 414	(287) (1,173)
Total other comprehensive (loss) income, net of tax	(6,816)	3,555	(4,482)	(5,134)
Comprehensive income	$77,167	$70,750	$237,134	$217,825
Comprehensive loss attributable to the noncontrolling interest	—	—	—	101
Comprehensive income attributable to SEI Investments Company	$77,167	$70,750	$237,134	$217,926

The accompanying notes are an integral part of these consolidated financial statements.

SEI Investments Company
Consolidated Statements of Cash Flows
(unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	$241,616	$222,959
Adjustments to reconcile net income to net cash provided by operating activities (See Note 1)	(721)	17,336
Net cash provided by operating activities	240,895	240,295
Cash flows from investing activities:		
Additions to property and equipment	(26,422)	(10,413)
Additions to capitalized software	(26,193)	(31,044)
Purchases of marketable securities	(42,305)	(48,653)
Prepayments and maturities of marketable securities	27,224	29,462
Sales of marketable securities	18,133	7,284
Sale of subsidiary, net of cash transferred	5,582	6,028
Purchases of other investments	(2,000)	(2,604)
Net cash used in investing activities	(45,981)	(49,940)
Cash flows from financing activities:		
Purchase and retirement of common stock	(215,777)	(144,121)
Proceeds from issuance of common stock	81,426	54,788
Tax benefit on stock options exercised	13,372	8,345
Payment of dividends	(74,294)	(34,400)
Net cash used in financing activities	(195,273)	(115,388)
Net (decrease) increase in cash and cash equivalents	(359)	74,967
Cash and cash equivalents, beginning of period	578,273	452,247
Cash and cash equivalents, end of period	$577,914	$527,214

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
(all figures are in thousands except share and per share data)

Note 1. Summary of Significant Accounting Policies

Nature of Operations

SEI Investments Company (the Company), a Pennsylvania corporation, provides investment processing, investment management, and investment operations solutions to financial institutions, financial advisors, institutional investors, investment managers and ultra-high-net-worth families in the United States, Canada, the United Kingdom, continental Europe and various other locations throughout the world. Investment processing solutions consist of application and business process outsourcing services, professional services and transaction-based services. Revenues from investment processing solutions are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations, except for fees earned associated with trade execution services which are recognized in Transaction-based and trade execution fees.

Investment management programs consist of mutual funds, alternative investments and separate accounts. These include a series of money market, equity, fixed-income and alternative investment portfolios, primarily in the form of registered investment companies. The Company serves as the administrator and investment advisor for many of these products. Revenues from investment management programs are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Investment operations solutions offer investment managers support for traditional investment products such as mutual funds, collective investment trusts, exchange-traded funds, and institutional and separate accounts, by providing outsourcing services including fund and investment accounting, administration, reconciliation, investor servicing and client reporting. These solutions also provide support to managers focused on alternative investments who manage hedge funds, funds of hedge funds, private equity funds and real estate funds, across registered, partnership and separate account structures domiciled in the United States and overseas. Revenues from investment operations solutions are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain financial information and accompanying note disclosure normally included in the Company’s Annual Report on Form 10-K has been condensed or omitted. The interim financial information is unaudited but reflects all adjustments (consisting of only normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of financial position of the Company as of September 30, 2014, the results of operations for the three and nine months ended September 30, 2014 and 2013, and cash flows for the nine month periods ended September 30, 2014 and 2013. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

There have been no significant changes in significant accounting policies during the nine months ended September 30, 2014 as compared to the significant accounting policies described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013.

Cash and Cash Equivalents

Cash and cash equivalents includes $374,292 and $387,201 at September 30, 2014 and December 31, 2013, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds. The SEI-sponsored mutual funds are considered Level 1 assets.

Restricted Cash

Restricted cash includes $5,000 at September 30, 2014 and December 31, 2013 segregated for regulatory purposes related to trade-execution services conducted by SEI Investments (Europe) Limited. Restricted cash also includes $500 at September 30, 2014 and December 31, 2013, respectively, segregated in special reserve accounts for the benefit of customers of the Company’s broker-dealer subsidiary, SEI Investments Distribution Co. (SIDCO), in

accordance with certain rules established by the Securities and Exchange Commission for broker-dealers.

Capitalized Software

The Company capitalized $26,193 and $31,044 of software development costs for the continued development of the SEI Wealth Platform℠ (the Platform) during the nine months ended September 30, 2014 and 2013, respectively. Included in the amount for 2013 is a one-time contractual payment of $8,812 to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for the Platform. As of September 30, 2014, the net book value of the Platform was $310,368.

The Platform has an estimated useful life of 15 years and a weighted average remaining life of 7.8 years. Amortization expense for the Platform was $28,345 and $25,046 during the nine months ended September 30, 2014 and 2013, respectively.

Earnings per Share

The calculations of basic and diluted earnings per share for the three months ended September 30, 2014 and 2013 are:

	For the Three Months Ended September 30, 2014		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	$83,983	167,925,000	$0.50
Dilutive effect of stock options	—	4,980,000	
Diluted earnings per common share	$83,983	172,905,000	$0.49

	For the Three Months Ended September 30, 2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	$67,195	171,308,000	$0.39
Dilutive effect of stock options	—	4,735,000	
Diluted earnings per common share	$67,195	176,043,000	$0.38

Employee stock options to purchase 4,411,000 and 3,042,000 shares of common stock, with an average exercise price of $32.38 and $31.39, were outstanding during the three months ended September 30, 2014 and 2013, respectively, but not included in the computation of diluted earnings per common share because the effect on diluted earnings per common share would have been anti-dilutive.

The calculations of basic and diluted earnings per share for the nine months ended September 30, 2014 and 2013 are:

	For the Nine Months Ended September 30, 2014		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	$241,616	168,612,000	$1.43
Dilutive effect of stock options	—	5,088,000	
Diluted earnings per common share	$241,616	173,700,000	$1.39

	For the Nine Months Ended September 30, 2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	$222,609	172,043,000	$1.29
Dilutive effect of stock options	—	3,993,000	
Diluted earnings per common share	$222,609	176,036,000	$1.26

Employee stock options to purchase 4,416,000 and 5,522,000 shares of common stock, with an average exercise price of $32.37 and $29.22, were outstanding during the nine months ended September 30, 2014 and 2013, respectively, but not included in the computation of diluted earnings per common share because the effect on diluted earnings per common share would have been anti-dilutive.

Statements of Cash Flows

For purposes of the Consolidated Statements of Cash Flows, the Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents.

The following table provides the details of the adjustments to reconcile net income to net cash provided by operating activities for the nine months ended September 30:

	2014	2013
Net income	$241,616	$222,959
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	16,494	17,050
Amortization	28,611	25,498
Equity in earnings of unconsolidated affiliates	(104,080)	(86,204)
Distributions received from unconsolidated affiliate	103,592	109,173
Stock-based compensation	9,481	26,997
Provision for losses on receivables	387	(180)
Deferred income tax expense	4,768	(21,443)
Gain from sale of SEI AK	(5,582)	(22,112)
Net gain from investments	(49)	(638)
Change in other long-term liabilities	2,663	1,671
Change in other assets	(2,769)	80
Other	(4,665)	(4,199)
Change in current asset and liabilities		
Decrease (increase) in		
Restricted cash for broker-dealer operations	—	500
Receivables from regulated investment companies	(7,169)	(8,495)
Receivables	(24,951)	(17,255)
Other current assets	(4,862)	(1,208)
Increase (decrease) in		
Accounts payable	(9,723)	(3,960)
Accrued liabilities	(1,988)	3,149
Deferred revenue	(879)	(1,088)
Total adjustments	(721)	17,336
Net cash provided by operating activities	$240,895	$240,295

New Accounting Pronouncements

On May 28, 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The updated standard permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. ASU 2014-09 becomes effective for the Company during the first quarter 2017. The Company is currently evaluating the transition method that will be elected and the effect that the updated standard will have on its consolidated financial statements and related disclosures.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2. Investment in Unconsolidated Affiliates

LSV Asset Management

The Company has an investment in LSV Asset Management (LSV), a Delaware general partnership. LSV is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a small number of SEI-sponsored mutual funds. The Company accounts for its interest in LSV using the equity method because of its less than 50 percent ownership. The Company's total partnership interest in LSV was approximately 39.3 percent during the nine months ended September 30, 2014. During the nine months ended September 30, 2013, the Company's total partnership interest was reduced from approximately 39.8 percent to approximately 39.3 percent. The Company's interest in the net assets of LSV is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

At September 30, 2014 and December 31, 2013, the Company's total investment in LSV was $51,956 and $50,595, respectively. The investment in LSV exceeded the underlying equity in the net assets of LSV by $3,062 which is considered goodwill embedded in the investment. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distributions from LSV of $103,592 and $109,173 in the nine months ended September 30, 2014 and 2013, respectively. The Company received an additional partnership distribution payment during the nine months ended September 30, 2013 as compared to the current year period due to a change in the timing of the payments.

The Company's proportionate share in the earnings of LSV was $38,237 and $31,285 during the three months ended September 30, 2014 and 2013, respectively. During the nine months ended September 30, 2014 and 2013, the Company's proportionate share in the earnings of LSV was $104,953 and $86,871, respectively.

The following table contains the condensed statements of operations of LSV for the three and nine months ended September 30, 2014 and 2013:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues	$114,464	$92,184	$316,185	$256,782
Net income	97,332	79,555	267,075	220,657

Guaranty Agreement with LSV Employee Group II

In April 2011, LSV Employee Group II agreed to purchase a partnership interest of an existing LSV employee for $4,300, of which $3,655 was financed through a term loan with Bank of America, N.A. (Bank of America). The Company provided an unsecured guaranty to the lenders of all the obligations of LSV Employee Group II. The lenders had the right to seek payment from the Company in the event of a default by LSV Employee Group II. LSV Employee Group II made the final principal payment in May 2014 for the term loan and has no further obligation regarding the Credit Agreement. LSV Employee Group II made principal payments of $716 during 2014, including the final principal payment of $365 in May 2014.

Guaranty Agreement with LSV Employee Group III

In October 2012, LSV Employee Group III purchased a portion of the partnership interest of three existing LSV employees for $77,700, of which $69,930 was financed through two syndicated term loan facilities contained in a credit agreement with The PrivateBank and Trust Company. The Company provided an unsecured guaranty for $45,000 of the obligations of LSV Employee Group III to the lenders through a guaranty agreement. The lenders have the right to seek payment from the Company in the event of a default by LSV Employee Group III. LSV agreed to provide an unsecured guaranty for $24,930 of the obligations of LSV Employee Group III to the lenders through a separate guaranty agreement.

In September 2014, LSV Employee Group III made the final principal payment related to the term loan guaranteed by LSV. As of October 21, 2014, the remaining unpaid principal balance of the term loan guaranteed by the Company was $42,381. LSV Employee Group III has met all financial obligations to date regarding the scheduled repayment of the term loans since origination. The Company, in its capacity as guarantor, currently has no obligation of payment

relating to the term loan of LSV Employee Group III and, furthermore, fully expects that LSV Employee Group III will meet all of their future obligations regarding the term loan.

Investment in Gao Fu Limited

The Company has an investment in Gao Fu Limited (Gao Fu), a wealth services firm based in Shanghai in the Republic of China. The Company accounts for its interest in Gao Fu using the equity method. At September 30, 2014 and December 31, 2013, the Company's total investment in Gao Fu was $11,902 and $10,775, respectively. The Company's proportionate share in the losses of Gao Fu was $873 and $667 during the nine months ended September 30, 2014 and 2013, respectively.

Note 3. Variable Interest Entities – Investment Products

The Company has created numerous investment products for its clients in various types of legal entity structures. The Company serves as the Manager, Administrator and Distributor for these investment products and may also serve as the Trustee for some of the investment products. Clients are the equity investors and participate in proportion to their ownership percentage in the net income and net capital gains of the products, and, on liquidation, will participate in proportion to their ownership percentage in the remaining net assets of the products after satisfaction of outstanding liabilities. Some of the Company's investment products have been determined to be VIEs at inception.

The Company does not have a significant equity investment in any of the VIEs and does not have an obligation to enter into any guarantee agreements with the VIEs. The Company is not the primary beneficiary of the VIEs because the expected fees and the expected return on any investment into the VIE by the Company relative to the expected returns of the VIE to the equity investor holders does not approach 50 percent of the expected losses or gains of the VIEs. Therefore, the Company is not required to consolidate any investment products that are VIEs into its financial statements. The Company's variable interest in the VIEs, which consists of management fees and in some situations, seed capital, is not considered a significant variable interest.

The risks to the Company associated with its involvement with any of the investment products that are VIEs are limited to the cash flows received from the revenue generated for asset management, administration and distribution services and any equity investments in the VIEs. Both of these items are not significant. The Company has no other financial obligation to the VIEs.

Amounts relating to fees due from the VIEs included in Receivables and amounts relating to equity investments in the VIEs included in Investments Available for Sale on the Company's Consolidated Balance Sheets are not significant to the total assets of the Company.

Note 4. Composition of Certain Financial Statement Captions

Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	September 30, 2014	December 31, 2013
Trade receivables	$67,179	$44,502
Fees earned, not billed	140,030	128,248
Other receivables	5,057	14,565
	212,266	187,315
Less: Allowance for doubtful accounts	(1,038)	(651)
	$211,228	$186,664

Fees earned, not billed represents receivables earned but unbilled and results from timing differences between services provided and contractual billing schedules. These billing schedules generally provide for fees to be billed on a quarterly basis. In addition, certain fees earned from investment operations services are calculated based on assets under administration that have a prolonged valuation process which delays billings to clients.

Receivables from regulated investment companies on the accompanying Consolidated Balance Sheets primarily represent fees receivable for distribution, investment advisory, and administration services to various regulated investment companies sponsored by SEI.

Property and Equipment

Property and Equipment on the accompanying Consolidated Balance Sheets consists of:

	September 30, 2014	December 31, 2013
Buildings	$149,056	$138,426
Equipment	77,078	70,117
Land	9,997	9,929
Purchased software	104,304	96,268
Furniture and fixtures	17,095	17,060
Leasehold improvements	5,536	4,670
Construction in progress	1,315	2,589
	364,381	339,059
Less: Accumulated depreciation	(235,606)	(220,064)
Property and Equipment, net	$128,775	$118,995

The Company recognized $16,494 and $17,050 in depreciation expense related to property and equipment for the nine months ended September 30, 2014 and 2013, respectively.

Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

	September 30, 2014	December 31, 2013
Accrued employee compensation	$60,395	$69,256
Accrued employee benefits and other personnel	7,481	9,647
Accrued consulting, outsourcing and professional fees	23,126	19,311
Accrued sub-advisory, distribution and other asset management fees	30,845	25,018
Accrued dividend payable	—	37,314
Other accrued liabilities	26,992	27,577
Total accrued liabilities	$148,839	$188,123

Note 5. Fair Value Measurements

The fair value of the Company’s financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of the Company’s Level 1 financial assets consist mainly of investments in equity and fixed-income mutual funds that are quoted daily. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed pass-through certificates, Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper. The Company's Level 2 financial assets, with the exception of the GNMA securities, were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The GNMA mortgage-backed pass-through certificates were purchased for the sole purpose of satisfying specific regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SEI Private Trust Company (SPTC). As a result, the Company's Level 2 financial assets are limited to only these types of fixed income securities. The valuation of the Company's Level 2 financial assets are based upon securities pricing policies and procedures utilized by third-party pricing vendors. The pricing policies and procedures applied during the nine months ended September 30, 2014 were consistent with those as described in our Annual Report on Form 10-K at December 31, 2013. The Company had no Level 3 financial assets or liabilities at September 30, 2014 or December 31, 2013. There were no transfers of financial assets between levels within the fair value hierarchy during the nine months ended September 30, 2014.

The fair value of certain financial assets and liabilities of the Company was determined using the following inputs:

	At September 30, 2014		
	Fair Value Measurements at Reporting Date Using		
Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity available-for-sale securities	$11,804	$11,804	$—
Fixed income available-for-sale securities	69,280	—	69,280
Fixed income securities owned	21,173	—	21,173
Trading securities	4,908	4,908	—
	$107,165	$16,712	$90,453

	At December 31, 2013		
	Fair Value Measurements at Reporting Date Using		
Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Equity available-for-sale securities	$11,633	$11,633	$—
Fixed income available-for-sale securities	71,690	—	71,690
Fixed income securities owned	21,133	—	21,133
Trading securities	4,849	4,849	—
	$109,305	$16,482	$92,823

Note 6. Marketable Securities

Investments Available for Sale

Investments available for sale classified as non-current assets consist of:

	At September 30, 2014			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SEI-sponsored mutual funds	$7,634	$1,388	$—	$9,022
Equities and other mutual funds	2,760	22	—	2,782
Debt securities	68,033	1,247	—	69,280
	$78,427	$2,657	$—	$81,084

	At December 31, 2013			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SEI-sponsored mutual funds	$7,612	$1,242	$—	$8,854

Equities and other mutual funds	2,615	164	—	2,779
Debt securities	71,280	410	—	71,690
	$81,507	$1,816	$—	$83,323

Net unrealized gains at September 30, 2014 and December 31, 2013 were $1,800 (net of income tax expense of $857) and $1,386 (net of income tax expense of $430), respectively. These net unrealized gains are reported as a separate component of Accumulated other comprehensive (loss) income on the accompanying Consolidated Balance Sheets. There were gross realized gains of $238 and gross realized losses of $247 from available-for-sale securities during the nine months ended September 30, 2014. There were gross realized gains of $710 and gross realized losses of $261 from

available-for-sale securities during the nine months ended September 30, 2013. Gains and losses from available-for-sale securities, including amounts reclassified from accumulated comprehensive income, are reflected in Net (loss) gain from investments on the accompanying Consolidated Statements of Operations.

The Company's investments in debt securities are issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased to satisfy applicable regulatory requirements of SPTC and have maturity dates which range from 2020 to 2043.

Trading Securities

The Company records all of its trading securities on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these securities are recognized in Net (loss) gain from investments on the accompanying Consolidated Statements of Operations.

Trading securities of the Company primarily consist of an investment related to the startup of mutual funds sponsored by LSV. These mutual funds are U.S. dollar denominated funds that invest primarily in securities of Canadian, Australian and Japanese companies as well as various other global securities. The underlying securities held by the funds are translated into U.S. dollars within the funds. The funds had a fair value of $4,908 and $4,849 at September 30, 2014 and December 31, 2013, respectively. The Company recognized gains of $59 and $135 from the change in fair value of the funds during the nine months ended September 30, 2014 and 2013, respectively. During the three months ended September 30, 2014 and 2013, the Company recognized losses of $362 and gains of $610, respectively, from the change in fair value of the funds.

Securities Owned

The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency and commercial paper securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of $21,173 and $21,133 at September 30, 2014 and December 31, 2013, respectively. There were no material net gains or losses from the change in fair value of the securities during the three and nine months ended September 30, 2014 and 2013.

Note 7. Lines of Credit

The Company has a five-year $300,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, National Association, and a syndicate of other lenders. The Credit Facility is scheduled to expire in February 2017, at which time any aggregate principal amount of loans outstanding becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at 1.25 percent above LIBOR. There is also a commitment fee equal to 0.15 percent per annum on the daily unused portion of the facility. The aggregate amount of the Credit Facility may be increased by an additional $100,000 under certain conditions set forth in the agreement. The Credit Facility contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing, its common stock without the approval of the lenders. None of the covenants of the Credit Facility negatively affect the Company's liquidity or capital resources. Both the interest rate and commitment fee prices may increase if the Company's leverage ratio reaches certain levels. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the agreement may be terminated. The Company had no borrowings under the Credit Facility at September 30, 2014. The Company was in compliance with all covenants of the Credit Facility during the nine months ended September 30, 2014.

The Company's Canadian subsidiary maintained a credit facility agreement (the Canadian Credit Facility) for the purpose of facilitating the settlement of mutual fund transactions. The amount of the facility was limited to $2,000 Canadian dollars or the equivalent amount in U.S. dollars. On June 9, 2014, the Company terminated the agreement. The Company was in compliance with all covenants of the Canadian Credit Facility during 2014.

Note 8. Shareholders’ Equity

Stock-Based Compensation

On March 19, 2014, the Company’s Board of Directors approved the 2014 Omnibus Equity Compensation Plan (the 2014 Plan), which was later approved by the shareholders of the Company on May 21, 2014. The 2014 Plan became effective upon receipt of the shareholders' approval on May 21, 2014 and is the successor equity compensation plan to the 2007 Equity Compensation Plan (the 2007 Plan) which was merged with and into the 2014 Plan. The 2014 Plan provides for the grant of stock options, stock units, stock awards, stock appreciation rights and other stock-based awards.

No further grants will be made under the 2007 Plan, and shares with respect to all grants outstanding under the 2007 Plan will be issued or transferred under the 2014 Plan. Permitted grantees under the 2014 Plan include employees, non-employee directors and consultants who perform services for the Company. The plan is administered by the Compensation Committee of the Board of Directors of the Company.

The Company has only non-qualified stock options outstanding under the merged plan. All outstanding stock options have performance-based vesting provisions specific to each option grant that tie the vesting of the applicable stock options to the Company's financial performance. The Company's stock options vest at a rate of 50 percent when specified diluted earnings per share targets are achieved, and the remaining 50 percent when secondary, higher specified diluted earnings per share targets are achieved. The amount of stock-based compensation expense is based upon management's estimate of when the earnings per share targets may be achieved.

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the three and nine months ended September 30, 2014 and 2013, respectively, as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Stock-based compensation expense	$3,786	$11,097	$9,481	$26,997
Less: Deferred tax benefit	(1,322)	(4,125)	(3,272)	(9,908)
Stock-based compensation expense, net of tax	$2,464	$6,972	$6,209	$17,089

As of September 30, 2014, there was approximately $29,768 of unrecognized compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options that management expects will vest and is being amortized.

The Company issues new common shares associated with the exercise of stock options. The total intrinsic value of options exercised during the nine months ended September 30, 2014 was $79,830. The total options exercisable as of September 30, 2014 had an intrinsic value of $175,270. The total intrinsic value for options exercisable is calculated as the difference between the market value of the Company's common stock as of September 30, 2014 and the weighted average exercise price of the shares. The market value of the Company's common stock as of September 30, 2014 was $36.16 as reported by the Nasdaq Stock Market, LLC. The weighted average exercise price of the options exercisable as of September 30, 2014 was $19.49. Total options that were outstanding and exercisable as of September 30, 2014 were 19,535,000 and 10,516,000, respectively.

Common Stock Buyback

The Company's Board of Directors, under multiple authorizations, has authorized the repurchase of the Company's common stock on the open market or through private transactions. The Company purchased 6,305,000 shares at a total cost of $215,796 during the nine months ended September 30, 2014. The cost of stock purchases during the period includes the cost of certain transactions that settled in the following quarter. As of October 21, 2014, the Company has $65,274 of authorization remaining for the purchase of common stock under the program.

The Company immediately retires its common stock when purchased. Upon retirement, the Company reduces Capital in excess of par value for the average capital per share outstanding and the remainder is charged against Retained earnings. If the Company reduces its Retained earnings to zero, any subsequent purchases of common stock will be charged entirely to Capital in excess of par value.

Cash Dividend

On May 21, 2014, the Board of Directors declared a cash dividend of $0.22 per share on the Company's common stock, which was paid on June 24, 2014, to shareholders of record on June 16, 2014. Cash dividends declared during the nine months ended September 30, 2014 and 2013 were $36,980 and $34,400, respectively.

Note 9. Accumulated Other Comprehensive Loss

The components of Accumulated other comprehensive loss, net of tax, are as follows:

	Foreign Currency Translation Adjustments	Unrealized Gains (Losses) on Investments	Total
Balance, January 1, 2014	$101	$ 1,386	$1,487
Other comprehensive income (loss) before reclassifications	(4,896)	407	(4,489)
Amounts reclassified from accumulated other comprehensive income	—	7	7
Net current-period other comprehensive income (loss)	(4,896)	414	(4,482)
Balance, September 30, 2014	$(4,795)	$ 1,800	$(2,995)

Note 10. Business Segment Information

The Company's reportable business segments are:

Private Banks – provides investment processing and investment management programs to banks and trust institutions, independent wealth advisers and financial advisors worldwide;

Investment Advisors – provides investment management programs to affluent investors through a network of independent registered investment advisors, financial planners and other investment professionals in the United States;

Institutional Investors – provides investment management programs and administrative outsourcing solutions to retirement plan sponsors, hospitals and not-for-profit organizations worldwide;

Investment Managers – provides investment operations outsourcing solutions to fund companies, banking institutions and both traditional and non-traditional investment managers worldwide; and

Investments in New Businesses – focuses on providing investment management programs to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice solutions; entering new markets; and conducting other research and development activities.

The information in the following tables is derived from the Company's internal financial reporting used for corporate management purposes. There are no inter-segment revenues for the three and nine months ended September 30, 2014 and 2013. Management evaluates Company assets on a consolidated basis during interim periods. The accounting policies of the reportable business segments are the same as those described in Note 1 to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

The following tables highlight certain unaudited financial information about each of the Company's business segments for the three months ended September 30, 2014 and 2013.

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended September 30, 2014					
Revenues	$110,147	$74,469	$72,560	$63,640	$1,231	$322,047
Expenses	100,498	37,796	35,495	40,156	4,614	218,559
Operating profit (loss)	$9,649	$36,673	$37,065	$23,484	$(3,383)	$103,488

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended September 30, 2013					
Revenues	$97,370	$61,393	$63,539	$57,266	$1,087	$280,655
Expenses	95,579	33,768	33,058	37,763	4,146	204,314
Operating profit (loss)	$1,791	$27,625	$30,481	$19,503	$(3,059)	$76,341

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the three months ended September 30, 2014 and 2013 is as follows:

	2014	2013
Total operating profit from segments above	$103,488	$76,341
Corporate overhead expenses	(12,990)	(14,402)
Income from operations	$90,498	$61,939

The following tables provide additional information for the three months ended September 30, 2014 and 2013 pertaining to our business segments:

	Capital Expenditures		Depreciation	
	2014	2013	2014	2013
Private Banks	$7,797	$9,376	$2,922	$3,799
Investment Advisors	3,731	3,513	759	521
Institutional Investors	239	777	295	222
Investment Managers	3,115	1,596	907	525
Investments in New Businesses	498	186	511	442
Total from business segments	$15,380	$15,448	$5,394	$5,509
Corporate overhead	341	259	185	107
	$15,721	$15,707	$5,579	$5,616

	Amortization	
	2014	2013
Private Banks	$6,342	$5,704
Investment Advisors	2,341	2,105
Institutional Investors	363	326
Investment Managers	242	218
Investments in New Businesses	468	419
Total from business segments	$9,756	$8,772
Corporate overhead	57	57
	$9,813	$8,829

The following tables highlight certain unaudited financial information about each of the Company’s business segments for the nine months ended September 30, 2014 and 2013.

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Nine Months Ended September 30, 2014					
Revenues	$329,508	$210,939	$212,211	$187,099	$3,491	$943,248
Expenses	299,645	108,052	104,615	118,789	13,314	644,415
Operating profit (loss)	$29,863	$102,887	$107,596	$68,310	$(9,823)	$298,833
Gain on sale of subsidiary	5,582	—	—	—	—	5,582
Total profit (loss)	$35,445	$102,887	$107,596	$68,310	$(9,823)	$304,415

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Nine Months Ended September 30, 2013					
Revenues	$291,258	$175,868	$190,385	$166,542	$3,055	$827,108
Expenses	289,632	98,291	97,595	109,432	11,774	606,724
Operating profit (loss)	$1,626	$77,577	$92,790	$57,110	$(8,719)	$220,384
Gain on sale of subsidiary	22,112	—	—	—	—	22,112
Total profit (loss)	$23,738	$77,577	$92,790	$57,110	$(8,719)	$242,496

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the nine months ended September 30, 2014 and 2013 is as follows:

	2014	2013
Total operating profit from segments above	$298,833	$220,384
Corporate overhead expenses	(36,313)	(40,719)
Noncontrolling interest reflected in segments	—	289
Income from operations	$262,520	$179,954

The following tables provide additional information for the nine months ended September 30, 2014 and 2013 pertaining to our business segments:

	Capital Expenditures		Depreciation	
	2014	2013	2014	2013
Private Banks	$26,105	$26,079	$10,211	$11,679
Investment Advisors	11,381	9,480	1,762	1,547
Institutional Investors	3,169	1,921	714	674
Investment Managers	8,337	3,071	1,931	1,461
Investments in New Businesses	1,694	461	1,461	1,350
Total from business segments	$50,686	$41,012	$16,079	$16,711
Corporate Overhead	1,929	445	415	339
	$52,615	$41,457	$16,494	$17,050

	Amortization	
	2014	2013
Private Banks	$18,485	$16,497
Investment Advisors	6,825	6,063
Institutional Investors	1,058	937
Investment Managers	706	626
Investments in New Businesses	1,366	1,204
Total from business segments	$28,440	$25,327
Corporate Overhead	171	171
	$28,611	$25,498

Note 11. Income Taxes

The gross liability for unrecognized tax benefits at September 30, 2014 and December 31, 2013 was $13,557 and $12,028, respectively, exclusive of interest and penalties, of which $11,623 and $10,139 would affect the effective tax rate if the Company were to recognize the tax benefit.

The Company classifies interest and penalties on unrecognized tax benefits as income tax expense. As of September 30, 2014 and December 31, 2013, the combined amount of accrued interest and penalties related to tax positions taken on tax returns was $967 and $754, respectively.

	September 30, 2014	December 31, 2013
Gross liability for unrecognized tax benefits, exclusive of interest and penalties	$13,557	$12,028
Interest and penalties on unrecognized benefits	967	754
Total gross uncertain tax positions	$14,524	$12,782
Amount included in Current liabilities	$3,254	$4,175
Amount included in Other long-term liabilities	11,270	8,607
	$14,524	$12,782

The Company’s effective tax rate was 34.7 percent and 28.5 percent for the three months ended September 30, 2014 and 2013, respectively. For the nine months ended September 30, 2014 and 2013, the Company's tax rate was 35.4 percent and 33.3 percent, respectively. The increase in the tax rate for the three months ended September 30, 2014 was due to the fact that the September 30, 2013 quarter was benefited by a Pennsylvania Tax Law change enacted on July 18, 2013. Accounting rules required the effect of the law change to be recorded in the quarter which the law was signed. The Company's effective tax rate for the nine months ended September 30, 2014 was also impacted by the expiration of the research and development tax credit on December 31, 2013, whereas the Company's 2013 tax rate for the comparable period reflects the benefit of the tax credit for 2012 and 2013.

On January 2, 2013, the American Taxpayer Relief Act of 2012 (the Act) was signed into law which reinstated the research and development tax credit retroactively from January 1, 2012 through December 31, 2013. Current accounting guidance requires the determination of current and deferred taxes be based upon the provisions of the enacted tax law as of the balance sheet date. Since the Act was not signed into law until January 2, 2013, the effect of the 2012 research and development tax credit was therefore reflected in the Company's 2013 tax rate. Since the research and development tax credit expired as of December 31, 2013, no credit was reflected in the Company's 2014 tax rate. The increase in tax rate was partially offset by an increase in the portion of pre-tax income in certain foreign jurisdictions which is taxed at a lower rate during the nine months ended September 30, 2014.

The Company files income tax returns in the United States on a consolidated basis and in many U.S. state and foreign jurisdictions. The Company is subject to examination of income tax returns by the Internal Revenue Service (IRS) and other domestic and foreign tax authorities. The Company is no longer subject to U.S. federal income tax examination for years before 2011 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2009.

The Company estimates it will recognize $3,254 of unrecognized tax benefits within the next twelve months due to the expiration of the statute of limitations and resolution of income tax audits. These unrecognized tax benefits are related to tax positions taken on certain federal, state, and foreign tax returns. However, the timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. While it is reasonably possible that some issues under examination could be resolved in the next twelve months, based upon the current facts and circumstances, the Company cannot reasonably estimate the timing of such resolution or total range of potential changes as it relates to the current unrecognized tax benefits that are recorded as part of the Company’s financial statements.

Note 12. Commitments and Contingencies

In the normal course of business, the Company is party to various claims and legal proceedings.

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge, State of Louisiana. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant and, as described below, was certified as a class in December 2012. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action against SEI and SPTC under the Louisiana Securities Act. The class action originally included a claim against SEI and SPTC for an alleged violation of the Louisiana Unfair Trade Practices Act. Two of the other five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs filed a lawsuit in the 23rd Judicial District Court

for the Parish of Ascension, State of Louisiana, against SEI and SPTC and other defendants asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act and conspiracy. The underlying allegations in all the actions are purportedly related to the role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of “certificates of deposit” issued by Stanford International Bank.

Two of the five actions filed in East Baton Rouge were removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to United States District Court for the Northern District of Texas. On August 31, 2011, the United States District Court for the Northern District of Texas issued an order and judgment that the causes of action alleged against SEI in the two removed actions were preempted by federal law and the court dismissed these cases with prejudice. Plaintiffs appealed this ruling, and on March 19, 2012, a panel of the Court of Appeals for the Fifth Circuit reversed the decision of the United States District Court and remanded the actions for further proceedings. On July 18, 2012, SEI filed a petition for a writ of certiorari in the United States Supreme Court, seeking review of the decision by the United States Court of Appeals in the Fifth Circuit to permit the claims against SEI to proceed. SEI believes that the trial court correctly concluded that the claims against SEI were barred by the federal Securities Litigation Uniform Standards Act and requested that the Supreme Court reinstate that dismissal. On January 18, 2013, the Supreme Court granted the petition for a writ of certiorari. On October 7, 2013, the Supreme Court heard oral argument on the appeal and on February 26, 2014 the Supreme Court affirmed the judgment of the Court of Appeals. The case filed in Ascension was also removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas. The schedule for responding to that complaint has not yet been established. The plaintiffs in the remaining two cases in East Baton Rouge have granted SEI and SPTC an extension to respond to the filings. SEI and SPTC filed exceptions in the class action pending in East Baton Rouge, which the Court granted in part and dismissed the claims under the Louisiana Unfair Trade Practices Act and denied in part as to the other exceptions.

SEI and SPTC filed an answer to the East Baton Rouge class action, plaintiffs filed a motion for class certification; and SEI and SPTC also filed a motion for summary judgment against certain named plaintiffs which the Court stated would not be set for hearing until after the hearing on the class certification motion. The Court in the East Baton Rouge action held a hearing on class certification on September 20, 2012. By oral decision on December 5, 2012 and later entered in a judgment signed on December 17, 2012 that was subsequently amended, the Court in East Baton Rouge certified a class to be composed of persons who purchased or renewed any Stanford International Bank certificates of deposit (SIB CDs) in Louisiana between January 1, 2007 and February 13, 2009 or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. On January 30, 2013, SEI and SPTC filed motions for appeal from the judgments that stated SEI's and SPTC's intention to move to stay the litigation. On February 1, 2013, plaintiffs filed a motion for Leave to File First Amended and Restated Class Action Petition in which they ask the Court to allow them to amend the petition in this case to add additional facts that were developed during discovery and adding claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. On February 15, 2013, SEI filed a motion for new trial, or, in the alternative, for reconsideration of the Court's order allowing amendment. On February 22, 2013, SEI filed a motion to stay proceedings in view of the pending Supreme Court case. On February 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by filing an exception. On March 11, 2013, the insurance carrier defendants filed a notice of removal removing the case to the Middle District of Louisiana and on March 18, 2013, the insurance carrier defendants filed answers. On March 13, 2013, SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. On March 19, 2013, plaintiffs filed a motion to remand, a motion for expedited briefing schedule, expedited status conference and expedited consideration of their motion to remand, a motion for leave to file under seal and a motion for order pursuant to 28 U.S.C. 1447(b) requiring removing defendants to supplement federal court record with certified copy of state court record. These motions are now fully briefed. On March 25, 2013, SEI filed a motion that the court decline to adopt the state court's order regarding class certification, which the court dismissed without prejudice to renew upon a determination of removal jurisdiction in an April 12, 2013 order that also dismissed without prejudice a motion to dismiss for lack of jurisdiction and improper venue filed on April 9, 2013 by one of the insurers. On April 1, 2013, the Louisiana Office of Financial Institutions (OFI) filed a motion to remand and sever claims, and a response to that motion by the insurers and opposition to that motion by the plaintiffs were filed on April 22, 2013. Along with the briefing in the Middle District of Louisiana, on March 13, 2013, SEI notified the MDL of this case as a potential tag-along action. On March 19, 2013, plaintiffs notified the MDL that they had filed a motion to remand and asked the panel to decline to issue a conditional transfer order. On March 29, 2013, the MDL issued a

conditional transfer order (CTO). On April 18, 2013, OFI filed a motion to vacate the CTO or, in the alternative, stay any ruling to transfer the matter until after the Middle District of Louisiana ruled on OFI's motion to remand and sever. Plaintiffs filed a motion to vacate the CTO on April 19, 2013. SEI's responses to those motions were filed on May 9, 2013. On June 12, 2013, the MDL Panel issued an order notifying the parties that on July 25, 2013, it would consider, without oral argument, Plaintiffs' and OFI's motions to vacate the CTO. On August 7, 2013, the MDL Panel affirmed the CTO and transferred the matter against SEI to the United States District Court for the Northern District of Texas; the MDL Panel also severed the claims against OFI and remanded those claims to the Middle District of Louisiana. On September 11, 2013, defendants filed a motion requesting a status conference with the Court to address the status of all pending motions. On October 4, 2013, Plaintiffs filed a petition for a writ of mandamus asking the United States Court of Appeals for the Fifth Circuit to review the MDL Panel’s transfer Order and on February 14, 2014, the Court denied the petition. On October 1, 2014, SEI filed a renewed motion to dismiss in the Northern District of Texas, and on October 6, 2014, the United States District Court for the Northern District of Texas denied the motion to remand. This case is

now pending in the Northern District of Texas. On October 16, 2014, the Plaintiffs filed a Petition for Permission to Appeal with the Court of Appeals for the Fifth Circuit with respect to the denial by the District Court of the Plaintiffs' motion to remand.

While the outcome of this litigation is uncertain given its early phase, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of the uncertainty of the make-up of the classes, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

A lawsuit entitled Steven Curd and Rebel Curd v. SEI Investments Management Corporation was filed against SIMC in the United States District Court for the Eastern District of Pennsylvania on December 11, 2013. On August 28, 2014, the Court granted SIMC's motion to dismiss the initial complaint in the lawsuit, but also granted plaintiffs leave to amend the complaint. On October 2, 2014, plaintiffs filed an amended complaint. In the amended complaint, SEI Investments Global Funds Services (SGFS) was added as a defendant. The plaintiffs bring the case as a shareholder derivative action against SIMC and SGFS on behalf of certain SEI funds. The claims are based on Section 36(b) of the Investment Company Act of 1940, as amended, which allows shareholders of a mutual fund to sue the investment adviser of the fund or its affiliates for an alleged breach of fiduciary duty with respect to compensation received by the adviser or its affiliates. The plaintiffs have brought the suit against SIMC and SGFS with respect to five specific SEI Funds: the High Yield Bond, Tax-Managed Large Cap, and Tax-Managed Small/Mid Cap Funds, each of which is a series of the SEI Institutional Managed Trust, the Intermediate Term Municipal Fund, which is a series of the SEI Tax Exempt Trust, and the International Equity Fund, which is a series of the SEI Institutional International Trust (the SEI Funds). The plaintiffs seek: (1) damages for the SEI Funds in the amount of the alleged "excessive" fees earned by SIMC and SGFS beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees; (2) orders declaring that SIMC and SGFS allegedly violated Section 36(b) and enjoining SIMC and SGFS from further alleged violations; and (3) rescission of SIMC's and SGFS's contracts with the funds, and restitution of all allegedly excessive fees paid beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees.

While the outcome of this litigation is uncertain given its early phase, SIMC and SGFS believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and SIMC and SGFS are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

Note 13. Sale of SEI Asset Korea

On July 31, 2012, the Company, MetLife International Holdings, Inc. (MetLife) and International Finance Corporation (IFC) entered into a definitive agreement with Baring Asset Management Limited to sell all ownership interest in SEI Asset Korea (SEI AK). SEI AK was located in South Korea and provided domestic equity and fixed income investment management services to financial institutions and pension funds.

On March 28, 2013, all conditions subject to closing the transaction were satisfied and all ownership interests in SEI AK were transferred to Baring Asset Management Limited. The net working capital of SEI AK at closing in excess of required regulatory capital, and subject to certain other adjustments, was distributed to the Company, MetLife and IFC in accordance with the ownership interests. The Company recognized a pre-tax gain of $22,112, or $0.08 diluted earnings per share, during the nine months ended September 30, 2013 as a result of the sale. Under the terms of the agreement, a portion of the purchase price was paid upon closing with up to an additional $11,220 payable to the Company as a contingent purchase price with respect to three one-year periods ending on December 31, 2013, 2014, and 2015 depending upon whether SEI AK achieves specified revenue measures during such periods. The Company recognized a pre-tax gain of $5,582, or $0.02 diluted earnings per share, with respect to the one-year period ended December 31, 2013 during the nine months ended September 30, 2014. The Company received the payment for this portion of the contingent purchase price in April 2014. The Company's gains from the sale of SEI AK are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations.

The operating results of SEI AK were included in the Private Banks business segment. SEI AK revenues and net income included in the Company's Consolidated Statement of Operations were as follows:

	For the Period January 1, 2013 through March 28, 2013
Revenues	$2,889
Net income	$796
Less: Income attributable to the noncontrolling interests	(350)
Net income attributable to SEI AK	$446

Note 14. Settlement Agreement

On April 24, 2013, the Company entered into a Settlement Agreement with respect to litigation captioned Abu Dhabi Commercial Bank, et. al. v. Morgan Stanley & Co., Incorporated, et. al., brought by a group of plaintiffs, including the Company, related to the purchase of securities by the Company and others of Cheyne Finance LLC, a SIV security. In accordance with the Settlement Agreement, the Company received a cash settlement payment of $43,429 after fees and expenses during the three months ended June 30, 2013. The income related to the cash settlement payment is reflected in Other income on the accompanying Consolidated Statements of Operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.
(In thousands, except asset balances and per share data)
This discussion reviews and analyzes the consolidated financial condition at September 30, 2014 and 2013, the consolidated results of operations for the three and nine months ended September 30, 2014 and 2013 and other key factors that may affect future performance. This discussion should be read in conjunction with the Consolidated Financial Statements, the Notes to the Consolidated Financial Statements and the Annual Report on Form 10-K for the year ended December 31, 2013.

Overview
Consolidated Summary
We are a leading global provider of investment processing, investment management and investment operations solutions. We help corporations, financial institutions, financial advisors and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. Investment processing fees are earned as monthly fees for contracted services, including computer processing services, software licenses and investment operations services, as well as transaction-based fees for providing securities valuation and trade-execution. Investment operations and investment management fees are earned as a percentage of average assets under management or administration. As of September 30, 2014, through our subsidiaries and partnerships in which we have a significant interest, we manage or administer $612.2 billion in mutual fund and pooled or separately managed assets, including $249.1 billion in assets under management and $363.1 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages $81.5 billion of assets which are included as assets under management.
Our Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013 were:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2014	2013		2014	2013	
Revenues	$322,047	$280,655	15 %	$943,248	$827,108	14 %
Expenses	231,549	218,716	6 %	680,728	647,154	5 %
Income from operations	90,498	61,939	46 %	262,520	179,954	46 %
Net (loss) gain from investments	(478)	535	NM	49	638	NM
Interest income, net of interest expense	635	484	31 %	1,906	1,998	(5)%
Equity in earnings from unconsolidated affiliates	37,963	31,028	22 %	104,080	86,204	21 %
Gain on sale of subsidiary	—	—	— %	5,582	22,112	NM
Other income	—	—	— %	—	43,429	NM
Income before income taxes	128,618	93,986	37 %	374,137	334,335	12 %
Income taxes	44,635	26,791	67 %	132,521	111,376	19 %
Net income	83,983	67,195	25 %	241,616	222,959	8 %
Less: Net income attributable to noncontrolling interest	—	—	— %	—	(350)	NM
Net income attributable to SEI Investments Co.	$83,983	$67,195	25 %	241,616	$222,609	9 %
Diluted earnings per common share	$0.49	$0.38	29 %	$1.39	$1.26	10 %

The following items had a significant impact on our financial results for the three and nine months ended September 30, 2014 and 2013:
- Revenue growth was primarily driven by higher Asset management, administration and distribution fees from improved cash flows from new and existing clients and market appreciation. Our average assets under management,

excluding LSV, increased $20.2 billion, or 14 percent, to $163.5 billion in the first nine months of 2014 as compared to $143.3 billion during the first nine months of 2013. Our average assets under administration increased $54.5 billion, or 19 percent, to $348.3 billion in the first nine months of 2014 as compared to $293.8 billion during the first nine months of 2013.

- Sales of new business in our Institutional Investors and Investment Managers business segments as well as positive cash receipts from new and existing advisor relationships in our Investment Advisors business segment contributed to

the increase in our revenues and profits. Additionally, increased investment management fees from international clients in our Private Banks segment also contributed to our revenue growth.

- Revenue growth was also driven by increased Information processing and software servicing fees in our Private Banks segment. The increase was primarily attributable to increased fees earned from our mutual fund trading solution and higher fees from the growth in assets processed on the SEI Wealth Platform and $6.0 million, or $.02 diluted earnings per share, in non-recurring professional services fees from a single project recorded in the second quarter 2014 related to investment processing services.
- Our proportionate share in the earnings of LSV was $105.0 million in the first nine months of 2014 as compared to $86.9 million in the first nine months of 2013, an increase of 21 percent. The increase in earnings was primarily driven by the increase in assets under management from LSV's existing clients due to market appreciation and an increase in performance fees earned by LSV.
- Stock-based compensation costs in the first nine months of 2014 declined by $17.5 million due to the acceleration of expense recognition during the comparable period of 2013 for stock options that achieved performance vesting targets earlier than originally estimated.
- The direct costs associated with our investment management programs increased in our Private Banks, Investment Advisors and Institutional Investors segments. These costs primarily relate to fees charged by investment advisory firms and are included in Sub-advisory, distribution and other asset management costs on the accompanying Consolidated Statements of Operations.
- Our operating expenses related to personnel and third-party service providers in our Private Banks and Investment Managers segments increased. These increased operational costs are mainly related to servicing new and existing clients and are included in Compensation, benefits and other personnel as well as Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.
- We capitalized $26.2 million in the first nine months of 2014 for the SEI Wealth Platform as compared to $31.0 million in the first nine months of 2013. Included in the amount for 2013 is a one-time contractual payment of $8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license. Amortization expense related to the Platform increased to $28.3 million during the first nine months of 2014 as compared to $25.0 million during the first nine months of 2013 due to continued releases of new functionality for the Platform.
- Our operating margins in all four core business segments improved in the first nine months of 2014 mainly due to increased recurring revenues generated from the higher levels of assets under management and administration as previously discussed.
- We recorded pre-tax gains of $5.6 million, or $.02 diluted earnings per share, and $22.1 million, or $.08 diluted earnings per share, from the sale of SEI Asset Korea (SEI AK) in the first nine months of 2014 and 2013, respectively. The gains from the sale are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations. The operating results of SEI AK were included in the Private Banks business segment (See Note 13 to the Consolidated Financial Statements for more information).
- We recorded income of $43.4 million, or $0.16 diluted earnings per share, during the second quarter 2013 from a cash settlement payment received pertaining to litigation related to the purchase of securities of Cheyne Finance LLC, a structured investment vehicle (SIV) security (See Note 14 to the Consolidated Financial Statements for more information).
- Our effective tax rate was 34.7 percent during the third quarter 2014 as compared to 28.5 percent during the third quarter 2013. Our effective tax rate during the first nine months of 2014 was 35.4 percent as compared to 33.3 percent in the first nine months of 2013. Our third quarter 2013 tax rate benefited by a one-time adjustment due to a Pennsylvania Tax Law change enacted on July 18, 2013. Our 2014 tax rate was also impacted by the expiration of the research and development tax credit on December 31, 2013, whereas the 2013 tax rate reflects the benefit for 2012 and 2013.
- We continued our stock repurchase program during 2014 and purchased 6.3 million shares at an average price of approximately $34.22 per share in the nine month period.

Ending Asset Balances
(In millions)
This table presents ending assets of our clients, or of our clients' customers, for which we provide management or administrative services through our subsidiaries and partnerships in which we have a significant interest.

	As of September 30,		Percent Change	
	2014	2013		
Private Banks:				
Equity and fixed income programs	$18,634	$14,305	30	%
Collective trust fund programs	11	11	—	%
Liquidity funds	5,331	5,167	3	%
Total assets under management	$23,976	$19,483	23	%
Client proprietary assets under administration	16,288	14,101	16	%
Total assets	$40,264	$33,584	20	%
Investment Advisors:				
Equity and fixed income programs	42,260	36,203	17	%
Collective trust fund programs	9	14	(36	)%
Liquidity funds	3,086	2,779	11	%
Total assets under management	$45,355	$38,996	16	%
Institutional Investors:				
Equity and fixed income programs	72,006	64,429	12	%
Collective trust fund programs	98	107	(8	)%
Liquidity funds	2,891	3,125	(7	)%
Total assets under management	$74,995	$67,661	11	%
Investment Managers:				
Equity and fixed income programs	64	75	(15	)%
Collective trust fund programs	21,297	19,868	7	%
Liquidity funds	1,018	678	50	%
Total assets under management	$22,379	$20,621	9	%
Client proprietary assets under administration	346,841	295,959	17	%
Total assets	$369,220	$316,580	17	%
Investments in New Businesses:				
Equity and fixed income programs	703	594	18	%
Liquidity funds	118	26	354	%
Total assets under management	$821	$620	32	%
LSV:				
Equity and fixed income programs	$81,536	$71,149	15	%
Total:				
Equity and fixed income programs	215,203	186,755	15	%
Collective trust fund programs	21,415	20,000	7	%
Liquidity funds	12,444	11,775	6	%
Total assets under management	$249,062	$218,530	14	%
Client proprietary assets under administration	363,129	310,060	17	%
Total assets under management and administration	$612,191	$528,590	16	%

Average Asset Balances
(In millions)

This table presents average asset balances of our clients, or of clients' customers, for which we provide management or administrative services through our subsidiaries and partnerships in which we have a significant interest.

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2014	2013		2014	2013	
Private Banks:						
Equity and fixed income programs (A)	$18,804	$13,696	37 %	$17,582	$15,284	15 %
Collective trust fund programs	12	11	9 %	13	11	18 %
Liquidity funds	5,466	5,142	6 %	5,551	5,264	5 %
Total assets under management	$24,282	$18,849	29 %	$23,146	$20,559	13 %
Client proprietary assets under administration	15,707	13,760	14 %	15,381	13,268	16 %
Total assets	$39,989	$32,609	23 %	$38,527	$33,827	14 %
Investment Advisors:						
Equity and fixed income programs	42,389	35,618	19 %	40,760	34,546	18 %
Collective trust fund programs	11	14	(21)%	12	14	(14)%
Liquidity funds	2,830	2,520	12 %	2,758	2,211	25 %
Total assets under management	$45,230	$38,152	19 %	$43,530	$36,771	18 %
Institutional Investors:						
Equity and fixed income programs	72,010	63,153	14 %	70,138	63,420	11 %
Collective trust fund programs	98	107	(8)%	112	104	8 %
Liquidity funds	2,883	3,091	(7)%	2,706	3,009	(10)%
Total assets under management	$74,991	$66,351	13 %	$72,956	$66,533	10 %
Investment Managers:						
Equity and fixed income programs	64	76	(16)%	67	73	(8)%
Collective trust fund programs	22,123	19,259	15 %	22,191	18,198	22 %
Liquidity funds	962	613	57 %	841	541	55 %
Total assets under management	$23,149	$19,948	16 %	$23,099	$18,812	23 %
Client proprietary assets under administration	344,661	292,627	18 %	332,893	280,566	19 %
Total assets	$367,810	$312,575	18 %	$355,992	$299,378	19 %
Investments in New Businesses:						
Equity and fixed income programs	688	584	18 %	650	564	15 %
Liquidity funds	139	27	415 %	76	33	130 %
Total assets under management	$827	$611	35 %	$726	$597	22 %
LSV:						
Equity and fixed income programs	$82,402	$69,463	19 %	$79,525	$66,747	19 %
Total:						
Equity and fixed income programs (A)	216,357	182,590	18 %	208,722	180,634	16 %
Collective trust fund programs	22,244	19,391	15 %	22,328	18,327	22 %
Liquidity funds	12,280	11,393	8 %	11,932	11,058	8 %
Total assets under management	$250,881	$213,374	18 %	$242,982	$210,019	16 %
Client proprietary assets under administration	360,368	306,387	18 %	348,274	293,834	19 %
Total assets under management and administration	$611,249	$519,761	18 %	$591,256	$503,853	17 %

(A) Equity and fixed income programs in the Private Banks segment for the nine months ended September 30, 2013 includes assets related to SEI AK which was sold during the first quarter 2013 (See Note 13 to the Consolidated Financial Statements).

In the preceding tables, assets under management are total assets of our clients or their customers invested in our equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management services. Assets under management and administration also include total assets of our clients or their customers for which we provide administrative services, including client proprietary fund balances for which we provide administration and/or distribution services. All assets presented in the preceding tables are not included in the accompanying Consolidated Balance Sheets because we do not own them.

Business Segments

Revenues, Expenses and Operating Profit (Loss) for our business segments for the three and nine months ended September 30, 2014 compared to the three and nine months ended September 30, 2013 were as follows:

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2014	2013		2014	2013	
Private Banks:						
Revenues	$110,147	$97,370	13 %	$329,508	$291,258	13 %
Expenses	100,498	95,579	5 %	299,645	289,632	3 %
Operating Profit	$9,649	$1,791	NM	$29,863	$1,626	NM
Gain on sale of subsidiary	—	—	— %	5,582	22,112	NM
Total Profit	$9,649	$1,791	NM	$35,445	$23,738	NM
Operating Margin (A)	9 %	2 %		9 %	1 %	
Investment Advisors:						
Revenues	$74,469	$61,393	21 %	$210,939	$175,868	20 %
Expenses	37,796	33,768	12 %	108,052	98,291	10 %
Operating Profit	$36,673	$27,625	33 %	$102,887	$77,577	33 %
Operating Margin	49 %	45 %		49 %	44 %	
Institutional Investors:						
Revenues	$72,560	$63,539	14 %	$212,211	$190,385	11 %
Expenses	35,495	33,058	7 %	104,615	97,595	7 %
Operating Profit	$37,065	$30,481	22 %	$107,596	$92,790	16 %
Operating Margin	51 %	48 %		51 %	49 %	
Investment Managers:						
Revenues	$63,640	$57,266	11 %	$187,099	$166,542	12 %
Expenses	40,156	37,763	6 %	118,789	109,432	9 %
Operating Profit	$23,484	$19,503	20 %	$68,310	$57,110	20 %
Operating Margin	37 %	34 %		37 %	34 %	
Investments in New Businesses:						
Revenues	$1,231	$1,087	13 %	$3,491	$3,055	14 %
Expenses	4,614	4,146	11 %	13,314	11,774	13 %
Operating Loss	$(3,383)	$(3,059)	NM	$(9,823)	$(8,719)	NM

(A) Percentages determined exclusive of gain from sale of subsidiary.

For additional information pertaining to our business segments, see Note 10 to the Consolidated Financial Statements.

Private Banks

	Three Months Ended September 30,		Percent Change	Nine Months Ended September 30,		Percent Change
	2014	2013		2014	2013	
Revenues:						
Information processing and software servicing fees	$69,325	$64,226	8 %	$213,053	$190,564	12 %
Asset management, administration & distribution fees	35,291	26,723	32 %	98,576	79,593	24 %
Transaction-based and trade execution fees	5,531	6,421	(14)%	17,879	21,101	(15)%
Total revenues	$110,147	$97,370	13 %	$329,508	$291,258	13 %

Revenues increased $12.8 million, or 13 percent, in the three month period and increased $38.3 million, or 13 percent, in the nine month period ended September 30, 2014 and were primarily affected by:

- Increased investment management fees from existing international clients due to higher average assets under management from improved capital markets and increased net cash flows, net of the decrease in fees from the sale of SEI AK in the first quarter 2013;
- $6.0 million in non-recurring professional services fees from a single project recorded in the second quarter 2014 related to investment processing services;
- Increased fees earned on our mutual fund trading solution due to an increase in assets processed on the system from new and existing clients; and
- Increased recurring investment processing fees from new investment processing clients as well as higher fees from the growth in existing client assets processed on the SEI Wealth Platform; partially offset by
- Lower recurring investment processing fees due to price reductions provided to existing clients that recontracted for longer periods and client losses.

Operating margin was nine percent in the three and nine month periods. Operating income increased by $7.9 million in the three month period and increased by $28.2 million in the nine month period and was primarily affected by:

- An increase in revenues;
- Decreased stock-based compensation costs; and
- A reduction in operational expenses, mainly personnel, due to the sale of SEI AK in the first quarter 2013; partially offset by
- Increased direct expenses associated with increased investment management fees from existing international clients;
- Increased non-capitalized development costs, mainly personnel costs, related to the SEI Wealth Platform;
- Increased operational costs, mainly salary and consulting costs, for servicing investment processing clients; and
- Increased amortization expense related to the SEI Wealth Platform due to continued releases.

Investment Advisors

Revenues increased $13.1 million, or 21 percent, in the three month period and increased $35.1 million, or 20 percent, in the nine month period ended September 30, 2014 and were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by market appreciation and an increase in net cash flows from new and existing advisors; and
- An increase in the average basis points earned on assets due to the increase in average assets under management and product mix.

Operating margin increased to 49 percent compared to 45 percent in the three month period and increased to 49 percent compared to 44 percent in the nine month period. Operating income increased by $9.0 million, or 33 percent, in the three month period and increased by $25.3 million, or 33 percent, in the nine month period and was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs; partially offset by

- Increased direct expenses associated with increased investment management fees from existing clients;
- Increased personnel costs, mainly salary, for servicing new advisors,

- Increased non-capitalized development costs, mainly personnel costs, related to the SEI Wealth Platform; and
- Increased amortization expense related to the SEI Wealth Platform due to continued releases.

Institutional Investors

Revenues increased $9.0 million, or 14 percent, in the three month period and increased $21.8 million, or 11 percent, in the nine month period ended September 30, 2014 and were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by improved capital markets as well as additional asset funding from existing clients; and
- Asset funding from new sales of our retirement and not-for-profit solutions; partially offset by client losses.

Operating margins increased to 51 percent compared to 48 percent in the three month period and increased to 51 percent compared to 49 percent in the nine month period. Operating income increased $6.6 million, or 22 percent, in the three month period and increased $14.8 million, or 16 percent, in the nine month period and was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs; partially offset by
- Increased direct expenses associated with higher investment management fees, and
- Increased personnel costs, mainly salary and incentive-based compensation expenses.

Investment Managers

Revenues increased $6.4 million, or 11 percent, in the three month period and increased $20.6 million, or 12 percent, in the nine month period ended September 30, 2014 and were primarily affected by:

- Net positive cash flows from existing clients due to new funding along with higher valuations from improved capital markets; and
- Positive cash flows from new clients; partially offset by client losses.

Operating margin increased to 37 percent compared to 34 percent in the three and nine month periods. Operating income increased $4.0 million, or 20 percent, in the three month period and increased $11.2 million, or 20 percent, in the nine month period and was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs; partially offset by
- Increased personnel expenses, technology and other operational costs to service new and existing clients.

Other

Corporate overhead expenses

Corporate overhead expenses primarily consist of general and administrative expenses and other costs not directly attributable to a reportable business segment. Corporate overhead expenses were $13.0 million and $14.4 million in the three months ended September 30, 2014 and 2013, respectively, and $36.3 million and $40.7 million in the nine months ended September 30, 2014 and 2013, respectively. The decrease in corporate overhead expenses in the both comparable periods was primarily due to decreased stock-based compensation costs.

Other income and expense

Other income and expense items on the accompanying Consolidated Statements of Operations consists of:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net (loss) gain from investments	$(478)	$535	$49	$638
Interest and dividend income	750	679	2,248	2,420
Interest expense	(115)	(195)	(342)	(422)
Equity in earnings of unconsolidated affiliates	37,963	31,028	104,080	86,204
Gain on sale of subsidiary	—	—	5,582	22,112
Other income	—	—	—	43,429
Total other income and expense items, net	$38,120	$32,047	$111,617	$154,381

Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates primarily includes our less than 50 percent ownership in LSV. In April 2013, our interest in LSV was reduced from approximately 39.8 percent to approximately 39.3 percent.

Our proportionate share in the earnings of LSV was $38.2 million in third quarter 2014 as compared to $31.3 million in third quarter 2013, an increase of 22 percent. In the nine months ended September 30, 2014, our proportionate share in the earnings of LSV was $105.0 million as compared to $86.9 million in the nine months ended September 30, 2013, an increase of 21 percent. The increase in earnings was primarily due to increased assets under management from LSV's existing clients due to improved capital markets and an increase in performance fees. LSV’s average assets under management increased $12.8 billion to $79.5 billion during the nine months ended September 30, 2014 as compared to $66.7 billion during the nine months ended September 30, 2013, an increase of 19 percent. Our earnings from LSV, however, were negatively impacted by the decrease in our ownership interest in April 2013.

Equity in earnings of unconsolidated affiliates also includes our proportionate share in the losses of Gao Fu, a wealth services firm based in Shanghai in the Republic of China. Our investment in Gao Fu at September 30, 2014 was $11.9 million. Our investment in Gao Fu resulted from a series of cash purchases of common stock and the outstanding unpaid principal balance pertaining to a Convertible Note Purchase Agreement (the Note Agreement). The Note Agreement permits us to convert, at our discretion under certain conditions, the outstanding unpaid principal and interest balance into additional common shares of Gao Fu. If converted, our equity ownership interest in Gao Fu would increase based on a conversion rate formula as prescribed in the Note Agreement which could result in acquiring a majority ownership position in Gao Fu as well as evaluating the recoverability of the investment in Gao Fu (See Note 2 to the Consolidated Financial Statements for more information).

Gain on sale of subsidiary

We recorded gains of $5.6 million and $22.1 million during the nine months ended September 30, 2014 and 2013, respectively, from the the sale of our ownership interests in SEI AK. These gains are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 13 to the Consolidated Financial Statements for more information).

Other income

On April 24, 2013, we entered into a Settlement Agreement with respect to litigation captioned Abu Dhabi Commercial Bank, et. al. v. Morgan Stanley & Co., Incorporated, et. al., related to the purchase of Cheyne Finance LLC, a SIV security. In accordance with the Settlement Agreement, we received a cash settlement payment after fees and expenses of $43.4 million in the second quarter 2013 which is included in Other income on the accompanying Consolidated Statement of Operations (See Note 14 to the Consolidated Financial Statements for more information).

Income Taxes

Our effective tax rate was 34.7 percent and 28.5 percent for the three months ended September 30, 2014 and 2013, respectively. For the nine months ended September 30, 2014 and 2013, our effective tax rate was 35.4 percent and 33.3 percent, respectively. The increase in our tax rate for the three months ended September 30, 2014 was due to the fact that the September 30, 2013 quarter was benefited by a Pennsylvania Tax Law change enacted on July 18, 2013. Accounting rules required the effect of the law change to be recorded in the quarter which the law was signed. Our tax rate for the nine months ended September 30, 2014 was also impacted by the expiration of the research and development tax credit on December 31, 2013, whereas our 2013 tax rate for the comparable period reflects the benefit of the tax credit for 2012 and 2013.

Fair Value Measurements

The fair value of our financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of our financial assets are determined using Level 1 or Level 2 inputs and consist mainly of investments in equity or fixed-income mutual funds that are quoted daily and Government National Mortgage Association (GNMA) and other U.S. government agency securities that are single issuer pools that are valued based on current market data of similar assets (See Note 5 to the Notes to Consolidated Financial Statements).

Regulatory Matters

Like many firms operating within the financial services industry, we are experiencing a difficult regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry, the

introduction and implementation of new solutions for our financial services industry clients, the increased regulatory oversight of the financial services industry generally, new laws and regulations affecting the financial services industry and ever-changing regulatory interpretations of existing laws and regulations, and a greater propensity of regulators to pursue enforcement actions and other sanctions against regulated entities, have made this an increasingly challenging and costly regulatory environment in which to operate.

SEI and some of our regulated subsidiaries have undergone or been scheduled to undergo a range of periodic or thematic reviews, examinations or investigations by more than eight regulatory authorities around the world, including the Office of the Comptroller of the Currency, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Financial Conduct Authority of the United Kingdom (FCA), the Central Bank of Ireland and others. In a number of instances, these are the first recurring examinations by these regulatory authorities. These regulatory activities typically result in the identification of matters or practices to be addressed by us or our subsidiaries and, in certain circumstances, the regulatory authorities could require remediation activities or pursue enforcement proceedings against us or our subsidiaries. As described under the caption “Regulatory Considerations” in our Annual Report on Form 10-K, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these regulatory activities and of complying with new or modified regulations, as well as the potential financial costs and potential reputational impact against us of any enforcement proceedings that might result, is uncertain but could have a material adverse impact on our operating results or financial position.

Liquidity and Capital Resources

	Nine Months Ended September 30,	
	2014	2013
Net cash provided by operating activities	$240,895	$240,295
Net cash used in investing activities	(45,981)	(49,940)
Net cash used in financing activities	(195,273)	(115,388)
Net (decrease) increase in cash and cash equivalents	(359)	74,967
Cash and cash equivalents, beginning of period	578,273	452,247
Cash and cash equivalents, end of period	$577,914	$527,214

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At September 30, 2014, our unused sources of liquidity consisted of cash and cash equivalents and the amount available under our credit facility.

Our credit facility provides for borrowings of up to $300.0 million and is scheduled to expire in February 2017 (See Note 7 to the Consolidated Financial Statements). The availability of the credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the credit facility, we would also be restricted from paying dividends on, or repurchasing, our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement. We currently have no borrowings under our credit facility.

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest entirely in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of October 21, 2014, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was $435.6 million.

Our cash and cash equivalents include accounts managed by our subsidiaries and minority-owned subsidiaries that are used in their operations or to cover specific business and regulatory requirements. The availability of this cash for other purposes beyond the operations of these subsidiaries may be limited. Also, some of our foreign subsidiaries may have excess cash reserves which are considered to be undistributed earnings and indefinitely reinvested. Upon distribution of these earnings, in the form of dividends or otherwise, we would be immediately subject to both U.S. and foreign withholding taxes which would reduce the amount we would ultimately realize. We do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes.

Cash flows from operations increased slightly in the first nine months of 2014 compared to the first nine months of 2013. Our cash flows from operations increased primarily due to the increase in our net income and the non-cash adjustments related to the gains from the sale of SEI AK and deferred tax expense. These increases were offset by the net change in our working capital accounts and the non-cash adjustment for stock-based compensation.

Cash flows from investing activities increased $4.0 million in the first nine months of 2014 compared to the first nine months of 2013. Net cash used in investing activities includes:

- Purchases, sales and maturities of marketable securities. Our purchases, sales and maturities of marketable securities in the first nine months of 2014 and 2013 were as follows:

	Nine Months Ended September 30,	
	2014	2013
Purchases	$(42,305)	$(48,653)
Sales and maturities	45,357	36,746
Net investing activities from marketable securities	3,052	(11,907)

Sales and maturities during the first nine months of 2014 include sales of $18.0 million of GNMA securities and corresponding purchases of $18.7 million of similar GNMA securities with shorter-term maturities. Our investments in GNMA securities are held to satisfy applicable regulatory requirements of SPTC.

- The capitalization of costs incurred in developing computer software. We will continue the development of the SEI Wealth Platform through a series of releases to expand the functionality of the Platform. We capitalized $26.2 million of software development costs in the first nine months of 2014 as compared to $31.0 million in the first nine months of 2013. Included in the amount for 2013 is a one-time contractual payment of $8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for the Platform.
- Capital expenditures. Our capital expenditures in the first nine months of 2014 were $26.4 million as compared to $10.4 million in the first nine months of 2013. Our expenditures in 2014 primarily include purchased software and equipment for our data center operations. Our expenditures in 2014 also include approximately $8.0 million for the expansion of our corporate headquarters which was completed in the third quarter.
- The sale of our subsidiary. The sale of SEI AK was completed during the first three months of 2013. Prior to the transaction, cash and cash equivalents held in the accounts of SEI AK were not considered free and immediately available. As a result of the sale, the net cash proceeds received significantly increased our amount of cash considered free and immediately accessible for other general corporate purposes. The net effect of the cash received from the sale of SEI AK and the transfer of cash balances to the owners is reflected in Sale of subsidiary, net of cash transferred. Our first payment related to the contingent purchase price of SEI AK was received in April 2014. Additional information pertaining to the sale is presented in Note 13 to the Consolidated Financial Statements.

Cash flows from financing activities decreased $79.9 million in the first nine months of 2014 compared to the first nine months of 2013. Net cash used in financing activities includes:

- The repurchase of our common stock. Our Board of Directors has authorized the repurchase of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program. We purchased 6.3 million shares at a total cost of $215.8 million during the first nine months of 2014 and 4.9 million shares at a total cost of $144.1 million during the first nine months of 2013 for the repurchase of our common stock.
- Proceeds from the issuance of our common stock. We received $81.4 million in proceeds from the issuance of our common stock during the first nine months of 2014 as compared to $54.8 million during the first nine months of 2013. The increase in proceeds is primarily attributable to a higher level of stock option exercise activity.
- Dividend payments. Cash dividends paid were $74.3 million in the first nine months of 2014 as compared to $34.4 million in the first nine months of 2013. Dividends paid in 2014 includes the semi-annual dividends declared in December 2013 and May 2014 whereas dividends paid in 2013 only includes the semi-annual dividend declared in May 2013.

We believe our operating cash flow, available borrowing capacity, and existing cash and cash equivalents should provide adequate funds for ongoing operations; continued investment in new products and equipment; our common stock repurchase program and future dividend payments.

Off Balance Sheet Arrangement

On October 1, 2012, we provided an unsecured guaranty of the obligations of LSV Employee Group III to The PrivateBank and Trust Company and certain other lenders. We entered into this agreement in order to facilitate the acquisition of certain partnership interests of LSV by LSV Employee Group III. Additional information pertaining to

the agreement is presented in Note 2 to the Consolidated Financial Statements.

Forward-Looking Information and Risk Factors

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information contained in this discussion is or may be considered forward-looking. Forward-looking statements relate to future operations, strategies, financial results or other developments. Forward-looking statements are based upon estimates and assumptions that involve certain risks and uncertainties, many of which are beyond our control or are subject to change. Although we believe our assumptions are reasonable, they could be inaccurate. Our actual future revenues and income could differ materially from our expected results. We have no obligation to publicly update or revise any forward-looking statements.

Among the risks and uncertainties which may affect our future operations, strategies, financial results or other developments are those risks described in our latest Annual Report on Form 10-K in Part I, Item 1A. These risks include the following:

- changes in capital markets that may affect our revenues and earnings;
- risk of failure by a third-party service provider;
- product development risk;
- poor investment performance of our mutual funds and other investment products;
- the affect on our earnings from the performance of LSV Asset Management;
- the affect of extensive governmental regulation;
- litigation and regulatory examinations and investigations;
- consolidation within our target markets, including consolidations between banks and other financial institutions;
- systems and technology risks;
- data security risks;
- third party approval of our investment products with advisors affiliated with independent broker-dealers or other networks;
- operational risks associated with the processing of investment transactions;
- financial and non-financial covenants which may restrict our ability to manage liquidity needs;
- changes in, or interpretation of, accounting principles or tax rules and regulations;
- fluctuations in foreign currency exchange rates;
- fluctuations in interest rates affecting the value of our fixed-income investment securities; and
- retention of senior management personnel.

Our principal, regulated wholly-owned subsidiaries are SEI Investments Distribution Co., or SIDCO, SEI Investments Management Corporation, or SIMC, SEI Private Trust Company, or SPTC, SEI Trust Company, or STC, and SEI Investments (Europe) Limited, or SIEL. SIDCO is a broker-dealer registered with the SEC under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). SIMC is an investment advisor registered with the SEC under the Investment Advisers Act of 1940 and with the Commodity Futures Trading Commission (CFTC) under the Commodity Futures Exchange Act. SPTC is a limited purpose federal thrift chartered and regulated by the Office of the Comptroller of the Currency. STC is a Pennsylvania trust company, regulated by the Pennsylvania Department of Banking and Securities. SIEL is an investment manager and financial institution subject to regulation by the Financial Conduct Authority of the United Kingdom. In addition, various SEI subsidiaries are subject to the jurisdiction of regulatory authorities in Canada, the Republic of Ireland and other foreign countries. The Company has a minority ownership interest in LSV, which is also an investment advisor registered with the SEC.

The Company, its regulated subsidiaries, their regulated services and solutions and their customers are all subject to extensive legislation, regulation and supervision that recently has been subject to, and continues to experience, significant change and increased regulatory activity. These changes and regulatory activities could have a material adverse affect on us and our clients.

The various governmental agencies and self-regulatory authorities that regulate or supervise the Company and various of its subsidiaries have broad administrative powers. In the event of a failure to comply with laws, regulations and requirements of these agencies and authorities, the possible sanctions that may be imposed include the suspension of individual employees, limitations on our ability to engage in business for specified periods of time, the revocation of

applicable registration as a broker-dealer, investment advisor or other regulated entity, and, as the case may be, censures and fines. Additionally, certain securities and banking laws applicable to us and our subsidiaries provide for certain private rights of action that could give rise to civil litigation. Any litigation could have significant financial and non-financial consequences including monetary judgments and the requirement to take action or limit activities that could ultimately affect our business.

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to our regulated subsidiaries and their activities, services and solutions, our business practices, our past actions and other matters has increased dramatically in the past several years. Responding to these examinations, investigations, actions and lawsuits, regardless of the ultimate outcome of the proceeding, is time consuming and expensive and can divert the time and effort of our senior management from our business. Penalties and fines sought by regulatory authorities have increased substantially over the last several years, and certain regulators have been more likely in recent years to commence enforcement actions or to advance or support legislation targeted at the financial services industry. Governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

We are subject to the USA PATRIOT Act of 2001, which contains anti-money laundering and financial transparency laws and requires implementation of regulations applicable to financial services companies, including standards for verifying client identification and monitoring client transactions and detecting and reporting suspicious activities. Anti-money laundering laws outside the United States contain similar requirements. We offer investment and banking solutions that also are subject to regulation by the federal and state securities and banking authorities, as well as foreign regulatory authorities, where applicable. Existing or future regulations that affect these solutions could lead to a reduction in sales of these solutions or require modifications of these solutions.

Compliance with existing and future regulations and responding to and complying with recent increased regulatory activity affecting broker-dealers, investment advisors, investment companies, financial institutions and their service providers could have a significant impact on us. We periodically undergo regulatory examinations and respond to regulatory inquiries and document requests. In addition, recent legislative activity in the United States (including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and attendant rule making activities) and in other jurisdictions (including the European Union and the United Kingdom) have made and continue to make, extensive changes to the laws regulating financial services firms. As a result of these examinations, inquiries and requests, as a result of increased civil litigation activity, and as a result of these new laws and regulations, we engage legal counsel, review our compliance procedures, solution and service offerings, and business operations, and make changes as we deem necessary. These additional activities and required changes may result in increased expense or may reduce revenues.

Our bank clients are subject to supervision by federal and state banking authorities concerning the manner in which such clients purchase and receive our products and services. Our plan sponsor clients and our subsidiaries providing services to those clients are subject to supervision by the Department of Labor and compliance with employee benefit regulations. Investment advisor and broker-dealer clients are regulated by the SEC, state securities authorities, or FINRA. Existing or future regulations applicable to our clients may affect our clients’ purchase of our products and services.

In addition, see the discussion of governmental regulations in Item 1A “Risk Factors” in our latest Annual Report on Form 10-K for a description of the risks that proposed regulatory changes may present for our business.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Information required by this item is set forth under the captions "Our revenues and earnings are affected by changes in capital markets" and "Changes in interest rates may affect the value of our fixed-income investment securities" in Item 1A "Risk Factors" and under the caption "Sensitivity of our revenues and earnings to capital market fluctuations" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our Annual Report on Form 10-K for the year ended December 31, 2013. There have been no material changes to this information as it is disclosed in our Annual Report on Form 10-K for 2013.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures 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 are effective in ensuring that information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls systems are met,

and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended September 30, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge, State of Louisiana. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant and, as described below, was certified as a class in December 2012. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action against SEI and SPTC under the Louisiana Securities Act. The class action originally included a claim against SEI and SPTC for an alleged violation of the Louisiana Unfair Trade Practices Act. Two of the other five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs filed a lawsuit in the 23rd Judicial District Court for the Parish of Ascension, State of Louisiana, against SEI and SPTC and other defendants asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act and conspiracy. The underlying allegations in all the actions are purportedly related to the role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of “certificates of deposit” issued by Stanford International Bank.

Two of the five actions filed in East Baton Rouge were removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to United States District Court for the Northern District of Texas. On August 31, 2011, the United States District Court for the Northern District of Texas issued an order and judgment that the causes of action alleged against SEI in the two removed actions were preempted by federal law and the court dismissed these cases with prejudice. Plaintiffs appealed this ruling, and on March 19, 2012, a panel of the Court of Appeals for the Fifth Circuit reversed the decision of the United States District Court and remanded the actions for further proceedings. On July 18, 2012, SEI filed a petition for a writ of certiorari in the United States Supreme Court, seeking review of the decision by the United States Court of Appeals in the Fifth Circuit to permit the claims against SEI to proceed. SEI believes that the trial court correctly concluded that the claims against SEI were barred by the federal Securities Litigation Uniform Standards Act and requested that the Supreme Court reinstate that dismissal. On January 18, 2013, the Supreme Court granted the petition for a writ of certiorari. On October 7, 2013, the Supreme Court heard oral argument on the appeal and on February 26, 2014 the Supreme Court affirmed the judgment of the Court of Appeals. The case filed in Ascension was also removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas. The schedule for responding to that complaint has not yet been established. The plaintiffs in the remaining two cases in East Baton Rouge have granted SEI and SPTC an extension to respond to the filings. SEI and SPTC filed exceptions in the class action pending in East Baton Rouge, which the Court granted in part and dismissed the claims under the Louisiana Unfair Trade Practices Act and denied in part as to the other exceptions.

SEI and SPTC filed an answer to the East Baton Rouge class action, plaintiffs filed a motion for class certification; and SEI and SPTC also filed a motion for summary judgment against certain named plaintiffs which the Court stated would not be set for hearing until after the hearing on the class certification motion. The Court in the East Baton Rouge action held a hearing on class certification on September 20, 2012. By oral decision on December 5, 2012 and later entered in a judgment signed on December 17, 2012 that was subsequently amended, the Court in East Baton Rouge certified a class to be composed of persons who purchased or renewed any Stanford International Bank certificates of deposit (SIB CDs) in Louisiana between January 1, 2007 and February 13, 2009 or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. On January 30, 2013, SEI and SPTC filed motions for appeal from the judgments that stated SEI's and SPTC's intention to move to stay the litigation. On February 1, 2013, plaintiffs filed a motion for Leave to File First Amended and Restated Class Action Petition in which they ask the Court to allow them to amend the petition in this case to add additional facts that were developed during discovery and adding claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. On February 15, 2013, SEI filed a motion for new trial, or, in the alternative, for reconsideration of the Court's order allowing

amendment. On February 22, 2013, SEI filed a motion to stay proceedings in view of the pending Supreme Court case. On February 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by filing an exception. On March 11, 2013, the insurance carrier defendants filed a notice of removal removing the case to the Middle District of Louisiana and on March 18, 2013, the insurance carrier defendants filed answers. On March 13, 2013, SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. On March 19, 2013, plaintiffs filed a motion to remand, a motion for expedited briefing schedule, expedited status conference and expedited consideration of their motion to remand, a motion for leave to file under seal and a motion for order pursuant to 28 U.S.C. 1447(b) requiring removing defendants to supplement federal court record with certified copy of state court record. These motions are now fully briefed. On March 25, 2013, SEI filed a motion that the court decline to adopt the state court's order regarding class certification, which the court dismissed

without prejudice to renew upon a determination of removal jurisdiction in an April 12, 2013 order that also dismissed without prejudice a motion to dismiss for lack of jurisdiction and improper venue filed on April 9, 2013 by one of the insurers. On April 1, 2013, the Louisiana Office of Financial Institutions (OFI) filed a motion to remand and sever claims, and a response to that motion by the insurers and opposition to that motion by the plaintiffs were filed on April 22, 2013. Along with the briefing in the Middle District of Louisiana, on March 13, 2013, SEI notified the MDL of this case as a potential tag-along action. On March 19, 2013, plaintiffs notified the MDL that they had filed a motion to remand and asked the panel to decline to issue a conditional transfer order. On March 29, 2013, the MDL issued a conditional transfer order (CTO). On April 18, 2013, OFI filed a motion to vacate the CTO or, in the alternative, stay any ruling to transfer the matter until after the Middle District of Louisiana ruled on OFI's motion to remand and sever. Plaintiffs filed a motion to vacate the CTO on April 19, 2013. SEI's responses to those motions were filed on May 9, 2013. On June 12, 2013, the MDL Panel issued an order notifying the parties that on July 25, 2013, it would consider, without oral argument, Plaintiffs' and OFI's motions to vacate the CTO. On August 7, 2013, the MDL Panel affirmed the CTO and transferred the matter against SEI to the United States District Court for the Northern District of Texas; the MDL Panel also severed the claims against OFI and remanded those claims to the Middle District of Louisiana. On September 11, 2013, defendants filed a motion requesting a status conference with the Court to address the status of all pending motions. On October 4, 2013, Plaintiffs filed a petition for a writ of mandamus asking the United States Court of Appeals for the Fifth Circuit to review the MDL Panel’s transfer Order and on February 14, 2014, the Court denied the petition. On October 1, 2014, SEI filed a renewed motion to dismiss in the Northern District of Texas, and on October 6, 2014, the United States District Court for the Northern District of Texas denied the motion to remand. This case is now pending in the Northern District of Texas. On October 16, 2014, the Plaintiffs filed a Petition for Permission to Appeal with the Court of Appeals for the Fifth Circuit with respect to the denial by the District Court of the Plaintiffs’ motion to remand.

While the outcome of this litigation is uncertain given its early phase, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of the uncertainty of the make-up of the classes, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

A lawsuit entitled Steven Curd and Rebel Curd v. SEI Investments Management Corporation was filed against SIMC in the United States District Court for the Eastern District of Pennsylvania on December 11, 2013. On August 28, 2014, the Court granted SIMC’s motion to dismiss the initial complaint in the lawsuit, but also granted plaintiffs leave to amend the complaint. On October 2, 2014, plaintiffs filed an amended complaint. In the amended complaint, SEI Investments Global Funds Services (SGFS) was added as a defendant. The plaintiffs bring the case as a shareholder derivative action against SIMC and SGFS on behalf of certain SEI funds. The claims are based on Section 36(b) of the Investment Company Act of 1940, as amended, which allows shareholders of a mutual fund to sue the investment adviser of the fund or its affiliates for an alleged breach of fiduciary duty with respect to compensation received by the adviser or its affiliates. The plaintiffs have brought the suit against SIMC and SGFS with respect to five specific SEI Funds: the High Yield Bond, Tax-Managed Large Cap, and Tax-Managed Small/Mid Cap Funds, each of which is a series of the SEI Institutional Managed Trust, the Intermediate Term Municipal Fund, which is a series of the SEI Tax Exempt Trust, and the International Equity Fund, which is a series of the SEI Institutional International Trust (the SEI Funds). The plaintiffs seek: (1) damages for the SEI Funds in the amount of the alleged “excessive” fees earned by SIMC and SGFS beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees; (2) orders declaring that SIMC and SGFS allegedly violated Section 36(b) and enjoining SIMC and SGFS from further alleged violations; and (3) rescission of SIMC’s and SGFS’s contracts with the funds, and restitution of all allegedly excessive fees paid beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees. While the outcome of this litigation is uncertain given its early phase, SIMC and SGFS believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and SIMC and SGFS are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

Item 1A. Risk Factors.

Information regarding risk factors appears in Part I – Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2013. There have been no material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for 2013.

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

(e) Our Board of Directors has authorized the repurchase of up to $2.478 billion worth of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program. Information regarding the repurchase of common stock during the three months ended September 30, 2014 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
July 1 – 31, 2014	75,000	$35.81	75,000	$ 137,817,000
August 1 – 31, 2014	770,000	36.40	770,000	109,791,000
September 1 – 30, 2014	1,200,000	37.10	1,200,000	65,274,000
Total	2,045,000	36.79	2,045,000	

Item 6. Exhibits.

The following is a list of exhibits filed as part of the Form 10-Q.

31.1	Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer.
31.2	Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer.
32	Section 1350 Certifications.
99.1	Press release dated October 22, 2014 of SEI Investments Company related to the Company's financial and operating results for the third quarter ended September 30, 2014.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

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

SEI INVESTMENTS COMPANY

Date: October 23, 2014

By: /s/ Dennis J. McGonigle
Dennis J. McGonigle
Chief Financial Officer