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

FORM 10-K

(MARK ONE)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended September 30, 2017

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 001-09318

FRANKLIN RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-2670991**
(State or other jurisdiction of incorporation or organization)	***(I.R.S. Employer Identification No.)***
One Franklin Parkway, San Mateo, California	**94403**
(Address of principal executive offices)	***(Zip Code)***

Registrant ’ s telephone number, including area code: (650) 312-2000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.10 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ YES ☐ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ YES ☒ NO

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ YES ☐ NO

Indicate by check mark whether the registrant has submitted electronically 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 ☐ NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant’s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value of the voting common equity (“common stock”) held by non-affiliates of the registrant, as of March 31, 2017 (the last business day of registrant’s second quarter of fiscal year 2017), was $14.2 billion based upon the last sale price reported for such date on the New York Stock Exchange.

Number of shares of the registrant’s common stock outstanding at October 31, 2017 : 553,908,023 .

DOCUMENTS INCORPORATED BY REFERENCE:

Certain portions of the registrant’s definitive proxy statement for its annual meeting of stockholders, to be filed with the Securities and Exchange Commission within 120 days after September 30, 2017 , are incorporated by reference into Part III of this report.

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PART I

Forward-looking Statements . In addition to historical information, this Annual Report on Form 10-K contains forward-looking statements that involve a number of known and unknown risks, uncertainties and other important factors, including the risks and other factors discussed in Item 1A ("Risk Factors"), that could cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. When used in this report, words or phrases generally written in the future tense and/or preceded by words such as "will," "may," "could," "expect," "believe," "anticipate," "intend," "plan," "seek," "estimate" or other similar words are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Moreover, statements in Risk Factors, "Management ' s Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report that speculate about future events are forward-looking statements.

While forward-looking statements are our best prediction at the time that they are made, you should not rely on them and are cautioned against doing so. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. They are neither statements of historical fact nor guarantees or assurances of future performance. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. If a circumstance occurs after the date of this Annual Report on Form 10-K that causes any of our forward-looking statements to be inaccurate, whether as a result of new information, future developments or otherwise, we do not have an obligation, and we undertake no obligation, to announce publicly the change to our expectations, or to make any revision to our forward-looking statements, unless required by law.

Item 1. Business.

OVERVIEW

Franklin Resources, Inc. ("Franklin") is a holding company that, together with its various subsidiaries (collectively, the "Company"), operates as Franklin Templeton Investments ® . We are a global investment management organization that provides investment management and related services to retail, institutional and high net-worth clients in jurisdictions worldwide. We are dedicated to providing better outcomes for investors. We offer clients the combined experience of our investment professionals with expertise across asset classes and a sharp focus on managing risk. This approach has helped investors navigate global markets for over 70 years. We believe in the value of active investment management, as well as in building on our strengths to pursue alternative strategies to meet the evolving needs of our clients. We are committed to delivering strong investment performance for our clients by drawing on the experience and perspective gained through our long history in the investment management business. The common stock of Franklin is traded on the New York Stock Exchange (the "NYSE") under the ticker symbol "BEN," and is included in the Standard & Poor ' s 500 Index. In this report, words such as "we," "us," "our" and similar terms refer to the Company.

We offer our investment products and services under our Franklin ® , Templeton ® , Franklin Mutual Series ® , Franklin Bissett ® , Fiduciary Trust™, Darby ® , Balanced Equity Management ® , K2 ® and LibertyShares ® brand names. Unless otherwise indicated, our "funds" means the investment funds offered under our brand names.

As of September 30, 2017 , we had $753.2 billion in assets under management ("AUM"). Our products include investment funds and institutional, high net-worth and separately-managed accounts (collectively, our "sponsored investment products" or "SIPs"). Our investment funds include U.S.-registered funds ("U.S. Funds"), non-U.S.-registered funds ("Non-U.S. Funds"), and unregistered funds. In addition to investment management, our product services include fund administration, sales, distribution, marketing, shareholder servicing, and other services. We offer a broad product mix under our equity, multi-asset/balanced, fixed income and cash management investment objectives and solutions that meet a variety of investment goals and needs for different investors. We also provide sub-advisory services to certain investment products sponsored by other companies which may be sold to investors under the brand names of those other companies or on a co-branded basis.

In 2016, we introduced our Franklin LibertyShares platform of strategic beta and actively managed exchange-traded funds ("ETFs"), which we further expanded in 2017, including the recent addition of lower fee passive ETFs. Our ETF platform generally seeks to provide investors with additional investment options.

Most of the investment funds we manage are registered open-end mutual funds that continuously offer their shares to investors. We also offer registered closed-end funds that issue a set number of shares to investors in a public offering and the shares are then traded on a public stock exchange. The registered funds are independent companies under the supervision and oversight of the funds ' own boards of directors or trustees. Since the funds themselves do not have direct employees to support their operations, the funds contract with separate entities, such as our subsidiaries, to provide the investment management and related services they require. An investment advisory entity manages a fund ' s portfolio of securities in accordance with the fund ' s stated objectives. Investors may purchase shares of an open-end fund through a broker-dealer, financial adviser, bank or other similar financial intermediary that may provide investment advice to the investor, while investors may purchase shares of a closed-end fund on the stock exchange where the fund is traded. Financial intermediaries may earn fees and commissions and receive other compensation with respect to the fund shares managed or sold to investors.

The business and regulatory environments in which we operate globally remain complex, uncertain and subject to change. We are subject to various laws, rules and regulations globally that impose restrictions, limitations and registration, reporting and disclosure requirements on our business and add complexity to our global compliance operations.

We continue to focus on the long-term investment performance of our SIPs and on providing high quality customer service to our clients. The success of these and other strategies may be affected by the Risk Factors discussed below in Item 1A of Part I of this Annual Report, and other factors as discussed in this section.

COMPANY HISTORY AND ACQUISITIONS

The Company and its predecessors have been engaged in the investment management and related services business since 1947. Franklin was incorporated in Delaware in November 1969 and originated our mutual fund business with the Franklin family of funds. The Franklin funds are known for U.S. taxable and tax-free fixed income funds, multi-asset/balanced funds, and growth- and value-oriented equity funds. We have expanded our business, in part, by acquiring companies engaged in the investment management and/or related services business.

In October 1992, we acquired substantially all of the assets and liabilities of the investment management and related services business of Templeton, Galbraith & Hansberger Ltd. This acquisition added the Templeton family of funds to our organization. The Templeton funds are known for their global investment strategies and value style of investing.

In November 1996, we acquired certain assets and liabilities of Heine Securities Corporation, including Mutual Series Fund Inc., which now operates under the name Franklin Mutual Series. Franklin Mutual Series provides investment management services to various accounts and investment companies and is known for its value-oriented equity funds.

In July 2000, we expanded our business in South Korea when we acquired all of the remaining outstanding shares of a South Korean investment management company, Templeton Investment Trust Management Co., Ltd., in which we previously held a partial interest, making us one of the largest independent foreign asset managers in South Korea at that time. The company has been renamed Franklin Templeton Investment Trust Management Co., Ltd.

In October 2000, we expanded our business in Canada when we acquired all of the outstanding shares of Bissett & Associates Investment Management Ltd., which now operates under the name Franklin Bissett Investment Management as part of our Canadian subsidiary, Franklin Templeton Investments Corp. With this acquisition, we added Bissett's family of Canadian taxable fixed income and growth-oriented equity investment funds to our Canadian-based funds.

In April 2001, we acquired all of the outstanding shares of Fiduciary Trust Company International ("Fiduciary Trust"). Fiduciary Trust is currently a New York state-chartered limited purpose trust company that performs trust and fiduciary activities. Fiduciary Trust, together with its subsidiaries, also provides investment management and related services to, among others, high net-worth individuals and families, foundations and institutional clients.

In July 2002, we expanded our business in India when we acquired all of the outstanding shares of an Indian investment management company, Pioneer ITI AMC Limited, through our majority-owned subsidiary Franklin Templeton Asset Management (India) Private Limited ("FTAM India"). In April 2007, we completed the purchase of the remaining 25% interest in each of FTAM India, which provides asset management and investment advisory services, and Franklin Templeton Trustee Services Private Limited, a regulated trust company, each located in India.

In October 2003, we expanded our private equity investment management services in emerging markets when we acquired all of the remaining outstanding shares of Darby Overseas Investments, Ltd. and all of the remaining outstanding limited partnership interests of Darby Overseas Partners, L.P. (collectively, "Darby"), in which we previously held a partial interest. Darby, based in Washington, D.C., sponsors and manages funds for institutional investors and high net-worth individuals that invest primarily in emerging markets through private equity, private debt and infrastructure investment transactions, including regional and specialized sector funds.

In July 2006, we expanded our business in Brazil when we completed the purchase of all of the remaining interests in a Brazilian investment management company, Bradesco Templeton Asset Management Ltda., in which we previously held a partial interest. The company has been renamed Franklin Templeton Investimentos (Brasil) Ltda. and provides investment management services.

In January 2011, we acquired all of the outstanding shares of a specialty United Kingdom ("U.K.") equity manager, Rensburg Fund Management Limited ("Rensburg"). Rensburg has been renamed Franklin Templeton Fund Management Limited and serves as a U.K.-based equity manager.

In July 2011, we expanded our business in Australia when we acquired all of the outstanding shares of a specialty Australian equity manager, Balanced Equity Management Pty. Limited, which provides investment management services.

In November 2012, we acquired approximately 69% of the equity of K2 Advisors Holdings LLC ("K2"), a hedge funds solutions provider, and agreed to acquire K2's remaining equity interests over a multi-year period beginning in 2017. As of September 30, 2017 , we owned approximately 83% of K2 's equity.

OUR INVESTMENT MANAGEMENT BUSINESS

We are committed to providing active investment management and strategic advice. Through our SIPs, we serve a variety of retail, institutional and high net-worth clients in regions and jurisdictions worldwide. We derive our revenues and net income from providing investment management and related services to our SIPs and the sub-advised products that we service. Our investment management fees, which represent the majority of our revenues, depend to a large extent on the level and mix of our AUM and the types of services provided. Sales and distribution fees, also a significant source of our revenues, consist of sales charges and commissions derived from sales and distribution of our SIPs.

Our business is conducted through our subsidiaries, including those registered with the U.S. Securities and Exchange Commission (the "SEC") as investment advisers under the Investment Advisers Act of 1940 (the "Advisers Act"), subsidiaries registered as investment adviser equivalents in jurisdictions including Australia, Brazil, Canada, Hong Kong, India, Japan, Luxembourg, Malaysia, Mexico, Singapore, South Korea, The Bahamas, the United Arab Emirates, the U.K., and certain other subsidiaries.

AUM by Investment Objective

We offer a broad product mix under our equity, multi-asset/balanced, fixed income and cash management investment objectives and solutions. Our fees for providing investment management services are generally based on a percentage of the market value of AUM in the accounts that we advise, the investment objectives of the accounts and the types of services that we provide for the accounts. As of September 30, 2017 , AUM by investment objective on a worldwide basis was as follows:

Investment Objective	Value in Billions	Percentage of Total AUM
Equity		
Growth potential, income potential, value or various combinations thereof	$ 317.0	42%
Multi-Asset/Balanced		
Asset allocation, balanced, flexible, alternative and income-mixed funds	143.3	19%
Fixed Income		
Global/international, U.S. tax-free and U.S. taxable	286.6	38%
Cash Management		
Short-term liquid assets	6.3	1%
Total	**$ 753.2**	**100%**

Broadly speaking, the change in the net assets of our SIPs depends primarily upon two factors: (1) the increase or decrease in the market value of the securities held in the portfolio of investments; and (2) the level of sales as compared to the level of redemptions. We are subject to the risk of asset volatility resulting from changes in the global capital markets. In addition, changing market conditions and the evolving needs of our clients may cause a shift in our asset mix, potentially resulting in an increase or decrease in our revenues and income depending upon the nature of our AUM and the level of management fees we earn based on our AUM. Despite such market risks, we believe that we have a competitive advantage as a result of the diversity of our SIPs available to our clients.

Summary of Services

1. Investment Management Services

We provide our investment management services pursuant to agreements in effect with each of our SIPs and the products for which we provide sub-advisory services. Our investment management services include services to managed accounts for which we have full investment discretion, and to advisory accounts for which we have no investment discretion. Advisory accounts for which we have no investment discretion may or may not include the authority to trade for the account. Our services include fundamental investment research and valuation analyses, including original economic, political, industry and company research, and analyses of suppliers, customers and competitors. Our company research utilizes such sources as company public records and other publicly available information, management interviews, company prepared information, and company visits and inspections. Research services provided by brokerage firms are also used to support our findings. Our management fee on an account varies with the types of services that we provide for the account, among other things.

Our subsidiaries that provide discretionary investment management services for our SIPs and sub-advised products either perform or obtain investment research and determine which securities the SIPs or sub-advised products will purchase, hold or sell under the supervision and oversight of the funds' boards of directors or trustees, as applicable. In addition, these subsidiaries may take all appropriate steps to implement such decisions, including arranging for the selection of broker-dealers and the execution and settlement of trades in accordance with applicable criteria set forth in the management agreements for the SIPs, internal policies, and applicable law and practice. Our subsidiaries that provide non-discretionary investment management services perform investment research for our clients and make recommendations as to which securities the clients purchase, hold or sell, and may or may not perform trading activities for the products.

Through our subsidiaries, we compensate the personnel who serve as officers of our funds or of the funds' management companies, in addition to the personnel necessary to conduct the funds' day-to-day business operations. The funds themselves do not have direct employees. Our subsidiaries either provide or arrange for the provision of: office space, telephone, office equipment and supplies; trading desk facilities; authorization of expenditures and approval of bills for payment; preparation of registration statements, proxy statements and annual and semi-annual reports to fund shareholders, notices of dividends, capital gains distributions and tax credits, and other regulatory reports; the daily pricing of fund investment portfolios, including collecting quotations from pricing services; accounting services, including preparing and supervising publication of daily net asset value quotations, periodic earnings reports and other financial data; services to ensure compliance with securities regulations, including recordkeeping requirements; preparation and filing of tax reports; the maintenance of accounting systems and controls; and other administrative services. The funds generally pay their own expenses, such as external legal, custody and independent audit fees, regulatory registration fees, and other related expenses. The funds also share in board and shareholder meeting and reporting costs.

The board of directors or trustees and our management personnel for our U.S. Funds regularly review the investment management fee structures for the funds in light of fund performance, the level and range of services provided, industry conditions and other relevant factors. Most of our investment management agreements between our subsidiaries and our U.S. Funds must be renewed each year (after an initial two-year term), and must be specifically approved at least annually by a vote of each fund's board of directors or trustees as a whole and separately by a majority of its directors or trustees who are not interested persons of the fund under the Investment Company Act of 1940 (the "Investment Company Act"), or by a vote of the holders of a majority of the fund's outstanding voting securities. Our U.S. agreements automatically terminate in the event of their "assignment," as defined in the Investment Company Act. In addition, either party may terminate such an agreement without penalty after prior written notice. If agreements representing a significant portion of our AUM were terminated, it would have a material adverse impact on us.

Under the majority of our investment management agreements globally, the funds pay us a monthly fee in arrears based upon the fund’s average daily net assets. Annual fee rates under our various agreements are often reduced as net assets exceed various threshold levels. Annual rates also vary by investment objective and type of services provided. Our agreements generally permit us to provide services to more than one fund and to other clients so long as our ability to render services to each of the funds is not impaired, and so long as purchases and sales of portfolio securities for various advised funds are made on an equitable basis.

We use a “master/feeder” fund structure in certain situations. This structure allows an investment adviser to manage a single portfolio of securities at the “master fund” level and have multiple “feeder funds” that invest substantially all of their respective assets into the master fund. Individual and institutional shareholders generally invest in the “feeder funds,” which can offer a variety of service and distribution options. A management fee may be charged either at the master fund level or the feeder fund level depending on the specific requirements of the fund, although funds also involving performance fees or carried interest will typically charge these together with management fees at the master fund level. Administrative, shareholder servicing and custodian fees are often waived at the feeder fund level and only charged at the master fund level, although the feeder funds will indirectly bear their pro-rata share of the expenses of the master fund as an investor in the master fund. Fees and expenses specific to a feeder fund may be charged at the level of that feeder fund.

Our services also include management of our ETFs in the U.S., Canada and the European Union (“EU”). ETFs trade like stocks, fluctuate in market value and may trade at prices above or below the ETF’s net asset value.

Our Non-U.S. Funds, unregistered funds, institutional, high net-worth and separately-managed accounts, and the products for which we provide sub-advisory services are subject to various termination rights and review and renewal provisions. Investment management fees are generally waived or voluntarily reduced when a new fund or account is established and then increased to contractual levels within an established timeline or as net asset values reach certain levels.

2. Alternative Strategies Investment Management

We offer and support alternative investment strategies, products and solutions through various subsidiaries as alternatives to our traditional equity and fixed income products and related management services for our clients. Our alternative investment products include, among other capabilities, hedge funds, private equity funds, real estate funds and commodities funds. Examples of some of these offerings are listed below.

K2, a hedge funds solutions provider, offers and supports alternative investments and multi-asset solutions platforms for institutional and other qualified investors. K2 provides risk management, manager selection and asset allocation capabilities in various global jurisdictions. Products offered include discretionary and non-discretionary custom-tailored investment programs, commingled funds of hedge funds and hedge fund investment advisory services. By active allocation to selected third-party sub-advisers, K2 also provides access to multiple non-traditional and alternative strategies as an adviser to a number of our funds.

Darby is primarily engaged in sponsoring and managing funds that invest in private equity, private debt and infrastructure investment transactions in emerging markets in Asia, Latin America and Central/Eastern Europe. Investment in these funds is limited to institutional and high net-worth individual investors through private placements.

Templeton Asset Management Ltd. sponsors and manages a limited number of investment funds that also invest primarily in emerging markets in Asia, Latin America and Central/Eastern Europe.

Franklin Templeton Institutional, LLC manages investment partnerships that invest in funds with exposure to global real estate opportunities.

Franklin Advisers, Inc. manages various privately offered funds with strategies that include the use of fixed income and other financial instruments as well as derivatives across the global interest rate, currency and credit markets.

3. Institutional Investment Management

We provide a broad array of investment management services to institutional clients, which include corporations, endowments, charitable foundations, and pension and defined contribution plans. Our subsidiaries offer a wide range of equity, fixed income and alternative strategies through a variety of investment vehicles, including separate accounts, registered open-end and closed-end funds, and unregistered funds. We distribute and market globally our different capabilities under our brand names through various subsidiaries. In the U.S., we generally operate our institutional business under the trade name "Franklin Templeton Institutional."

We primarily attract new institutional business through our relationships with pension, defined contribution and management consultants, direct sales efforts and additional mandates from our existing client relationships, as well as from our responses to requests for proposals. We also market and distribute our SIPs to institutional investors with separately-managed accounts through various subsidiaries. A few of our subsidiaries also serve as direct marketing broker-dealers for institutional investors for certain of our institutional investment funds and private funds.

4. High Net-Worth Investment Management, Trust and Custody

Through our subsidiary Fiduciary Trust (including its trust company and investment adviser subsidiaries), we provide investment management and related services to, among others, high net-worth individuals and families, foundations and institutional clients. Similarly, through Fiduciary Trust Company of Canada ("FTCC"), we provide services and offer SIPs to high net-worth individuals and families and institutional clients in Canada. Fiduciary Trust offers investment management and advisory services across different investment styles and asset classes. The majority of Fiduciary Trust's client assets are actively managed by individual portfolio managers, while a significant number of clients also seek multi-manager, multi-asset class solutions. Through our various trust company subsidiaries, including Fiduciary Trust, we may also provide trust, custody and related services, including administration, performance measurement, estate planning and tax planning.

5. Sales, Distribution and Marketing

A significant portion of our revenues are generated from providing sales and distribution services. Our registered open-end mutual funds and certain other products generally pay us distribution fees in return for sales, distribution and marketing efforts on their behalf. Fund shares are sold primarily through a large network of independent financial intermediaries, including broker-dealers, financial advisers, banks and other third parties. We pay substantially all of our sales and distribution fees to the financial intermediaries who sell our SIPs to the public on our behalf.

Our subsidiary Franklin/Templeton Distributors, Inc. ("FTDI") acts as the principal underwriter and distributor of shares of most of our open-end U.S. Funds. Certain of our non-U.S. subsidiaries provide sales, distribution and marketing services to our Non-U.S. Funds distributed outside the U.S. Some of our Non-U.S. Funds, particularly the Luxembourg-domiciled Franklin Templeton Investment Funds Société d'Investissement à Capital Variable ("SICAV"), are distributed globally on a cross-border basis, while others are distributed exclusively in local markets. We earn sales and distribution fees primarily by distributing our funds pursuant to distribution agreements between FTDI or our non-U.S. subsidiaries and the funds. Under each distribution agreement, we offer and sell the fund's shares on a continuous basis and pay certain costs associated with selling, distributing and marketing the fund's shares, including the costs of developing and producing sales literature, shareholder reports and prospectuses.

Our U.S. retirement business is conducted through divisions of FTDI that work closely with sponsors, consultants, record keepers and financial advisers of defined contribution plans, including 401(k) plans, variable annuity products and individual retirement accounts ("IRAs"). We offer our capabilities to the U.S. retirement industry through a number of investment options, including sub-advised portfolios, funds, education savings plans and variable insurance funds.

In the U.S., most of our retail funds are distributed with a multi-class share structure. We adopted this share structure to provide investors with more sales charge alternatives for their investments. Class A shares are sold with a front-end sales charge to investors, except for when certain investment criteria are met. Class C shares have no front-end sales charges, although our distribution subsidiaries pay an up-front commission to financial intermediaries on these sales. Class C shares have a contingent deferred sales charge for redemptions within 12 months from the date of purchase. Although Class C shares are generally more costly to us in the year of sale, they allow us to be more competitive by providing a fixed percentage annual charge option. Class R and Class R6 shares, available in the U.S. as retirement share classes, also have no front-end sales charges. Class R shares are available to certain retirement and health savings plan accounts, and Class R6 shares are available

to employer sponsored retirement plans where plan level or omnibus accounts are held on the books of our transfer agent. We no longer offer Class B shares to clients in the U.S.

In the U.S., we also offer Advisor Class shares in many of our Franklin and Templeton funds, and we offer Class Z shares in the Franklin Mutual Series funds, both of which have no sales charges. Advisor and Class Z shares are offered to certain qualified financial intermediaries, institutions and high net-worth clients (both affiliated and unaffiliated) who have assets held in accounts managed by a subsidiary of Franklin and are also available to our full-time employees, current and former officers, trustees and directors, and certain of their family members. We also offer money market funds to investors in the U.S. without a sales charge. Under the terms and conditions described in the prospectuses or the statements of additional information for some funds, certain investors can purchase shares at net asset value or at reduced sales charges. Our insurance product funds sold in the U.S. offer a multi-class share structure, and are offered at net asset value without a sales charge directly to insurance company separate accounts, certain qualified plans and other investment funds (funds of funds).

Outside the U.S., we offer share classes similar to the Advisor Class shares to certain types of investors, although depending upon the fund and the country in which the fund is domiciled, the equivalent share class may be offered on a more restrictive or less restrictive basis than the similar U.S. Advisor Class shares. We also offer additional types of share classes and unit series outside the U.S. in response to local demand based on the needs of investors in particular markets, subject to applicable regulations which may change over time. In the majority of cases, investors in any class of shares may exchange their shares for a like class of shares in another one of our funds, subject to certain fees that may apply. Our Non-U.S. Funds have sales charges and fee structures that vary by region.

The distribution agreements with our open-end U.S. Funds generally provide for FTDI to pay commission expenses for sales of our fund shares to qualifying broker-dealers and other independent financial intermediaries. These financial intermediaries receive various sales commissions and other fees from FTDI for services in matching investors with funds whose investment objectives match such investors' goals and risk profiles. Such intermediaries may also receive fees for their assistance in explaining the operations of the funds and in servicing and maintaining investors' accounts, and for reporting and various other distribution services. We are heavily dependent upon these third-party distribution and sales channels and business relationships. FTDI may also make payments to certain broker-dealers who provide marketing support services, as described further below. There is increasing competition for access to these channels, which has caused our distribution costs to rise and could cause further increases in the future as competition continues and service expectations increase. As of September 30, 2017 , approximately 1,200 local, regional and national banks, securities firms and financial adviser firms offered shares of our open-end U.S. Funds for sale to the U.S. investing public, and approximately 2,900 banks, securities firms and financial adviser firms offered shares of our cross-border Non-U.S. Funds for sale outside of the U.S.

Most of our open-end U.S. Funds, with the exception of certain money market funds, have adopted distribution plans under Rule 12b-1 (the "Rule 12b-1 Plans") promulgated under the Investment Company Act ("Rule 12b-1"). Under the Rule 12b-1 Plans, the funds pay FTDI for marketing, marketing support, advertising, printing and sales promotion services relating to the distribution of their shares, subject to the Rule 12b-1 Plans' limitations based on average daily net AUM. In 2010, the SEC proposed changes to Rule 12b-1 which, if adopted, could limit our ability to recover expenses relating to the distribution of our funds.

The Rule 12b-1 Plans are established for one-year terms and must be approved annually by a vote of each fund's board of directors or trustees as a whole and separately by a majority of its directors or trustees who are not interested persons of the fund under the Investment Company Act. All of these Rule 12b-1 Plans are subject to termination at any time by a majority vote of the disinterested fund directors or trustees or by the particular fund shareholders. Fees from the Rule 12b-1 Plans that FTDI receives as revenues are paid primarily to third-party broker-dealers who sell our funds to the public on our behalf. Similar arrangements exist with the distribution of our Non-U.S. Funds where, generally, our subsidiary that distributes the funds receives maintenance fees from the funds and pays commissions and certain other fees to banks and other intermediaries.

FTDI and/or its affiliates may make the following additional payments to broker-dealers that sell shares of our funds:

Marketing support payments. FTDI may make payments to certain broker-dealers who are holders or dealers of record for accounts in one or more of our open-end U.S. Funds. A broker-dealer's marketing support services may include business planning assistance, advertising, educating broker-dealer personnel about the funds and shareholder financial planning needs, placement on the broker-dealer's list of offered funds, and access to sales meetings, sales representatives and management representatives of the broker-dealer. FTDI compensates broker-dealers differently depending upon, among other factors, sales and asset levels, and the level and/or type of marketing and educational activities provided by the broker-dealer. Such

compensation may include financial assistance to broker-dealers that enables FTDI to participate in and/or present at conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events and other broker-dealer-sponsored events. These payments may vary depending upon the nature of the event. FTDI periodically reviews its marketing support arrangements to determine whether to continue such payments. The statement of additional information for each retail U.S. Fund, provided to investors in such funds upon request, provides a list of broker-dealers that receive such marketing support payments and the maximum payments received. FTDI may also make marketing support payments to financial intermediaries that serve as plan service providers to certain employer sponsored retirement plans in connection with activities intended to assist in the sale of our open-end U.S. Funds to such plans. Certain of our non-U.S. subsidiaries may also make marketing support or similar payments to intermediaries located outside the U.S. with respect to investments in Non-U.S. Funds.

Transaction support and other payments. FTDI may pay ticket charges per purchase or exchange order placed by a broker-dealer or one-time payments for ancillary services, such as setting up funds on a broker-dealer's fund trading system. From time to time, FTDI, at its expense, may make additional payments to broker-dealers that sell or arrange for the sale of shares of our U.S. Funds. FTDI routinely sponsors due diligence meetings for registered representatives during which they receive updates on various funds and are afforded the opportunity to speak with portfolio managers. Invitation to these meetings is not conditioned on selling a specific number of shares. Those who have shown an interest in our funds, however, are more likely to be considered. To the extent permitted by their firm's policies and procedures, registered representatives' expenses in attending these meetings may be covered by FTDI. Similar payments may be made by our non-U.S. subsidiaries that distribute our Non-U.S. Funds to third-party distributors of such funds.

Other compensation may be offered to the extent not prohibited by federal or state laws or any self-regulatory agency, such as the Financial Industry Regulatory Authority ("FINRA"). FTDI makes payments for events it deems appropriate, subject to FTDI's guidelines and applicable law.

6. Shareholder Servicing

We receive shareholder servicing fees as compensation for providing transfer agency services, which include providing customer statements, transaction processing, customer service and tax reporting. Our subsidiary Franklin Templeton Investor Services, LLC ("FTIS") serves as shareholder servicing and dividend-paying agent for our open-end U.S. Funds. FTIS is registered with the SEC as a transfer agent under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"). FTIS is compensated pursuant to transfer agency service agreements with the funds. These fees are generally fixed annual charges per shareholder account that vary with the particular type of fund and the services being rendered. FTIS also is reimbursed for out-of-pocket expenses. Other non-U.S. subsidiaries provide similar services to our Non-U.S. Funds, and may be compensated based on a combination of similar per account fees and fees based on the level of AUM in the accounts that we serve.

FTIS may also pay servicing fees to third-party intermediaries primarily to help offset costs associated with client account maintenance support, statement preparation and transaction processing. Such third parties: (i) maintain omnibus accounts with the fund in the institution's name on behalf of numerous beneficial owners of fund shares; or (ii) provide support for fund shareholder accounts by sharing account data with FTIS through the Depository Trust & Clearing Corporation systems. The funds reimburse FTIS for these third-party payments.

Summary of SIPs

1. Investment Objectives Overview

Our SIPs are offered globally to retail, institutional and high net-worth clients, which include individual investors, qualified groups, trustees, tax-deferred plans (such as IRAs in the U.S. and retirement saving plans, or RSPs, in Canada) or money purchase plans, employee benefit and profit sharing plans, trust companies, bank trust departments and institutional investors. Our SIPs include portfolios managed for some of the world's largest corporations, endowments, charitable foundations and pension funds, as well as wealthy individuals and other institutions. We use various investment techniques to focus on specific client objectives for these specialized portfolios.

The SIPs that we offer accommodate a variety of investment goals, spanning the spectrum of our clients' risk tolerance - from capital appreciation (with our more growth-oriented products) to capital preservation (with our fixed income offerings). In seeking to achieve such objectives, each portfolio emphasizes different strategies and invests in different types of instruments.

Our equity investment products include some that are considered value-oriented, others that are considered growth-oriented, and some that use a combination of growth and value characteristics, generally identified as blend or core products. Value investing focuses on identifying companies that our research analysts and portfolio managers believe are undervalued based on a number of different factors, usually put in the context of historical ratios such as price-to-earnings or price-to-book value; however, we also consider the future earnings potential of each individual company on a multi-year basis. Growth investing focuses on identifying companies that our research analysts and portfolio managers believe have sustainable growth characteristics, meeting our criteria for sustainable growth potential, quality and valuation. In this effort, the key variables we examine include: market opportunity (overall size and growth); competitive positioning of the company; assessment of management (strength, breadth, depth, and integrity) and execution of plans; and the general financial strength and profitability of the enterprise, to determine whether the growth and quality aspects are properly reflected in the current share price. Paramount to all of our different equity products is the incorporation of independent, fundamental research through our own collaborative in-house group of investment professionals. Our approach across the variety of equity products we manage emphasizes bottom-up stock selection within a disciplined portfolio construction process, and is complemented by our ongoing assessment of risk at both the security and portfolio levels.

Portfolios seeking income generally focus on one or more of the following securities: taxable and tax-exempt money market instruments; tax-exempt municipal bonds; global or regional fixed income securities; and fixed income debt securities of corporations, of the U.S. government and its sponsored agencies and instrumentalities (such as the Government National Mortgage Association, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation) or of the various states in the U.S. Others focus on investments in particular countries and regions.

2. Types of SIPs

As of September 30, 2017 , our total AUM was $753.2 billion and the types of SIPs we offered were as follows:

- ***U.S. Funds*** - Our U.S. Funds (including open-end and closed-end funds and our insurance products trust) accounted for $421.4 billion of AUM. Our five largest U.S. Funds and their AUM were: FCF-Franklin Income Fund ($83.4 billion), TIT-Templeton Global Bond Fund ($39.9 billion), FMSF-Franklin Mutual Global Discovery Fund ($22.3 billion), FMT-Franklin Rising Dividends Fund ($18.6 billion) and Franklin California Tax-Free Fixed Income Fund ($15.8 billion). These five funds represented, in the aggregate, 24% of total AUM.
- ***Cross-Border Funds*** - Our cross-border products, which are comprised of a variety of investment funds principally domiciled in Luxembourg and registered for sale to non-U.S. investors in 41 countries, accounted for $118.7 billion of AUM. Our five largest cross-border funds and their AUM were: FTIF-Templeton Global Total Return Fund ($21.1 billion), FTIF-Templeton Global Bond Fund ($18.2 billion), FTIF-Templeton Growth (Euro) Fund ($8.9 billion), FTIF-Templeton Emerging Markets Bond Fund ($8.2 billion) and FTIF-Templeton Asian Growth Fund ($5.0 billion). These five funds represented, in the aggregate, 8% of total AUM.
- ***Local/Regional Funds*** - In addition to our cross-border products, in some countries we offer products for the particular local market. These local/regional funds accounted for $47.6 billion of AUM.
- ***Other Managed Accounts, Alternative Investment Products and Trusts*** - Our other managed accounts, alternative investment products and trusts accounted for $165.5 billion of AUM.

3. AUM by Investment Objective and Types of SIPs

The following table shows our AUM by investment objective and types of SIPs as of September 30, 2017 :

(in billions) **Investment Objective**	**U.S. Funds**	**Cross-Border Funds**	**Local/Regional Funds**	**Other Managed Accounts, Alternative Investment Products and Trusts**	**Total**
Equity					
Asia-Pacific	$ 1.0	$ 11.9	$ 8.0	$ 17.0	$ 37.9
Canada	—	—	4.4	6.1	10.5
Europe, the Middle East and Africa	2.6	4.5	6.1	0.2	13.4
U.S.	93.0	8.6	1.6	4.0	107.2
Emerging markets [1]	3.7	5.4	3.6	4.6	17.3
Global/international [2]	64.7	13.5	4.5	48.0	130.7
Total equity	165.0	43.9	28.2	79.9	317.0
Multi-Asset/Balanced					
Asia-Pacific	—	—	0.6	3.9	4.5
Canada	—	—	0.7	0.8	1.5
Europe, the Middle East and Africa	—	2.8	—	0.3	3.1
U.S.	98.9	2.2	0.2	22.2	123.5
Global/international [2]	3.1	4.5	1.2	1.9	10.7
Total multi-asset/balanced	102.0	9.5	2.7	29.1	143.3
Fixed Income					
Asia-Pacific	—	0.7	6.2	0.4	7.3
Canada	—	—	2.9	2.2	5.1
Europe, the Middle East and Africa	—	2.0	0.2	1.1	3.3
U.S. tax-free	66.6	—	0.1	4.3	71.0
U.S. taxable	31.0	9.9	3.2	6.5	50.6
Emerging markets [1]	1.2	9.6	0.2	11.8	22.8
Global/international [2]	50.3	42.7	3.3	30.2	126.5
Total fixed income	149.1	64.9	16.1	56.5	286.6
Cash Management	5.3	0.4	0.6	—	6.3
Total	**$ 421.4**	**$ 118.7**	**$ 47.6**	**$ 165.5**	**$ 753.2**

[1] Emerging markets include developing countries worldwide.
[2] Global/international includes entities doing business either worldwide or only outside of the U.S.

FINANCIAL INFORMATION ABOUT SEGMENT AND GEOGRAPHIC AREAS

Certain financial information about the Company ' s business segment and geographic areas is contained in Note 15 – Segment and Geographic Information in the notes to consolidated financial statements in Item 8 of Part II of this Form 10-K, which is incorporated herein by reference.

REGULATORY CONSIDERATIONS

We are subject to extensive regulation. Virtually all aspects of our business are subject to various federal, state, and international regulation and supervision that continue to change and evolve over time. Consequently, there is uncertainty associated with the regulatory environments in which we operate.

U.S. Regulation

We are subject to federal and state laws that include U.S. federal securities laws, state securities and corporate laws, and the rules and regulations promulgated by certain regulatory and self-regulatory organizations such as the SEC and the NYSE. As a U.S. reporting company, we are subject to various securities, compliance, corporate governance and disclosure rules adopted by the SEC. We are also subject to various other federal and state laws, including those affecting corporate governance and disclosure, such as the U.S Securities Act of 1933, the Exchange Act, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), and the USA Patriot Act of 2001. As a NYSE-listed company, we are also subject to the NYSE listing standards.

As a global investment management organization, certain of our subsidiaries are also subject to the rules and regulations promulgated by the SEC, FINRA, the U.S. Commodity Futures Trading Commission ("CFTC"), the National Futures Association, the U.S. Department of Justice ("DOJ"), the U.S. Department of Labor ("DOL") and the U.S. Department of Treasury, and to various securities, compliance, corporate governance, disclosure, privacy, anti-money laundering, anti-terrorist financing, and economic, trade and sanctions laws and regulations, both domestically and internationally. Given our global operations, we are also subject to securities laws and other laws of various non-U.S. jurisdictions and to regulation by non-U.S. regulators. In some cases, our non-U.S. operations may also be subject to regulation by U.S. regulators, such as the SEC, the CFTC and the DOJ (for example with respect to the Foreign Corrupt Practices Act of 1977). We are also subject not only to the sanctions programs administered by the U.S. Department of Treasury's Office of Foreign Assets Control, but also to sanctions programs adopted and administered by non-U.S. jurisdictions where our investment management services and products are offered. We are also subject to the laws and regulations of states and other jurisdictions regarding the reporting and escheatment of unclaimed or abandoned property.

Certain of our subsidiaries are registered with the SEC under the Advisers Act, the CFTC and/or licensed by various non-U.S. regulators. In addition, many of our funds are registered with the SEC under the Investment Company Act or other non-U.S. laws. These registrations, licenses and authorizations impose numerous obligations, as well as detailed operational requirements, on such subsidiaries and such funds. The Advisers Act imposes numerous obligations on our registered investment adviser subsidiaries, including record keeping, operating and marketing requirements, disclosure obligations and prohibitions on fraudulent activities. The Investment Company Act imposes similar obligations on the registered investment companies advised by our subsidiaries. The SEC is authorized to institute proceedings and impose sanctions for violations of the Advisers Act and the Investment Company Act, ranging from fines and censure to termination of an investment adviser's registration. Our subsidiaries must also comply with complex tax regimes.

FINRA Conduct Rules limit the amount of aggregate sales charges that may be paid in connection with the purchase and holding of investment company shares sold through broker-dealers. The effect of the rule is to limit the amount of fees that could be paid pursuant to a fund's Rule 12b-1 Plan to FTDI, our principal sales and distribution subsidiary in the U.S., which earns distribution fees on the distribution of fund shares in the U.S. In 2010, the SEC proposed changes to Rule 12b-1 which, if adopted, could limit our ability to recover expenses relating to the distribution of our funds.

In April 2016, the DOL issued a new fiduciary rule that will subject financial professionals who provide investment advice to certain U.S. retirement clients to a new fiduciary duty intended to address conflicts of interests. We believe that the rule could significantly impact the ability of financial professionals to provide investment advice and recommendations for retirement accounts about funds for which they receive a fee from the fund or its affiliates. This rule may impact the compensation paid to the financial intermediaries who sell our funds to their retirement clients and may negatively impact our business. Certain aspects of the rule became applicable in June 2017, while other aspects of the rule are not expected to become applicable until January 1, 2018, subject to any further regulatory update.

The Dodd-Frank Act authorized the establishment of the Financial Stability Oversight Council ("FSOC"), the mandate of which is to identify and respond to threats to U.S. financial stability. Similarly, the U.S. and other members of the G-20 group of nations have empowered the Financial Stability Board ("FSB") to identify and respond, in a coordinated manner, to threats to global financial stability. The FSOC may designate certain non-bank financial companies as systemically important financial institutions ("SIFIs"), which are subject to supervision and regulation by the Board of Governors of the Federal Reserve System. The FSB may designate certain non-bank financial companies as global systemically important financial institutions ("G-SIFIs"); the additional regulatory requirements triggered by any such designation are not yet established. The FSOC and the FSB, as well as other global regulators, are considering what threats to U.S. and global financial stability, if any, arise from asset management companies and/or the funds that they manage, and whether such threats can be mitigated by treating such entities as SIFIs or G-SIFIs and/or subjecting them to additional regulation. To the extent that we or any of

our funds are designated as a SIFI or G-SIFI, such regulation, which could include requirements related to risk-based capital, leverage, liquidity, credit exposure, stress testing, resolution plans, early remediation, and certain risk management requirements, could impact our business.

The Dodd-Frank Act, as well as other legislative and regulatory changes, impose other restrictions and limitations on us, resulting in increased scrutiny and oversight of our financial services and products. We continue to analyze the impact of the Dodd-Frank Act as further implementing rules are adopted and become effective. Under the Dodd-Frank Act, which imposes a number of regulations governing derivative transactions, certain categories of swaps are currently required, and further categories of swaps are likely to be required, to be submitted for clearing by a regulated clearing organization and reported on a swap execution facility. These and other requirements, such as the posting of collateral for uncleared swaps, are likely to impact how we manage our investment strategies because of, among other things, an increase in the costs and expenses of utilizing swaps and other derivatives. In addition to the rulemaking mandated by the Dodd-Frank Act, rules adopted by the CFTC have removed or limited previously available exemptions and exclusions from registration and regulation as a commodity pool operator and commodity trading advisor on which we had relied, resulting in the imposition of either additional registration, disclosure, reporting and recordkeeping requirements or more stringent requirements to comply with the remaining exemptions or exclusions for operators of certain of our registered investment funds and other pooled vehicles that use or trade in futures, swaps and other derivatives considered commodity interests and subject to regulation by the CFTC. In addition, the SEC has adopted rules that have changed the structure and operation for certain types of money market funds, and that will require certain U.S. Funds to adopt liquidity management programs. (Full compliance with the latter is required by December 1, 2018.) The SEC has also proposed a rule that would impose restrictions on the use of derivatives by registered funds. We expect that the complex regulatory requirements and developments applicable to us will cause us to incur additional administrative and compliance costs.

Non-U.S. Regulation

Our operations outside the U.S. are subject to the laws and regulations of various non-U.S. jurisdictions and non-U.S. regulatory agencies and bodies. As we continue to expand our international presence, a number of our subsidiaries and international operations have become subject to regulatory systems, in various jurisdictions, comparable to those covering our operations in the U.S. Regulators in these non-U.S. jurisdictions may have broad authority with respect to the regulation of financial services including, among other things, the authority to grant or cancel required licenses or registrations. In addition, these regulators may subject certain of our subsidiaries to net capital and other financial or operational requirements.

In the U.K., the Financial Conduct Authority (the "FCA") and the Prudential Regulation Authorities (the "PRA") currently regulate certain of our subsidiaries. Authorization by the FCA and the PRA is required to conduct any financial services related business in the U.K. pursuant to the Financial Services and Markets Act 2000. The FCA's and PRA ' s rules under that act govern a firm's capital resources requirements, senior management arrangements, conduct of business, interaction with clients, and systems and controls. Breaches of these rules could result in a wide range of disciplinary actions against our U.K.-regulated subsidiaries.

In Luxembourg, the Commission de Surveillance du Secteur Financier ("CSSF") currently regulates our substantial activities in Luxembourg, including our subsidiary Franklin Templeton International Services S.à r.l. ("FTIS Lux"). FTIS Lux is licensed as a management company for both the Undertakings for Collective Investment in Transferable Securities Directive ("UCITS") and alternative investment funds ("AIFs") and, as such, it manages our Luxembourg-domiciled UCITS and our EU-domiciled AIFs. In July 2017, FTIS Lux upgraded its license to cover certain MiFID (as defined below) investment services, such as discretionary portfolio management, investment advice and reception and transmission of orders in relation to financial instruments. The CSSF's rules include capital resource, governance and risk management requirements, conduct of business rules, remuneration rules and oversight of systems and controls. Breaches of these rules could result in a wide range of disciplinary actions against FTIS Lux.

In addition to the above, our U.K.-regulated subsidiaries and certain other European subsidiaries and branches, must comply with the pan-European regime established by the EU Markets in Financial Instruments Directive ("MiFID"), which regulates the provision of investment services and conduct of investment activities throughout the European Economic Area ("EEA"). MiFID sets out detailed requirements governing the organization and conduct of business of investment firms and regulated markets. It also includes pre- and post-trade transparency requirements for equity markets and extensive transaction reporting requirements. The U.K. has adopted the MiFID rules into national legislation via the FCA rules, as have those other EU member states in which we have a presence.

A review of MiFID by the European Commission has led to the creation of a replacement directive and a new regulation (together "MiFID II") to become effective in January 2018 and which extends the scope of the original MiFID in response to issues raised by the financial crisis. Changes will be made to pre- and post-trade reporting obligations and there will be an expansion of the types of instruments subject to these requirements, such as bonds, structured products and derivatives. A new concept of trading venue has been created and algorithmic trading will be subject to specific regulations. There will also be changes to conduct of business requirements, including selling practices, intermediary inducements and client categorization, as well as the provision of investment advice and management within the EU by non-EU advisers, including ours. Powers will also be given to EU national regulators to ban certain products and services and to the European Securities and Markets Authority to temporarily restrict certain financial activities within the EU.

One of the most significant developments in MiFID II is the ban on commission and other payments ("inducements") to independent advisers and discretionary managers, which will result in a major change in the commercial relationships between fund providers and distributors. Arrangements with non-independent advisers will also be affected as narrower rules around the requirement that any commission reflects an enhancement of the service to customers come into effect, along with a prescriptive list of permissible non-monetary benefits. The interpretation of the inducements rules has also resulted in major changes to how fund managers finance investment research with many firms, including ours, opting to pay for third-party investment research for client accounts covered by MiFID II.

The European Market Infrastructure Regulation which sets out the rules in relation to central clearing of specified derivatives came into effect in 2016 for large derivatives users (including some of our clients). For the smallest counterparties, implementation has been delayed until June 2019. Mutual recognition of central counterparties has been achieved between the EU regulatory authorities and other important jurisdictions including the U.S. In addition, rules relating to margin requirements for uncleared over-the-counter derivatives were due to come into effect in March 2017 but, after considering feedback on market readiness, regulators generally delayed their effectiveness until September 2017 in most cases. Future regulatory policy reviews will decide whether these rules are extended to other types of derivative instruments, which could increase operational costs for our business and transactional costs for our clients.

The EU's Alternative Investment Fund Managers Directive ("AIFMD") came into effect in July 2014 and regulates managers of, and service providers to, AIFs that are domiciled and offered in the EU and that are not authorized as retail funds under UCITS. The AIFMD also regulates the marketing within the EU of all AIFs, including those domiciled outside the EU. The introduction of a third-country passport to non-EU AIFs/AIF managers was due to be implemented in 2018 but has been delayed until further positive advice is delivered to the European Commission on a sufficient number of non-EU countries to better evaluate the impact, including the proposed withdrawal of the U.K. from the EU ("Brexit") on the U.K. Compliance with the AIFMD's requirements may restrict AIF marketing and imposes compliance obligations in the form of remuneration policies, capital requirements, reporting requirements, leverage oversight, valuation, stakes in EU companies, the domicile, duties and liability of custodians and liquidity management.

The EU's Market Abuse Regulation ("MAR") came into effect in July 2016 with a primary aim to increase market integrity and investor protection, enhancing the attractiveness of securities markets for raising capital. Under MAR, EU market abuse rules become extra-territorial as long as the instrument has a listing on an EEA regulated market.

Effective January 1, 2018, the EU regulation on packaged retail investment and insurance products ("PRIIPs") imposes new pre-contractual disclosure requirements under the form of a Key Information Document ("KID") for the benefit of retail investors when they are considering the purchase of packaged retail investment products or insurance based products. It requires PRIIP manufacturers to draw up a KID which can be no longer than three pages in length and must be written in simple language. The regulation allows UCITS providers, who are already required to produce the UCITS Key Investor Information Document, a transitional period of five years from enactment during which they will be exempt from its terms.

Effective May 2018, the EU's General Data Protection Regulation ("GDPR") will strengthen and unify data protection rules for individuals within the EU. GDPR also addresses export of personal data outside the EU. The primary objectives of GDPR are to give citizens control of their personal data and to simplify the regulatory environment for international business by unifying data protection regulation within the EU. Compliance with the stringent rules under GDPR will require an extensive review of all of our global data processing systems.

Further, pursuant to ongoing efforts to encourage global tax compliance, the Organization for Economic Co-operation and Development has adopted a global common reporting standard for the automatic exchange of financial information among participating countries ("CRS"), aimed at ensuring that persons with financial assets located outside of their tax residence

country pay required taxes. In many cases, intergovernmental agreements between the participating countries will govern implementation of the new CRS rules. CRS will be implemented over a multi-year period and we will continue to monitor the implementing regulations and corresponding intergovernmental agreements to determine our requirements. CRS may subject us to additional reporting, compliance and administrative costs and burdens in jurisdictions where we operate as a qualifying financial institution.

Although Brexit negotiations between the U.K. and EU began in June 2017, it is still unclear what terms may be agreed to for the final outcome and for any transitional period. While we are monitoring the consequences very closely for our clients from an investment perspective, we believe that Brexit will not have a major impact on the way our firm operates in the U.K. Our long-standing U.K. businesses are expected to continue to provide their services to U.K. customers. Furthermore, we have other regulated subsidiaries across continental Europe such that, in the event of a future restriction on cross-border trade in financial products and services between the U.K. and the new EU, it would be likely to have a limited effect on our business. Moreover, our cross-border UCITS SICAV investment fund range, which is the most widely-distributed such range in the world, is based in Luxembourg. We have a separate, U.K.-domiciled fund range that is, and will continue to be, distributed only in the U.K.

In Canada, our subsidiaries are subject to provincial and territorial laws and are registered with and regulated by provincial and territorial securities regulatory authorities. The mandate of Canadian securities regulatory authorities is generally to protect investors and to foster fair and efficient capital markets. Securities regulatory authorities impose certain requirements on registrants, including a standard of conduct, capital and insurance, record keeping, regulatory financial reporting, conflict of interest management, compliance systems and security holder reporting. Failure to comply with applicable securities laws, regulations and rules could result in, among other things, reprimands, suspension of or restrictions on an individual ’ s or firm ’ s registration, prohibitions from becoming or acting as a registrant, administrative penalties or disgorgement. In addition, as a federally licensed trust company, FTCC is subject to regulation and supervision by the Office of the Superintendent of Financial Institutions Canada and another subsidiary, FTC Investor Services Inc., is a member of and regulated by the Mutual Fund Dealers Association of Canada. These regulatory bodies have similar requirements to those of the securities regulatory authorities with a view to ensuring the capital adequacy and sound business practices of the subsidiaries and the appropriate treatment of their clients.

In March 2013, the Canadian Securities Administrators, the umbrella organization of provincial and territorial securities regulatory authorities, released final amendments to its rules regarding registrant obligations that require additional disclosure by registrants to their clients, including enhanced disclosure at account opening of all operating charges and fees a client may be required to pay, pre-trade disclosure of any charges a client may be required to pay, enhanced reporting on client statements that includes charges paid by the client and all compensation received by registrants in respect of a client ’ s account and new reporting regarding the performance of investments held in the account. These new rules, which were phased in over a three-year period, have required us to make changes to our systems to comply with these new disclosure and reporting standards.

In Singapore, our subsidiaries are subject to, among others, the Securities and Futures Act (“SFA”), the Financial Advisers Act (“FAA”) and the subsidiary legislation promulgated pursuant to these Acts, which are administered by the Monetary Authority of Singapore (“MAS”). Our asset management subsidiary and its employees conducting regulated activities specified in the SFA and/or the FAA are required to be licensed with the MAS. Failure to comply with applicable laws, regulations, codes, directives, notices and guidelines issued by the MAS may result in penalties including fines, censures and the suspension or revocation of licenses granted by the MAS.

In Australia, our subsidiaries are subject to various Australian federal and state laws and are regulated by the Australian Securities and Investments Commission (“ASIC”). ASIC regulates companies, financial markets and financial services in Australia. ASIC imposes certain conditions on licensed financial services organizations that apply to our subsidiaries, including requirements relating to capital resources, operational capability and controls. Failure to comply with applicable law, regulations or conditions could result in various sanctions being imposed including cancellation, suspension or variation of the licenses held by our Australian subsidiaries.

In Hong Kong, our subsidiary is subject to the Securities and Futures Ordinance (the “SFO”) and its subsidiary legislation, which governs the securities and futures markets and regulates, among others, offers of investments to the public and provides for the licensing of dealing in securities and asset management activities and intermediaries. This legislation is administered by the Securities and Futures Commission (the “SFC”). The SFC is also empowered under the SFO to establish standards for compliance as well as codes and guidelines. Our subsidiary and its employees conducting any of the regulated activities specified in the SFO are required to be licensed with the SFC, and are subject to the rules, codes and guidelines issued by the

SFC from time to time. Failure to comply with the applicable laws, regulations, codes and guidelines could result in various sanctions being imposed, including fines, reprimands and the suspension or revocation of the licenses granted by the SFC.

In India, certain of our subsidiaries are primarily subject to relevant regulations promulgated by the Securities and Exchange Board of India ("SEBI"). The Reserve Bank of India ("RBI"), the Ministry of Corporate Affairs ("MCA") and the Foreign Investment Promotion Board ("FIPB") are the other major regulatory authorities that are capable of issuing directions of a binding nature to our subsidiaries. A failure to comply with the applicable laws, regulations, codes, notices, directives, guidelines, orders, circulars and schemes issued by SEBI, RBI, MCA or FIPB may result in penalties including fines, censures and/or suspension or revocation of licenses, approvals or registration status.

In Japan, our subsidiaries are subject to the Financial Instruments and Exchange Act (the "FIEL") and the Act on Investment Trusts and Investment Corporations. These laws are administered and enforced by the Japanese Financial Services Agency (the "JFSA"), which establishes standards for compliance, including capital adequacy and financial soundness requirements, customer protection requirements and conduct of business rules. The JFSA is empowered to conduct administrative proceedings that can result in censure, fine, the issuance of cease and desist orders or the suspension or revocation of registrations and licenses granted under the FIEL.

There are similar legal and regulatory arrangements in effect in many other non-U.S. jurisdictions where our subsidiaries, branches and representative offices, as well as certain joint ventures or companies in which we own minority stakes, are authorized to conduct business. We are also subject to regulation and supervision by, among others, the Securities Commission of The Bahamas; the Comissão de Valores Mobiliários in Brazil; the Cayman Islands Monetary Authority; the China Securities Regulatory Commission in the People's Republic of China; the Autorité des Marchés Financiers in France; the Federal Financial Supervisory Authority in Germany; the Central Bank of Ireland; the Commissione Nazionale per le Società e la Borsa in Italy; the Financial Services Commission and the Financial Supervisory Service in South Korea; the Securities Commission in Malaysia; the Comision Nacional Bancaria y de Valores in Mexico; the Autoriteit Financiële Markten in the Netherlands; the Polish Securities and Exchange Commission; the Romanian Financial Services Authority; the Comisión Nacional del Mercado de Valores in Spain; the Finansinspektionen in Sweden; the Swiss Federal Banking Commission; the Financial Supervisory Commission in the Republic of China; the Dubai Financial Services Authority in the United Arab Emirates; and the State Securities Commission of Vietnam.

COMPETITION

The financial services industry is a highly competitive global industry. According to data sourced from the Investment Company Institute as of June 30, 2017 , there were approximately 11,300 registered open-end funds whose shares were offered to the public in the U.S. and approximately 111,700 registered open-end funds whose shares were offered to the public outside the U.S., in each case including mutual funds, ETFs and funds of funds.

We face strong competition from numerous investment management companies, securities brokerage and investment banking firms, insurance companies, banks and other financial institutions, which offer a wide range of financial and investment management products and services to the same institutional accounts, separate accounts, retail investors and high net-worth clients that we are seeking to attract. Competition is based on various factors, including, among others, business reputation, investment performance, product mix and offerings, service quality and innovation, distribution relationships, and fees charged.

We offer a broad product mix that meets a variety of investment goals and needs for different investors, and we may periodically introduce new products to provide investors with additional investment options. Due to our international presence and varied product mix, it is difficult to assess our market position relative to other investment managers on a worldwide basis, but we believe that we are one of the more widely diversified asset managers based in the U.S. We believe that our equity and fixed income asset mix coupled with our global presence will serve our competitive needs well over the long term. We continue to focus on the long-term performance of our investment products, service to clients and extensive marketing activities through our strong broker-dealer and other financial institution distribution network as well as with high net-worth and institutional clients. We believe that performance, diversity of products and customer service, along with fees and costs, are the primary drivers of competition in the financial services industry.

The periodic establishment of new investment management firms and investment products increases the competition that we face. Many of our competitors have long-standing and established relationships with broker-dealers, investment advisers and their clients. Others have focused on, offer and market specific product lines, which provide strong competition to certain of our asset classes. In addition, consolidation in the financial services industry has created stronger competitors, some with greater financial resources and broader distribution channels than our own.

We rely largely on third-party broker-dealers and other similar independent financial intermediaries to distribute and sell our fund shares. We have pursued and continue to pursue sales relationships with all types of financial intermediaries to broaden our distribution network. We have experienced increased costs related to maintaining our distribution channels and we anticipate that this trend will continue. A failure to maintain strong business relationships with the major intermediaries who currently distribute our products may also impair our distribution and sales operations. Additionally, competing broker-dealers whom we rely upon to distribute and sell our SIPs may also sell their own proprietary funds and investment products, which could further limit the distribution of our investment products. Any inability to access and successfully sell our SIPs to clients through third-party distribution channels could have a negative effect on our level of AUM, related revenues and overall business and financial condition.

We maintain a technology platform to compete with the rapidly developing and evolving marketplace. However, technology is subject to rapid change and we cannot guarantee that our competitors may not implement more advanced platforms for their products, which could affect our business.

We believe that we are well positioned to deal with changes in marketing trends as a result of our advertising activities and broad based marketplace recognition. In conjunction with our subsidiaries, we conduct advertising and promotional campaigns through various media sources to promote brand recognition, and advertise in major financial publications, as well as on television and the Internet, to promote brand name recognition and to assist our distribution network. Such activities include purchasing network and cable programming, sponsorship of sporting events, newspaper and magazine advertising, online and paid search advertising and social media marketing.

INTELLECTUAL PROPERTY

We have used, registered, and/or applied to register certain trademarks, service marks and trade names to distinguish our sponsored investment products and services from those of our competitors in the U.S. and in other countries and jurisdictions, including, but not limited to, Franklin ®, Templeton ®, Franklin Mutual Series ®, Franklin Bissett ®, Fiduciary Trust™, Darby ®, Balanced Equity Management ®, K2 ® and LibertyShares ®. Our trademarks, service marks and trade names are important to us and, accordingly, we enforce our trademark, service mark and trade name rights. The Franklin Templeton Investments ® brand has been, and continues to be, extremely well received both in our industry and with our clients, reflecting the fact that our brand, like our business, is based in part on trust and confidence. If our brand is harmed, our future business prospects may be adversely affected.

EMPLOYEES

As of September 30, 2017 , we employed approximately 9,400 employees and operated offices in over 30 countries. We consider our relations with our employees to be satisfactory.

AVAILABLE INFORMATION

Franklin files reports with the SEC, including current and periodic reports, proxy statements and other information filed with or furnished to the SEC from time to time. The public may read and copy any of these filings at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Information on the operation of the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers, including Franklin, that file electronically with the SEC, at www.sec.gov. Additional information about the Company's filings can also be obtained at our website at www.franklinresources.com under "Investor Relations." We make available free of charge on our website our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Corporate Governance Guidelines. The Company has adopted Corporate Governance Guidelines. The Corporate Governance Guidelines are posted on the Company's website under "Corporate Governance" and are available in print to any stockholder who requests a copy.

Committee Charters. The Company's Board of Directors has an Audit Committee, Compensation Committee and Corporate Governance Committee. The Board of Directors has adopted written charters for each such committee, which are posted on the Company's website under "Corporate Governance" and are available in print to any stockholder who requests a copy.

Item 1A. Risk Factors.

Volatility and disruption of the capital and credit markets, and adverse changes in the global economy, may significantly affect our results of operations and may put pressure on our financial results. The capital and credit markets may from time to time experience volatility and disruption worldwide. Declines in global financial market conditions have in the past resulted in significant decreases in our assets under management ("AUM"), revenues and income, and future declines may further negatively impact our financial results. Such declines have had and may in the future have an adverse impact on our results of operations. We may need to modify our business, strategies or operations and we may be subject to additional constraints or costs in order to compete in a changing global economy and business environment.

The amount and mix of our AUM are subject to significant fluctuations . Fluctuations in the amount and mix of our AUM may be attributable in part to market conditions outside of our control that have had, and in the future could have, a negative impact on our revenues and income. We derive substantially all of our operating revenues and net income from providing investment management and related services to investors globally through products that include investment funds and institutional, high net-worth and separately-managed accounts (collectively, our "sponsored investment products" or "SIPs"). The level of our revenues depends largely on the level and mix of AUM. Our investment management fee revenues are primarily based on a percentage of the value of AUM and vary with the nature of the SIPs managed. Any decrease in the value or amount of our AUM because of market volatility or other factors, such as a decline in the price of stocks, in particular market segments or in the securities market generally, negatively impacts our revenues and income. We are subject to significant risk of asset volatility from changes in the global financial, equity, debt and commodity markets. Individual financial, equity, debt and commodity markets may be adversely affected by financial, economic, political, electoral, diplomatic or other instabilities that are particular to the country or region in which a market is located, including without limitation local acts of terrorism, economic crises, political protests, insurrection or other business, social or political crises. Global economic conditions, exacerbated by war, terrorism, natural disasters or financial crises, changes in the equity, debt or commodity marketplaces, changes in currency exchange rates, interest rates, inflation rates, the yield curve, defaults by trading counterparties, bond defaults, revaluation and bond market liquidity risks, geopolitical risks, the imposition of economic sanctions and other factors that are difficult to predict, affect the mix, market values and levels of our AUM. For example, changes in financial market prices, currency exchange rates and/or interest rates have in the past and could in the future cause the value of our AUM to decline, which would result in lower investment management fee revenues. Changing market conditions could also cause an impairment to the value of our goodwill and other intangible assets. The funds we manage may be subject to liquidity risks or an unanticipated large number of redemptions as a result of the events or conditions described above, causing the funds to sell securities they hold, possibly at a loss, or draw on any available lines of credit, to obtain cash to maintain sufficient liquidity or settle these redemptions, or settle in-kind with securities held in the applicable fund. We have in the past, and may in the future, at our discretion, provide financial support to funds we manage to enable them to maintain sufficient liquidity in any such event. Changes in investor preferences regarding our more popular investment products have in the past and could in the future cause sizable redemptions and lower the value of our AUM, which would result in lower revenue and operating results. Moreover, changing market conditions may cause a shift in our asset mix between international and U.S. assets, potentially resulting in a decline in our revenues and income depending upon the nature of our AUM and the level of management fees we earn based on our AUM. We generally derive higher investment management and distribution fees from our international products than from our U.S. products, and higher sales fees from our U.S. products than from our international products. Additionally, changing market conditions may cause a shift in our asset mix towards fixed income products and away from equity and multi-asset/balanced products, and a related decline in our revenues and income, as we generally derive higher fee revenues and income from equity and certain multi-asset/balanced products than from fixed income products we manage. Further, changing market conditions and investor preferences also may cause a shift in our asset mix towards lower fee exchange traded funds. Increases in interest rates, in particular if rapid, as well as any uncertainty in the future direction of interest rates, may have a negative impact on our fixed income products. Although the shorter duration of the bond investments in many of these products may help mitigate the interest rate risk, rising interest rates or interest rate uncertainty typically decrease the total return on many bond investments due to lower market valuations of existing bonds. Any decrease in the level of our AUM resulting from market declines, interest rate volatility or uncertainty, increased redemptions or other factors could negatively impact our revenues and income.

We are subject to extensive, complex, overlapping and frequently changing rules, regulations, policies, and legal interpretations. There is uncertainty associated with the regulatory environments in which we operate. As described below, our business is subject to extensive and complex, overlapping and/or conflicting, and frequently changing and increasing rules, regulations, policies and legal interpretations in the countries in which we operate. Our regulatory and compliance obligations impose significant operational and cost burdens on us and cover a broad range of requirements related to securities

and other financial instruments, investment and advisory matters, accounting, tax, compensation, ethics, data protection, privacy, sanctions programs, and escheatment laws and regulations.

As a U.S. reporting company, we are subject to U.S. federal securities laws, state laws regarding securities fraud, other federal and state laws and rules and regulations of certain regulatory and self-regulatory organizations, including those rules and regulations promulgated by, among others, the U.S. Securities and Exchange Commission ("SEC") and the New York Stock Exchange. As a global investment management organization, certain of our subsidiaries are also subject to the rules and regulations promulgated by the SEC, the Financial Industry Regulatory Authority, the U.S. Commodity Futures Trading Commission ("CFTC"), the National Futures Association, the U.S. Department of Justice ("DOJ"), the U.S. Department of Labor ("DOL") and the U.S. Department of Treasury. Given our global operations, we are also subject to securities laws and other laws of various non-U.S. jurisdictions and to regulation by non-U.S. regulators including, among others, the United Kingdom ("U.K.") Financial Conduct Authority, the Luxembourg Commission de Surveillance du Secteur Financier, the Canadian provincial and territorial securities regulatory authorities, the Monetary Authority of Singapore, the Australian Securities and Investments Commission, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India, the Japanese Financial Services Agency and various international stock exchanges. In some cases, our non-U.S. operations may also be subject to regulation by U.S. regulators, such as the SEC, the CFTC and the DOJ (for example, with respect to the Foreign Corrupt Practices Act of 1977). We are also subject not only to the sanctions programs administered by the U.S. Department of Treasury's Office of Foreign Assets Control, but also to sanctions programs adopted and administered by non-U.S. jurisdictions, including the European Union ("EU"), where our investment management services and products are offered. We are also subject to the laws and regulations of states and other jurisdictions regarding the reporting and escheatment of unclaimed or abandoned property. Further, certain federal and state anti-takeover or business combination laws may impose various disclosure and procedural requirements on the ability of a person to acquire control of us, which may discourage potential merger and acquisition proposals and may delay, deter or prevent a change of control, including through transactions that some stockholders may consider desirable.

Certain of our subsidiaries are registered with the SEC under the Investment Advisers Act of 1940, the CFTC and/or licensed by various non-U.S. regulators. In addition, many of our funds are registered with the SEC under the Investment Company Act of 1940 (the "Investment Company Act") or authorized by various European and other non-U.S. regulators pursuant to the EU's Undertakings for Collective Investment in Transferable Securities ("UCITS") Directive or under other non-U.S. laws in Europe, the Middle East and Africa, Asia-Pacific, Canada and Latin America. These registrations, licenses and authorizations impose numerous obligations, as well as detailed operational requirements, on such subsidiaries and such funds. Our subsidiaries must also comply with complex tax regimes.

Financial reporting requirements, and the processes, controls and procedures that have been put in place to address them, are often comprehensive and complex. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation of existing laws and regulations. Political and electoral changes, developments and conflicts may also introduce additional uncertainty. While management has focused attention and resources on our compliance policies, procedures and practices, non-compliance with applicable laws, rules, regulations, conflicts of interest requirements or fiduciary principles, or our inability to keep up with, or adapt to, an ever changing, complex regulatory environment, could result in civil liability, criminal liability and/or sanctions against us, including fines and censures, injunctive relief, suspension or expulsion from a particular jurisdiction or market or the revocation of licenses or charters, any of which could adversely affect our reputation, prospects, revenues and income. Moreover, any potential accounting or reporting error, whether financial or otherwise, if material, could damage our reputation and adversely affect our business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") authorized the establishment of the Financial Stability Oversight Council ("FSOC"), the mandate of which is to identify and respond to threats to U.S. financial stability. Similarly, the U.S. and other members of the G-20 group of nations have empowered the Financial Stability Board ("FSB") to identify and respond, in a coordinated manner, to threats to global financial stability. The FSOC may designate certain non-bank financial companies as systemically important financial institutions ("SIFIs"), which are subject to supervision and regulation by the Board of Governors of the Federal Reserve System. The FSB may designate certain non-bank financial companies as global systemically important financial institutions ("G-SIFIs"); the additional regulatory requirements triggered by any such designation are not yet established. The FSOC and the FSB, as well as other global regulators including the European Commission, are considering what threats to U.S., EU and global financial stability, if any, arise from asset management companies and/or the funds that they manage, and whether such threats can be mitigated by treating such entities as SIFIs or G-SIFIs and/or subjecting them to additional regulation. To the extent that we or any of our funds are designated as a SIFI or G-SIFI, such regulation, which could include requirements related to risk-

based capital, leverage, liquidity, credit exposure, stress testing, resolution plans, early remediation, and certain risk management requirements, could impact our business. The Dodd-Frank Act, as well as other legislative and regulatory changes, impose other restrictions and limitations on us, resulting in increased scrutiny and oversight of our financial services and products. We continue to analyze the impact of the Dodd-Frank Act as implementing rules are adopted and become effective. Under the Dodd-Frank Act, which imposes a number of regulations governing derivative transactions, certain categories of swaps are currently required, and further categories of swaps are likely to be required, to be submitted for clearing by a regulated clearing organization and reported on a swap execution facility. The EU and other countries are in the process of implementing similar requirements, and there is some risk that full mutual recognition may not be achieved between the various regimes, and duplication of regulation and transaction costs may result. These and other requirements are likely to impact how we manage our investment strategies because of, among other things, an increase in the costs and expenses of utilizing swaps and other derivatives. In addition, the SEC has adopted rules that have changed the structure and operation for certain types of money market funds, and that will require certain registered funds to adopt liquidity management programs. (Full compliance with the latter is required by December 1, 2018.) The SEC has also proposed a rule that would impose restrictions on the use of derivatives by registered funds. We expect that the complex regulatory requirements and developments applicable to us will cause us to incur additional administrative and compliance costs.

The laws and regulations applicable to our business generally involve restrictions and requirements in connection with a variety of technical, specialized, and expanding matters and concerns. For example, compliance with the Bank Secrecy Act of 1970, anti-money laundering and Know Your Customer requirements, and economic, trade and other sanctions, both domestically and internationally, has taken on heightened importance as a result of efforts to, among other things, limit terrorism and actions that undermine the stability, sovereignty and territorial integrity of countries. At the same time, there has been increased regulation with respect to the protection of customer privacy and the need to secure sensitive customer information. As we continue to address these requirements or focus on meeting new or expanded ones, we may expend a substantial amount of time and resources. Any inability to meet these requirements within the required timeframes may subject us to sanctions or other restrictions by governments and/or regulators that could adversely impact our broader business objectives.

Global regulatory and legislative actions and reforms have made the regulatory environment in which we operate more costly and future actions and reforms could adversely impact our financial condition and results of operations. The U.S. federal securities laws have been augmented substantially and made significantly more complex by, among other measures, the Dodd-Frank Act, the Sarbanes-Oxley Act of 2002 and the USA Patriot Act of 2001. Similarly, the securities and related laws outside the U.S. have been augmented substantially and made more complex by measures such as the EU's Alternative Investment Fund Managers Directive ("AIFMD") and Markets in Financial Instruments Directive II ("MiFID II"). Although negotiations between the U.K. and EU regarding the U.K.'s proposed withdrawal from the EU ("Brexit") began in June 2017, it is still unclear what terms may be agreed to in the final outcome and for any transitional period. Ongoing changes in the EU's regulatory framework applicable to our business, including changes related to Brexit and any other changes in the composition of the EU's member states, may add further complexity to our global risks and operations. Moreover, the adoption of new laws, regulations or standards and changes in the interpretation or enforcement of existing laws, regulations or standards have directly affected, and will continue to affect, our business. With new laws and changes in interpretation of existing requirements, the associated time we must dedicate to and related costs we must incur in meeting the regulatory complexities of our business have increased. In particular, certain provisions of the Dodd-Frank Act and MiFID II still require the adoption of implementing rules. We may be required to invest significant additional management time and resources to address the new regulations being adopted pursuant to the Dodd-Frank Act, MiFID II and other laws. For example, MiFID II requires the "unbundling" of research and execution charges for trading. The final rules in this area, and the industry's response to them, are still evolving and could lead to increased research costs. Outlays associated with meeting regulatory complexities have also increased as we expand our business into new jurisdictions.

Effective May 2018, the EU's General Data Protection Regulation ("GDPR") will strengthen and unify data protection rules for individuals within the EU. GDPR also addresses export of personal data outside the EU. The primary objectives of GDPR are to give citizens control of their personal data and to simplify the regulatory environment for international business by unifying data protection regulation within the EU. Compliance with the stringent rules under GDPR will require an extensive review of all of our global data processing systems. A failure to comply with GDPR could result in fines up to 20 million Euros or 4% of annual global revenues, whichever is higher.

Further, pursuant to ongoing efforts to encourage global tax compliance, the Organization for Economic Co-operation and Development has adopted a global common reporting standard for the automatic exchange of financial information among participating countries ("CRS"), aimed at ensuring that persons with financial assets located outside of their tax residence

country pay required taxes. In many cases, intergovernmental agreements between the participating countries will govern implementation of the new CRS rules. CRS will be implemented over a multi-year period and we will continue to monitor the implementing regulations and corresponding intergovernmental agreements to determine our requirements. CRS may subject us to additional reporting, compliance and administrative costs and burdens in jurisdictions where we operate as a qualifying financial institution.

Compliance activities to address these and other new legal requirements have required, and will continue to require, us to expend additional time and resources, and, consequently, we are incurring increased costs of doing business, which potentially negatively impacts our profitability and future financial results. Finally, any further regulatory and legislative actions and reforms affecting the investment management industry, including compliance initiatives, may negatively impact revenues by increasing our costs of accessing or operating in the financial markets or by making certain investment offerings less favorable to our clients.

Failure to comply with the laws, rules or regulations in any of the jurisdictions in which we operate could result in substantial harm to our reputation and results of operations. As with all investment management companies, our activities are highly regulated in almost all countries in which we conduct business. The regulatory environments of the jurisdictions where we conduct our business or where our SIPs are organized or sold are complex, uncertain and subject to change. Local regulatory environments may vary widely and place additional demands on our sales, investment, legal and compliance personnel. Failure to comply with the applicable laws, rules, regulations, codes, directives, notices or guidelines in any of our jurisdictions could result in a wide range of penalties and disciplinary actions, including fines, censures and the suspension or expulsion from a particular jurisdiction or market or the revocation of licenses, any of which could adversely affect our reputation and operations. In recent years, the regulatory environments in which we operate have seen significant increased and evolving regulations, which have imposed and may continue to impose additional compliance and operational requirements and costs on us in the applicable jurisdictions. Regulators could also change their policies or laws in a manner that might restrict or otherwise impede our ability to offer our investment products and services in their respective markets, or we may be unable to keep up with, or adapt to, the ever changing, complex regulatory requirements in such jurisdictions or markets, which could further negatively impact our business.

Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and liquidity. We are subject to income taxes as well as non-income based taxes, and are subject to ongoing tax audits, in various jurisdictions in which we operate. Tax authorities may disagree with certain positions we have taken and assess additional taxes. We regularly assess the likely outcomes of these audits in order to determine the appropriateness of our tax provision. However, there can be no assurance that we will accurately predict the outcomes of these audits, and the actual outcomes could have a material impact on our net income or financial condition. Changes in tax laws or tax rulings could materially impact our effective tax rate. For example, proposals for fundamental U.S. corporate tax reform, if enacted, could change the amount of taxes we are required to pay and could have a significant impact on our future results of operations, profitability and financial condition.

Any significant limitation, failure or security breach of our information and cyber security infrastructure, software applications, technology or other systems that are critical to our operations could disrupt our business and harm our operations and reputation. We are highly dependent upon the use of various proprietary and third-party information and security technology, software applications and other technology systems to operate our business. We are also dependent on the continuity and effectiveness of our information and cyber security infrastructure, policies, procedures and capabilities to protect our computer and telecommunications systems and the data that reside on or are transmitted through them and contracted third-party systems. We use technology to, among other things, support our business continuity and operations, store and maintain data, obtain securities pricing information, process client transactions, and provide reports and other customer services to the clients of the products we manage. Any disruptions, inaccuracies, delays, systems failures, data or privacy breaches, or other security breaches (including any cyber security breaches) in these and other processes could subject us to client dissatisfaction and losses and damage our reputation. Although we take protective measures, including measures to effectively secure information through system security technology, the technology systems we use are vulnerable to unauthorized access, computer viruses or other events that have a security impact, such as an external hacker attack by one or more cyber criminals (including phishing attacks attempting to obtain confidential information) or an authorized employee or vendor inadvertently causing us to release confidential information, which could materially harm our operations and reputation. Potential system disruptions, failures or breaches of the technology systems we use, and the costs necessary to address them, could result in: material financial loss or costs; the unauthorized disclosure or modification of sensitive or confidential information; loss of valuable information; breach of client contracts; liability for stolen assets, information or identity; remediation costs to repair

damage caused by the failure or breach; additional security costs to mitigate against future incidents; reputational harm; regulatory actions; and/or legal claims, liability and litigation costs resulting from the incident. Moreover, loss or unauthorized disclosure or transfer of confidential customer identification information could harm our reputation and subject us to liability under laws that protect confidential personal data, resulting in increased costs or a decline in our revenues or common stock price. Further, although we take precautions to password protect and encrypt our laptops and sensitive information on our other mobile electronic devices, if such devices are stolen, misplaced or left unattended, they may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly actions by us.

Most of the software applications that we use in our business are licensed from, and supported, upgraded and maintained by, third-party vendors. Our third-party applications include enterprise cloud storage and cloud computing application services provided and maintained by third-party vendors. A suspension or termination of certain of these licenses or the related support, upgrades and maintenance could cause temporary system delays or interruption that could adversely impact our business. Also, our third-party applications may include confidential and proprietary data provided by vendors and by us. We may be subject to indemnification costs and liability to third parties if we breach any confidentiality obligations regarding vendor data, for losses related to the data, or if data we provide is deemed to infringe upon the rights of others. In addition, the failure to properly manage and operate the data centers we use could have an adverse impact on our business. Although we have in place certain disaster recovery plans, we may experience system delays and interruptions as a result of natural disasters, power failures, acts of war, and third-party failures. Technology is subject to rapid advancements and changes and our competitors may from time to time implement more advanced technology platforms for their products and services, including digital advisors and other advanced electronic systems, which could adversely affect our business if we are unable to remain competitive.

Our business operations are complex and a failure to properly perform operational tasks or the misrepresentation of our products and services, or the termination of investment management agreements representing a significant portion of our AUM, could have an adverse effect on our revenues and income. Through our subsidiaries, we provide investment management and related services to our SIPs. In addition to investment management, our services include fund administration, sales, distribution, marketing, shareholder servicing, and other services. In order to be competitive and comply with our agreements, we must properly perform our fund and portfolio administration and related responsibilities, including portfolio recordkeeping and accounting, security pricing, corporate actions, investment restrictions compliance, daily net asset value computations, account reconciliations, and required distributions to fund shareholders. Many of our operations are complex and dependent on our ability to effectively process and monitor a large number of transactions, many of which may occur across numerous markets and currencies at high volumes and frequencies. Although we expend considerable resources on internal controls, supervision, technology and training in an effort to ensure that such transactions do not violate applicable guidelines, rules and regulations or adversely affect our clients, counterparties or us, our operations are ultimately dependent on our employees who may, from time to time, make mistakes that are not always immediately detected, which may disrupt our operations, cause losses, lead to regulatory fines or sanctions, or otherwise damage our reputation. In addition, any misrepresentation of our products and services in advertising materials, public relations information, social media or other external communications could also adversely affect our reputation and business prospects. Our investment management fees, which represent the majority of our revenues, are dependent on fees earned under investment management agreements that we have with our SIPs. Our revenues could be adversely affected if such agreements representing a significant portion of our AUM are terminated or significantly altered. Further, certain of our subsidiaries may act as general partner for various investment partnerships, which may subject them to liability for the partnerships ’ liabilities. If we fail to properly perform and monitor our operations, our business could suffer and our revenues and income could be adversely affected.

We face risks, and corresponding potential costs and expenses, associated with conducting operations and growing our business in numerous countries. We sell our SIPs and offer investment management and related services in many different regulatory jurisdictions around the world, and intend to continue to expand our operations internationally. As we do so, we will continue to face challenges to the adequacy of our resources, procedures and controls to consistently and effectively operate our business. In order to remain competitive, we must be proactive and prepared to implement necessary resources when growth opportunities present themselves, whether as a result of a business acquisition or rapidly increasing business activities in particular markets or regions. Local regulatory environments may vary widely in terms of scope, adequacy and sophistication. Similarly, local distributors, and their policies and practices as well as financial viability, may also vary widely, or be inconsistent or less developed or mature than other more internationally focused distributors. Notwithstanding potential long-term cost savings by increasing certain operations, such as transfer agent and other back-office operations, in countries or regions of the world with lower operating costs, growth of our international operations may involve near-term increases in expenses as well as additional capital costs, such as information systems and technology costs and costs related to compliance

with particular regulatory or other local requirements or needs. Local requirements or needs may also place additional demands on sales and compliance personnel and resources, such as meeting local language requirements, while also integrating personnel into an organization with a single operating language. Finding, hiring and retaining additional, well-qualified personnel and crafting and adopting policies, procedures and controls to address local or regional requirements remain a challenge as we expand our operations internationally. Moreover, regulators in non-U.S. jurisdictions could also change their policies or laws in a manner that might restrict or otherwise impede our ability to distribute or authorize investment products or maintain their authorizations in their respective markets. Any of these local requirements, activities, or needs could increase the costs and expenses we incur in a specific jurisdiction without any corresponding increase in revenues and income from operating in the jurisdiction. Certain laws and regulations both inside and outside the U.S. have included extraterritorial application. This may lead to duplicative or conflicting legal or regulatory burdens and additional costs and risks. In addition, from time to time we enter into international joint ventures or take minority stakes in companies in which we typically do not have control. These investments may involve risks, including the risk that the controlling stakeholder or our joint venture partner may have business interests, strategies or goals that are inconsistent with ours, and the risk that business decisions or other actions or omissions of the controlling stakeholder, our joint venture partner or the entity itself may result in liability for us or harm to our reputation or adversely affect the value of our investment in the entity.

We depend on key personnel and our financial performance could be negatively affected by the loss of their services. The success of our business will continue to depend upon our key personnel, including our portfolio and fund managers, investment analysts, investment advisers, sales and management personnel and other professionals as well as our executive officers and business unit heads. Competition for qualified, motivated, and highly skilled executives, professionals and other key personnel in the investment management industry remains significant. Our success depends to a substantial degree upon our ability to find, attract, retain and motivate qualified individuals, including through competitive compensation packages, and upon the continued contributions of these people. Laws and regulations, including those contained in or relating to the EU ' s Capital Requirements Directive, those adopted under AIFMD and UCITS and those required to be adopted under the Dodd-Frank Act, could impose restrictions on compensation paid by financial institutions, which could restrict our ability to compete effectively for qualified professionals. As our business grows, we are likely to need to increase correspondingly the overall number of individuals that we employ. Moreover, in order to retain certain key personnel, we may be required to increase compensation to such individuals, resulting in additional expense without a corresponding increase in potential revenues. There is no assurance that we will be successful in finding, attracting and retaining qualified individuals, and the departure of key investment personnel, in particular, if not replaced, could cause us to lose clients, which could have a material adverse effect on our financial condition, results of operations and business prospects.

Strong competition from numerous and sometimes larger companies with competing offerings and products could limit or reduce sales of our products, potentially resulting in a decline in our market share, revenues and income. We compete with numerous investment management companies, securities brokerage and investment banking firms, insurance companies, banks and other financial institutions. Our investment products also compete with products offered by these competitors, as well as with real estate investment trusts, hedge funds and other products. The periodic establishment of new investment management companies and other competitors increases the competition that we face. At the same time, consolidation in the financial services industry has created stronger competitors with greater financial resources and broader distribution channels than our own. Competition is based on various factors, including, among others, business reputation, investment performance, product mix and offerings, service quality and innovation, distribution relationships, and fees charged. Further, although we may offer certain types of exchange-traded funds, to the extent that there is a trend among existing or potential clients in favor of lower fee index and other exchange-traded funds, it may favor our competitors who may offer such products that are more established or on a larger scale than we do. Additionally, competing securities broker-dealers, whom we rely upon to distribute and sell certain of our funds and other investment products, may also sell their own proprietary funds and investment products, which could limit the distribution of our products. To the extent that existing or potential clients, including securities broker-dealers, decide to invest in or distribute the products of our competitors, the sales of our products as well as our market share, revenues and income could decline. Our ability to attract and retain AUM is also dependent on the relative investment performance of our SIPs, offering a mix of SIPs that meets investor demand and our ability to maintain our investment management fees and pricing structure at competitive levels.

Changes in the third-party distribution and sales channels on which we depend could reduce our income and hinder our growth. We derive nearly all of our fund sales through third-party broker-dealers, banks, investment advisers and other financial intermediaries. Increasing competition for these distribution channels and regulatory initiatives have caused our distribution costs to rise and could cause further increases in the future or could otherwise negatively impact the distribution of our products. Pursuant to the Dodd-Frank Act, the SEC may establish different standards for broker-dealers in their interaction

with retail customers, which could have an impact on sales and/or distribution costs. In addition, the SEC has proposed changes to Rule 12b-1 promulgated under the Investment Company Act which, if adopted, could limit our ability to recover expenses relating to the distribution of our U.S.-registered funds. Higher distribution costs lower our income; consolidations in the broker-dealer industry could also adversely impact our income. Moreover, if several of the major financial advisers who distribute our products were to cease operations or limit or otherwise end the distribution of our products, it could have a significant adverse impact on our income. In April 2016, the DOL issued a new fiduciary rule that will subject financial professionals who provide investment advice to certain U.S. retirement clients to a new fiduciary duty intended to address conflicts of interests. We believe that the rule could significantly impact the ability of financial professionals to provide investment advice and recommendations for retirement accounts about funds for which they receive a fee from the fund or its affiliates. This rule may impact the compensation paid to the financial intermediaries who sell our funds to their retirement clients and may negatively impact our business. Certain aspects of the rule became applicable in June 2017, while other aspects of the rule are not expected to become applicable until January 1, 2018, subject to any further regulatory update. In addition, the U.K., the Netherlands and the EU in MiFID II have adopted regimes which ban, or may limit, the payment of commissions and other inducements to intermediaries in relation to certain sales to retail customers in those jurisdictions, and similar regimes are under consideration in several other jurisdictions. Depending on their exact terms, such regimes may result in existing flows of business moving to less profitable channels or even to competitors providing substitutable products outside the regime. Arrangements with non-independent advisers will also be affected as narrower rules related to the requirement that commissions reflect an enhancement of the service to customers come into effect, along with a prescriptive list of permissible non-monetary benefits. The interpretation of the inducements rules has also resulted in major changes to how fund managers finance investment research with many firms, including ours, opting to pay for third-party investment research for client accounts covered by MiFID II. There is no assurance we will continue to have access to the third-party broker-dealers, banks, investment advisers and other financial intermediaries that currently distribute our products, or continue to have the opportunity to offer all or some of our existing products through them. A failure to maintain strong business relationships with such distributors may also impair our distribution and sales operations. Because we use broker-dealers, banks, investment advisers and other financial intermediaries to sell our products, we do not control the ultimate investment recommendations given to clients. Any inability to access and successfully sell our products to clients through third-party distribution channels could have a negative effect on our level of AUM, income and overall business and financial condition.

Our increasing focus on international markets as a source of investments and sales of investment products subjects us to increased exchange rate and market-specific political, economic or other risks that may adversely impact our revenues and income generated overseas. While we maintain a significant portion of our operations in the U.S., we also provide services and earn revenues in Europe, the Middle East and Africa, Asia-Pacific, Canada, The Bahamas and Latin America. As a result, we are subject to foreign currency exchange risk through our non-U.S. operations. Fluctuations in the exchange rates to the U.S. dollar have affected and may in the future affect our financial results from one period to the next. While we have taken steps to reduce our exposure to foreign exchange risk, for example, by denominating a significant amount of our transactions in U.S. dollars, the situation may change in the future as our business continues to grow outside the U.S. Appreciation of the U.S. dollar has and could in the future moderate revenues from managing investment products internationally, or could affect relative investment performance of certain of our SIPs invested in non-U.S. securities. In addition, we have risk associated with the foreign exchange revaluation of U.S. dollar balances held by certain non-U.S. subsidiaries for which the local currency is the functional currency. Separately, management fees that we earn tend to be higher in connection with non-U.S. AUM than with U.S. AUM. Consequently, downturns in international markets have in the past and could in the future have a significant effect on our revenues and income. Moreover, our emerging market portfolios and revenues derived from managing these portfolios are subject to significant risks of loss from financial, economic, political and diplomatic developments, currency fluctuations, social instability, changes in governmental policies, expropriation, nationalization, asset confiscation and changes in legislation related to non-U.S. ownership. International trading markets, particularly in some emerging market countries, are often smaller, less liquid, less regulated and significantly more volatile than those in the U.S. As our business continues to grow in non-U.S. markets, any ongoing and future business, economic, political or social unrest affecting these markets, in addition to any direct consequences such unrest may have on our personnel and facilities located in the affected area, may also have a more lasting impact on the long-term investment climate in these and other areas and, as a result, our AUM and the corresponding revenues and income that we generate from them may be negatively affected.

Harm to our reputation or poor investment performance of our products could reduce the level of our AUM or affect our sales, and negatively impact our revenues and income. Our reputation is critical to the success of our business. We believe that our brand names have been, and continue to be, well received both in our industry and with our clients, reflecting the fact that our brands, like our business, are based in part on trust and confidence. If our reputation is harmed, existing clients may reduce amounts held in, or withdraw entirely from, our SIPs or our SIPs may terminate their management agreements with

us, which could reduce the amount of our AUM and cause us to suffer a corresponding loss in our revenues and income. Our investment performance, along with achieving and maintaining superior distribution and client service, is also critical to the success of our business. Strong investment performance often stimulates sales of our investment products. Poor investment performance as compared to third-party benchmarks or competitive products has in the past and could in the future lead to a decrease in sales of investment products we manage and stimulate redemptions from existing products, generally lowering the overall level of AUM and reducing the management fees we earn. There is no assurance that past or present investment performance in the investment products we manage will be indicative of future performance. Any poor investment performance may negatively impact our revenues and income. Reputational harm or poor investment performance may cause us to lose current clients and we may be unable to continue to attract new clients or develop new business. If we fail to address, or appear to fail to address, successfully and promptly the underlying causes of any reputational harm or poor investment performance, we may be unsuccessful in repairing any existing harm to our reputation or performance and our future business prospects would likely be affected.

Our future results are dependent upon maintaining an appropriate level of expenses, which is subject to fluctuation. The level of our expenses is subject to fluctuation and may increase for the following or other reasons: changes in the level and scope of our operating expenses in response to market conditions or regulations; variations in the level of total compensation expense due to, among other things, bonuses, merit increases and severance costs, changes in our employee count and mix, and competitive factors; and/or changes in expenses and capital costs, including costs incurred to maintain and enhance our administrative and operating services infrastructure or to cover uninsured losses, and an increase in insurance expenses including through the assumption of higher deductibles and/or co-insurance liability.

Our ability to successfully manage and grow our business can be impeded by systems and other technological limitations. Our continued success in effectively managing and growing our business depends on our ability to integrate the varied accounting, financial, information, and operational systems on a global basis. Moreover, adapting or developing the existing technology systems we use to meet our internal needs, as well as client needs, industry demands and new regulatory requirements, is also critical for our business. The introduction of new technologies presents new challenges to us. We have an ongoing need to continually upgrade and improve our various technology systems, including our data processing, financial, accounting, shareholder servicing and trading systems. Further, we also must be proactive and prepared to implement technology systems when growth opportunities present themselves, whether as a result of a business acquisition or rapidly increasing business activities in particular markets or regions. These needs could present operational issues or require, from time to time, significant capital spending. It also may require us to reevaluate the current value and/or expected useful lives of the technology systems we use, which could negatively impact our results of operations.

Our inability to successfully recover should we experience a disaster or other business continuity problem could cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability. Should we experience a local or regional disaster or other business continuity problem, such as an earthquake, tsunami, terrorist attack, pandemic or other natural or man-made disaster, our continued success will depend, in part, on the safety and availability of our personnel, our office facilities and infrastructure, and the proper functioning of our technology, computer, telecommunication and other systems and operations that are critical to our business. While our operational size, the diversity of locations from which we operate, and our various back-up systems provide us with an advantage should we experience a local or regional disaster or other business continuity event, we could still experience operational challenges, in particular depending upon how a local or regional event may affect our human capital across our operations or with regard to particular aspects of our operations, such as key executive officers or personnel in our technology group. Moreover, as we grow our operations in new geographic regions, the potential for particular types of natural or man-made disasters; political, economic or infrastructure instabilities; information, technology or security limitations or breaches; or other country- or region-specific business continuity risks increases. Past disaster recovery efforts have demonstrated that even seemingly localized events may require broader disaster recovery efforts throughout our operations and, consequently, we regularly assess and take steps to improve upon our existing business continuity plans and key management succession. However, a disaster on a significant scale or affecting certain of our key operating areas within or across regions, or our inability to successfully recover should we experience a disaster or other business continuity problem, could materially interrupt our business operations and cause material financial loss, loss of human capital, regulatory actions, reputational harm, or legal liability.

Regulatory and governmental examinations and/or investigations, litigation and the legal risks associated with our business, could adversely impact our AUM, increase costs and negatively impact our profitability and/or our future financial results. From time to time we may receive requests for documents or other information from governmental authorities or regulatory bodies. We may also become the subject of governmental or regulatory investigations and/or examinations, or

governmental or regulatory investigations and/or examinations that have been inactive could become active. In addition, we may be named as a party in litigation. We may be obligated, and under our certificate of incorporation, by-laws and standard form of director indemnification agreement we are obligated under certain conditions, or we may choose, to indemnify directors, officers or employees against liabilities and expenses they may incur in connection with such matters to the extent permitted under applicable law. Even if claims made against us are without merit, litigation typically is an expensive process. Risks associated with legal liability often are difficult to assess or quantify and their existence and magnitude can remain unknown for significant periods of time. Eventual exposures from and expenses incurred relating to any litigation, investigations, examinations and settlements could adversely impact our AUM, increase costs and/or negatively impact our profitability and financial results. Judgments, findings or allegations of wrongdoing by regulatory or governmental authorities, or in litigation against us or settlements with respect thereto, could affect our reputation, increase our costs of doing business and/or negatively impact our revenues, any of which could have a material negative impact on our financial results.

Our ability to meet cash needs depends upon certain factors, including the market value of our assets, operating cash flows and our perceived creditworthiness. Our ability to meet anticipated cash needs depends upon factors such as the market value of our assets, our operating cash flows and our creditworthiness as perceived by lenders. If we are unable to obtain cash, financing or access to the capital markets in a timely manner, we may be forced to incur unanticipated costs or revise our business plans, and our business could be adversely impacted. Further, our access to the capital markets depends significantly on our credit ratings. A reduction in our long- or short-term credit ratings could increase our borrowing costs and limit our access to the capital markets. Volatility in the global financing markets may also impact our ability to access the capital markets should we seek to do so, and may have an adverse effect on investors ’ willingness to purchase our securities, interest rates, credit spreads and/or the valuation levels of equity markets.

We are dependent on the earnings of our subsidiaries. Substantially all of our operations are conducted through our subsidiaries. As a result, our cash flow and our ability to fund operations are dependent upon the earnings of our subsidiaries and the distribution of earnings, loans or other payments by our subsidiaries. Our subsidiaries are separate and distinct legal entities and have no obligation to fund our payment obligations, whether by dividends, distributions, loans or other payments. Any payments to us by our subsidiaries could be subject to statutory or contractual restrictions and are contingent upon our subsidiaries ’ earnings and business considerations. Certain of our subsidiaries are subject to regulatory restrictions which may limit their ability to transfer assets to their parent companies and/or our ability to repatriate assets to the U.S. Our financial condition could be adversely affected if certain of our subsidiaries are unable to distribute assets to us.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We conduct our worldwide operations using a combination of leased and owned facilities. While we believe we have sufficient facilities to conduct our business at present, we will continue to lease, acquire and dispose of facilities throughout the world as necessary.

We lease space in various states in the U.S., including California, Connecticut, Delaware, Florida, Massachusetts, New Jersey, New York, Utah and Washington, D.C., and in various non-U.S. locations, including Australia, Austria, Belgium, Brazil, Canada, the People ’ s Republic of China (including Hong Kong), Colombia, France, Germany, Hungary, India, Isle of Man, Italy, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, Poland, Romania, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, Turkey, United Arab Emirates, the U.K. (including England and Scotland) and Vietnam. As of September 30, 2017 , we leased and occupied approximately 1,128,000 square feet of space. We have also leased and subsequently subleased to third parties approximately 22,000 square feet of excess leased space.

In addition, we own buildings in San Mateo, Rancho Cordova and Stockton, California; St. Petersburg and Ft. Lauderdale, Florida; Hyderabad, India; and Nassau, The Bahamas, as well as space in office buildings in Argentina, India and Singapore. The buildings we own consist of approximately 2,118,000 square feet of space. We have leased to third parties approximately 488,000 square feet of excess owned space.

Item 3. Legal Proceedings.

The information set forth in response to this Item 3 of Regulation S-K under "Legal Proceedings" is incorporated by reference from the "Legal Proceedings" section in Note 12 – Commitments and Contingencies in the notes to consolidated financial statements in Item 8 of Part II of this Form 10-K, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

Pursuant to General Instruction G(3) to Form 10-K, the following description of our executive officers is included as an unnumbered item in Part I of this report in lieu of being included in our definitive proxy statement for our annual meeting of stockholders. Set forth below are the name, age, present title, and certain other information for each of our executive officers as of November 13, 2017 . Each executive officer is appointed by Franklin's Board of Directors and holds his/her office until the earlier of his/her death, resignation, retirement, disqualification or removal.

Gregory E. Johnson
Age 56

Chairman of the Board of Franklin since June 2013 and Chief Executive Officer of Franklin since January 2004; formerly, President of Franklin from December 1999 to September 2015; officer and/or director of certain subsidiaries of Franklin; director or trustee of 44 registered investment companies managed or advised by subsidiaries of Franklin.

Jennifer M. Johnson
Age 53

President of Franklin since December 2016 and Chief Operating Officer since February 2017; formerly, Co-President of Franklin from October 2015 to December 2016, Executive Vice President and Chief Operating Officer of Franklin from March 2010 to September 2015, Executive Vice President–Operations and Technology of Franklin from December 2005 to March 2010, and Senior Vice President and Chief Information Officer of Franklin from May 2003 to December 2005; officer and/or director of certain subsidiaries of Franklin; director or trustee of certain registered investment companies managed or advised by subsidiaries of Franklin.

Rupert H. Johnson, Jr.
Age 77

Vice Chairman of Franklin since December 1999 and director of Franklin since 1969; officer and/or director of certain subsidiaries of Franklin; director or trustee of 40 registered investment companies managed or advised by subsidiaries of Franklin.

Kenneth A. Lewis
Age 56

Executive Vice President of Franklin since October 2007 and Chief Financial Officer of Franklin since October 2006; formerly, Senior Vice President and Treasurer of Franklin from October 2006 to October 2007, Vice President–Enterprise Risk Management of Franklin from April 2006 to October 2006 and Vice President and Treasurer of Franklin from June 2002 to April 2006; officer and/or director of certain subsidiaries of Franklin.

Craig S. Tyle
Age 57

Executive Vice President and General Counsel of Franklin since August 2005; formerly, a partner at Shearman & Sterling LLP (a law firm) from March 2004 to July 2005 and General Counsel for the Investment Company Institute (a trade group for the U.S. fund industry) from September 1997 through March 2004; officer and/or director of certain subsidiaries of Franklin; officer of certain registered investment companies managed or advised by subsidiaries of Franklin.

Alok Sethi
Age 56

Officer of various operations and technology subsidiaries of Franklin for more than the past five years, including as Senior Vice President of subsidiaries Franklin Advisers, Inc., Franklin Institutional, LLC and Templeton Investment Counsel, LLC since July 2014, and as Vice President of subsidiary Franklin Templeton Companies, LLC since June 2010.

Family Relationships

Gregory E. Johnson is the nephew of Rupert H. Johnson, Jr. and the brother of Charles E. Johnson (a director of Franklin) and Jennifer M. Johnson. Charles E. Johnson is the nephew of Rupert H. Johnson, Jr. and the brother of Gregory E. Johnson and Jennifer M. Johnson. Jennifer M. Johnson is the niece of Rupert H. Johnson, Jr. and the sister of Gregory E. Johnson and Charles E. Johnson.

PART II

Item 5. Market for Registrant ' s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the NYSE under the ticker symbol "BEN." On September 29, 2017 (the last trading day of our fiscal year), the closing price of our common stock on the NYSE was $44.51 per share. At October 31, 2017 , there were 3,068 stockholders of record of our common stock.

The following table sets forth the high and low sales prices for our common stock on the NYSE for each quarterly period of the two most recently completed fiscal years:

	Fiscal Year 2017		Fiscal Year 2016	
Quarter	**High**	**Low**	**High**	**Low**
October-December	$ 42.18	$ 33.02	$ 42.23	$ 34.62
January-March	$ 44.35	$ 39.38	$ 39.94	$ 31.00
April-June	$ 45.60	$ 40.48	$ 41.24	$ 30.56
July-September	$ 47.65	$ 40.95	$ 36.99	$ 31.59

We declared regular cash dividends of $0.80 per share ($0.20 per share per quarter) during the fiscal year ended September 30, 2017 ("fiscal year 2017 ") and $0.72 per share ($0.18 per share per quarter) during the fiscal year ended September 30, 2016 ("fiscal year 2016 "). We currently expect to continue paying comparable regular cash dividends on a quarterly basis to holders of our common stock depending upon earnings and other relevant factors.

The equity compensation plan information called for by Item 201(d) of Regulation S-K is set forth in Item 12 of Part III of this Form 10-K under the heading "Equity Compensation Plan Information."

The following table provides information with respect to the shares of our common stock that we repurchased during the three months ended September 30, 2017 .

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
July 2017	510,690	$ 45.75	510,690	34,999,604
August 2017	1,970,328	$ 43.15	1,970,328	33,029,276
September 2017	1,405,795	$ 42.67	1,405,795	31,623,481
Total	**3,886,813**		**3,886,813**	

Under our stock repurchase program, we can repurchase shares of our common stock from time to time in the open market and in private transactions in accordance with applicable laws and regulations, including without limitation applicable federal securities laws. In order to pay taxes due in connection with the vesting of employee and executive officer stock and stock unit awards, we may repurchase shares under our program using a net stock issuance method. In June 2016, we announced that our Board of Directors authorized the repurchase of up to 50.0 million additional shares of our common stock under the stock repurchase program. At September 30, 2017 , 31.6 million shares remained available for repurchase under the program, which is not subject to an expiration date. There were no unregistered sales of equity securities during fiscal years 2017 and 2016 .

Item 6. Selected Financial Data.

FINANCIAL HIGHLIGHTS

as of and for the fiscal years ended September 30,	2017	2016	2015	2014	2013
Summary of Operations *(in millions)*					
Operating revenues	$ 6,392.2	$ 6,618.0	$ 7,948.7	$ 8,491.4	$ 7,985.0
Operating income	2,264.3	2,365.7	3,027.6	3,221.2	2,921.3
Operating margin	35.4%	35.7%	38.1%	37.9%	36.6%
Net income attributable to Franklin Resources, Inc.	1,696.7	1,726.7	2,035.3	2,384.3	2,150.2
Financial Data *(in millions)*					
Total assets	$ 17,534.0	$ 16,098.8	$ 16,335.7	$ 16,357.1	$ 15,390.3
Debt	1,044.2	1,401.2	1,348.0	1,198.2	1,197.7
Debt of consolidated sponsored investment products	53.4	682.2	807.3	950.8	1,097.4
Franklin Resources, Inc. stockholders’ equity	12,620.0	11,935.8	11,841.0	11,584.1	10,073.1
Operating cash flows	1,135.4	1,727.7	2,252.0	2,138.0	2,035.7
Investing cash flows	52.0	192.2	248.9	390.6	232.9
Financing cash flows	(956.0)	(1,800.7)	(1,612.2)	(1,195.3)	(2,018.1)
Assets Under Management *(in billions)*					
Ending	$ 753.2	$ 733.3	$ 770.9	$ 898.0	$ 844.7
Average [1]	736.9	749.3	869.5	887.9	808.2
Per Common Share					
Earnings					
Basic	$ 3.01	$ 2.94	$ 3.29	$ 3.79	$ 3.37
Diluted	3.01	2.94	3.29	3.79	3.37
Cash dividends declared	0.80	0.72	1.10	0.48	1.39
Book value	22.74	20.93	19.62	18.60	15.97
Employee Headcount	9,386	9,059	9,489	9,266	9,002

[1] Represents simple monthly average AUM.

Item 7. Management ' s Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING STATEMENTS

The following discussion and analysis of the results of operations and financial condition of Franklin Resources, Inc. ("Franklin") and its subsidiaries (collectively, the "Company") should be read in conjunction with the "Forward-looking Statements" section set forth in Part I and the "Risk Factors" section set forth in Item 1A of Part I of this Annual Report on Form 10-K and in any more recent filings with the U.S. Securities and Exchange Commission (the "SEC"), each of which describe these risks, uncertainties and other important factors in more detail.

OVERVIEW

We are a global investment management organization and derive our operating revenues and net income from providing investment management and related services to investors in jurisdictions worldwide through products that include investment funds and institutional, high net-worth and separately-managed accounts (collectively, our "sponsored investment products" or "SIPs"). In addition to investment management, our services include fund administration, sales, distribution, marketing, shareholder servicing, and other services. Our SIPs and investment management and related services are distributed or marketed to investors globally under nine distinct brand names: Franklin ® , Templeton ® , Franklin Mutual Series ® , Franklin Bissett ® , Fiduciary Trust™, Darby ® , Balanced Equity Management ® , K2 ® and LibertyShares ® . We offer a broad range of SIPs under equity, multi-asset/balanced, fixed income and cash management funds and accounts, including alternative investment products, that meet a wide variety of specific investment needs of individual and institutional investors. We also provide sub-advisory services to certain investment products sponsored by other companies which may be sold to investors under the brand names of those other companies or on a co-branded basis.

The level of our revenues depends largely on the level and relative mix of assets under management ("AUM"). As noted in the "Risk Factors" section set forth above in Item 1A of Part I of this Annual Report on Form 10-K, the amount and mix of our AUM are subject to significant fluctuations and can negatively impact our revenues and income. The level of our revenues also depends on mutual fund sales, the number of mutual fund shareholder accounts and the fee rates charged for our services, which are based on contracts with our SIPs or our clients. These arrangements could change in the future.

During the fiscal year ended September 30, 2017 ("fiscal year 2017 "), the global equity financial markets provided positive returns, reflecting, among other things, generally positive global economic data tempered by political uncertainty, as the S&P 500 Index and the MSCI World Index increased 18.6% and 18.8% . The global bond markets were negatively impacted by rising interest rates and concerns of higher inflation but showed signs of stabilization over the second half of the fiscal year, and the Bloomberg Barclays Global Aggregate Index decreased 1.3% for the fiscal year.

Our total AUM was $753.2 billion at September 30, 2017 , 3% higher than at September 30, 2016 due to $58.5 billion of net market change and other, partially offset by $38.6 billion of net outflows. Simple monthly average AUM ("average AUM") decreased 2% during fiscal year 2017 . The decline in average AUM negatively affected our fee revenues and operating income for the fiscal year.

The business and regulatory environments in which we operate globally remain complex, uncertain and subject to change. We are subject to various laws, rules and regulations globally that impose restrictions, limitations and registration, reporting and disclosure requirements on our business and add complexity to our global compliance operations.

Uncertainties regarding the global economy remain for the foreseeable future. As we continue to confront the challenges of the current economic and regulatory environments, we remain focused on the investment performance of our SIPs and on providing high quality customer service to our clients. We continuously perform reviews of our business model. While we remain focused on expense management, we will also seek to attract, retain and develop employees and invest strategically in systems and technology that will provide a secure and stable environment. We will continue to seek to protect and further our brand recognition while developing and maintaining broker-dealer and client relationships. The success of these and other strategies may be influenced by the factors discussed in the "Risk Factors" section in Part I of this Annual Report.

RESULTS OF OPERATIONS

(in millions, except per share data) for the fiscal years ended September 30,	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Operating revenues	$ 6,392.2	$ 6,618.0	$ 7,948.7	(3%)	(17%)
Operating income	2,264.3	2,365.7	3,027.6	(4%)	(22%)
Net income attributable to Franklin Resources, Inc.	1,696.7	1,726.7	2,035.3	(2%)	(15%)
Diluted earnings per share	$ 3.01	$ 2.94	$ 3.29	2%	(11%)
Operating margin [1]	35.4%	35.7%	38.1%		

[1] Defined as operating income divided by total operating revenues.

Operating income decreased $101.4 million in fiscal year 2017 as a 3% decrease in operating revenues was partially offset by a 3% decrease in operating expenses. Net income attributable to Franklin Resources, Inc. decreased $30.0 million as the decrease in operating income was significantly offset by a $152.3 million increase in investment and other income, net, less the portion attributable to noncontrolling interests.

Operating income decreased $661.9 million in the fiscal year ended September 30, 2016 (“fiscal year 2016 ”) as a 17% decrease in operating revenues was partially offset by a 14% decrease in operating expenses. Net income attributable to Franklin Resources, Inc. decreased $308.6 million primarily due to the decrease in operating income, partially offset by a $143.6 million increase in investment and other income, net.

Diluted earnings per share increased in fiscal year 2017 despite the decrease in net income and decreased in fiscal year 2016 consistent with net income, and were impacted by 4% and 5% decreases in diluted average common shares outstanding, primarily resulting from the repurchase of shares of our common stock.

ASSETS UNDER MANAGEMENT

AUM by investment objective was as follows:

(in billions) as of September 30,	2017	2016	2015	2017 vs. 2016	2016 vs. 2015
Equity					
Global/international	$ 209.8	$ 200.4	$ 212.1	5%	(6%)
United States	107.2	103.3	100.8	4%	2%
Total equity	317.0	303.7	312.9	4%	(3%)
Multi-Asset/Balanced	143.3	137.4	138.3	4%	(1%)
Fixed Income					
Tax-free	71.0	76.5	71.7	(7%)	7%
Taxable					
Global/international	165.0	156.2	182.7	6%	(15%)
United States	50.6	53.4	58.5	(5%)	(9%)
Total fixed income	286.6	286.1	312.9	0%	(9%)
Cash Management	6.3	6.1	6.8	3%	(10%)
Total	**$ 753.2**	**$ 733.3**	**$ 770.9**	**3%**	**(5%)**
Average for the Year	**$ 736.9**	**$ 749.3**	**$ 869.5**	**(2%)**	**(14%)**

AUM at September 30, 2017 increased 3% from September 30, 2016 as $58.5 billion of net market change and other, which consists of $81.5 billion of market appreciation and other, net of $23.0 billion of long-term distributions, was partially offset by $38.6 billion of net outflows. Average AUM decreased 2% during fiscal year 2017 .

AUM at September 30, 2016 decreased 5% from September 30, 2015 as $62.4 billion of net outflows was partially offset by $24.8 billion of net market change and other, which consists of $52.6 billion of market appreciation and other, net of $27.8 billion of long-term distributions. Average AUM decreased 14% during fiscal year 2016 .

Average AUM is generally more indicative of trends in revenue for providing investment management services than the year-over-year change in ending AUM.

Average AUM and the mix of average AUM by investment objective are shown below.

(in billions)	Average AUM			2017	2016
for the fiscal years ended September 30,	**2017**	**2016**	**2015**	**vs. 2016**	**vs. 2015**
Equity					
Global/international	$ 203.7	$ 205.1	$ 247.5	(1%)	(17%)
United States	104.4	101.1	112.4	3%	(10%)
Total equity	308.1	306.2	359.9	1%	(15%)
Multi-Asset/Balanced	140.2	135.5	155.3	3%	(13%)
Fixed Income					
Tax-free	72.3	74.0	73.1	(2%)	1%
Taxable					
Global/international	157.8	172.6	211.7	(9%)	(18%)
United States	52.3	54.5	62.4	(4%)	(13%)
Total fixed income	282.4	301.1	347.2	(6%)	(13%)
Cash Management	6.2	6.5	7.1	(5%)	(8%)
Total	**$ 736.9**	**$ 749.3**	**$ 869.5**	**(2%)**	**(14%)**

	Mix of Average AUM		
for the fiscal years ended September 30,	**2017**	**2016**	**2015**
Equity			
Global/international	28%	27%	28%
United States	14%	14%	13%
Total equity	42%	41%	41%
Multi-Asset/Balanced	19%	18%	18%
Fixed Income			
Tax-free	10%	10%	9%
Taxable			
Global/international	21%	23%	24%
United States	7%	7%	7%
Total fixed income	38%	40%	40%
Cash Management	1%	1%	1%
Total	**100%**	**100%**	**100%**

Components of the change in AUM are shown below. Net market change and other includes long-term distributions, appreciation (depreciation), foreign exchange revaluation and net cash management.

(in billions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Beginning AUM	$ 733.3	$ 770.9	$ 898.0	(5%)	(14%)
Long-term sales	112.3	101.7	161.4	10%	(37%)
Long-term redemptions	(169.7)	(186.9)	(209.0)	(9%)	(11%)
Long-term net exchanges	(0.1)	(0.5)	(0.9)	(80%)	(44%)
Long-term reinvested distributions	18.9	23.3	28.5	(19%)	(18%)
Net flows	(38.6)	(62.4)	(20.0)	(38%)	212%
Net market change and other	58.5	24.8	(107.1)	136%	NM
Ending AUM	**$ 753.2**	**$ 733.3**	**$ 770.9**	**3%**	**(5%)**

Components of the change in AUM by investment objective were as follows:

(in billions)	**Equity**			**Fixed Income**				
for the fiscal year ended September 30, 2017	**Global/International**	**United States**	**Multi-Asset/Balanced**	**Tax-Free**	**Taxable Global/International**	**Taxable United States**	**Cash Management**	**Total**
AUM at October 1, 2016	$ 200.4	$ 103.3	$ 137.4	$ 76.5	$ 156.2	$ 53.4	$ 6.1	$ 733.3
Long-term sales	24.7	14.7	16.8	7.4	38.2	10.5	—	112.3
Long-term redemptions	(48.4)	(25.4)	(25.7)	(11.6)	(44.3)	(14.3)	—	(169.7)
Long-term net exchanges	(0.1)	0.3	0.4	(0.5)	(0.4)	0.2	—	(0.1)
Long-term reinvested distributions	3.0	4.3	5.1	2.0	3.4	1.1	—	18.9
Net flows	(20.8)	(6.1)	(3.4)	(2.7)	(3.1)	(2.5)	—	(38.6)
Net market change and other	30.2	10.0	9.3	(2.8)	11.9	(0.3)	0.2	58.5
AUM at September 30, 2017	**$ 209.8**	**$ 107.2**	**$ 143.3**	**$ 71.0**	**$ 165.0**	**$ 50.6**	**$ 6.3**	**$ 753.2**

(in billions)	**Equity**			**Fixed Income**				
for the fiscal year ended September 30, 2016	**Global/International**	**United States**	**Multi-Asset/Balanced**	**Tax-Free**	**Taxable Global/International**	**Taxable United States**	**Cash Management**	**Total**
AUM at October 1, 2015	$ 212.1	$ 100.8	$ 138.3	$ 71.7	$ 182.7	$ 58.5	$ 6.8	$ 770.9
Long-term sales	21.9	13.7	14.3	8.9	34.2	8.7	—	101.7
Long-term redemptions	(48.9)	(24.1)	(26.8)	(8.8)	(62.5)	(15.8)	—	(186.9)
Long-term net exchanges	(1.1)	0.6	(0.4)	0.8	(0.5)	0.1	—	(0.5)
Long-term reinvested distributions	4.3	5.8	5.8	2.0	4.2	1.2	—	23.3
Net flows	(23.8)	(4.0)	(7.1)	2.9	(24.6)	(5.8)	—	(62.4)
Net market change and other	12.1	6.5	6.2	1.9	(1.9)	0.7	(0.7)	24.8
AUM at September 30, 2016	**$ 200.4**	**$ 103.3**	**$ 137.4**	**$ 76.5**	**$ 156.2**	**$ 53.4**	**$ 6.1**	**$ 733.3**

(in billions)	Equity			Fixed Income				
for the fiscal year ended September 30, 2015	Global/International	United States	Multi-Asset/Balanced	Tax-Free	Taxable Global/International	Taxable United States	Cash Management	Total
AUM at October 1, 2014	$ 261.5	$ 109.5	$ 159.0	$ 72.1	$ 225.1	$ 63.8	$ 7.0	$ 898.0
Long-term sales	40.3	19.2	24.1	8.2	56.1	13.5	—	161.4
Long-term redemptions	(55.3)	(26.3)	(28.4)	(10.3)	(72.8)	(15.9)	—	(209.0)
Long-term net exchanges	0.2	1.1	(0.5)	—	(1.6)	(0.1)	—	(0.9)
Long-term reinvested distributions	5.6	5.7	6.0	2.0	7.5	1.7	—	28.5
Net flows	(9.2)	(0.3)	1.2	(0.1)	(10.8)	(0.8)	—	(20.0)
Net market change and other	(40.2)	(8.4)	(21.9)	(0.3)	(31.6)	(4.5)	(0.2)	(107.1)
AUM at September 30, 2015	**$ 212.1**	**$ 100.8**	**$ 138.3**	**$ 71.7**	**$ 182.7**	**$ 58.5**	**$ 6.8**	**$ 770.9**

AUM increased $19.9 billion or 3% during fiscal year 2017 due to $58.5 billion of net market change and other, partially offset by $38.6 billion of net outflows. Net market change and other primarily consists of $78.0 billion of market appreciation and a $2.9 billion increase from foreign exchange revaluation, net of $23.0 billion of long-term distributions. The market appreciation occurred primarily in equity, global/international fixed income and multi-asset/balanced products, and reflected positive returns in global markets, as evidenced by increases of 18.8% and 18.6% in the MSCI World Index and S&P 500 Index, and strong performance of our global/international fixed income products despite a 1.3% decrease in the Bloomberg Barclays Global Aggregate Index. The foreign exchange revaluation resulted from AUM in products that are not U.S. dollar denominated, which represented approximately 14% of total AUM as of September 30, 2017 . The net outflows, which occurred in all long-term investment objectives and most significantly in equity and multi-asset/balanced products, included $8.1 billion from two global/international fixed income funds with global macro strategies that had underperformed against their peer groups during fiscal year 2016, $3.9 billion from three institutional separate accounts, $3.0 billion from two sub-advised variable annuity clients due to shifts in their investment strategies and $2.6 billion from two global/international equity funds. The outflows also included $1.2 billion from a multi-asset/balanced fund and $1.0 billion from a U.S. equity fund, both of which had underperformed against their peer groups during most of fiscal year 2016, and were partially offset by inflows of $4.0 billion in a global/international fixed income fund that outperformed its peer group during fiscal year 2017. Long-term sales increased 10% to $112.3 billion from the prior year due to higher sales in all long-term investment objectives with the exception of tax-free fixed income. Long-term redemptions decreased 9% to $169.7 billion primarily due to lower redemptions of global/international fixed income products.

AUM decreased $37.6 billion or 5% during fiscal year 2016 due to $62.4 billion of net outflows partially offset by $24.8 billion of net market change and other. The net outflows, which occurred primarily in global/international products, included $28.1 billion from four global/international fixed income funds with global macro strategies that had underperformed against their peer groups during fiscal year 2016, $4.7 billion redeemed by a sub-advised variable annuity client, $4.2 billion from three institutional products, and $3.6 billion from two global/international equity funds. The outflows also included $4.3 billion from a multi-asset/balanced fund and $1.1 billion from a U.S. equity fund, both of which had underperformed against their peer groups during most of fiscal year 2016, and were partially offset by a $5.5 billion inflow for an institutional global macro mandate. Long-term sales decreased 37% to $101.7 billion from the prior year, and long-term redemptions decreased 11% to $186.9 billion . Both declines occurred in all long-term investment objectives, primarily in global/international products, with the exception of tax-free fixed income sales. Net market change and other primarily consists of $50.9 billion of market appreciation and a $2.4 billion increase from foreign exchange revaluation, net of $27.8 billion of long-term distributions. The market appreciation occurred in all investment objectives and reflected positive returns in global markets, as evidenced by increases in the MSCI World Index of 12.0% , the S&P 500 Index of 15.4% and the Bloomberg Barclays Global Aggregate Index of 8.8% . The foreign exchange revaluation resulted from AUM in products that are not U.S. dollar denominated, which represented approximately 14% of total AUM as of September 30, 2016 .

Average AUM by sales region was as follows:

(in billions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
United States	$ 497.1	$ 507.4	$ 577.9	(2%)	(12%)
International					
Europe, the Middle East and Africa	104.1	108.9	137.9	(4%)	(21%)
Asia-Pacific	87.0	82.7	90.0	5%	(8%)
Canada	31.1	31.3	36.2	(1%)	(14%)
Latin America [1]	17.6	19.0	27.5	(7%)	(31%)
Total international	$ 239.8	$ 241.9	$ 291.6	(1%)	(17%)
Total	**$ 736.9**	**$ 749.3**	**$ 869.5**	**(2%)**	**(14%)**

[1] Latin America sales region includes North America-based advisers serving non-resident clients.

The percentage of average AUM in the United States sales region was 67% , 68% and 66% for fiscal years 2017 , 2016 and 2015 .

Due to the global nature of our business operations, investment management and related services may be performed in locations unrelated to the sales region.

Investment Performance Overview

A key driver of our overall success is the long-term investment performance of our SIPs. A standard measure of the performance of these investment products is the percentage of AUM exceeding benchmarks and peer group medians. Our global/international fixed income products generated notable long-term results with at least 82% of AUM exceeding the benchmarks and peer group medians for the one-, five- and ten-year periods ended September 30, 2017 . Strong performance for these products during fiscal year 2017 resulted in significant improvements from September 30, 2016 to the benchmark and peer group median comparisons for the one- and three-year periods. The performance of our multi-asset/balanced products significantly exceeded the benchmarks and peer group medians for the one-year period and the peer group medians for the ten-year period, but has lagged in the other comparisons, reflecting the performance of a fund that represents approximately 70% of this category. The performance of our tax-free and U.S. taxable fixed income, as well as of our equity products, has mostly lagged the benchmarks and peer group medians during the periods presented.

The performance of our products against benchmarks and peer group medians is presented in the table below.

	Benchmark Comparison [1, 2] % of AUM Exceeding Benchmark				Peer Group Comparison [1, 3] % of AUM in Top Two Peer Group Quartiles			
as of September 30, 2017	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Equity								
Global/international	50%	16%	23%	48%	67%	33%	55%	50%
United States	38%	37%	21%	32%	24%	56%	42%	67%
Total equity	45%	24%	22%	42%	50%	42%	50%	57%
Multi-Asset/Balanced	85%	11%	9%	8%	93%	7%	14%	96%
Fixed Income								
Tax-free	0%	42%	40%	28%	5%	41%	40%	87%
Taxable								
Global/international	93%	44%	82%	82%	99%	67%	88%	97%
United States	72%	10%	31%	53%	64%	9%	30%	36%
Total fixed income	63%	37%	61%	60%	63%	48%	62%	82%

1 AUM measured in the benchmark and peer group rankings represents 89% and 80% of our total AUM as of September 30, 2017 .

2 The benchmark comparisons are based on each fund's return as compared to a market index that has been selected to be generally consistent with the investment objectives of the fund.

3 The peer group rankings are sourced from either Lipper, a Thomson Reuters Company, Morningstar or eVestment in each fund's market and were based on an absolute ranking of returns. © 2017 Morningstar, Inc. All rights reserved. The information herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

For products with multiple share classes, rankings for the primary share class are applied to the entire product. Rankings for most institutional separately-managed accounts are as of the prior quarter-end due to timing of availability of information. Private equity funds, certain privately-offered emerging market and real estate funds, cash management funds and certain hedge and other funds are not included. Certain other funds and products were also excluded because of limited benchmark or peer group data. Had this data been available, the results may have been different. These results assume the reinvestment of dividends, are based on data available as of October 17, 2017 and are subject to revision. While we remain focused on achieving strong long-term performance, our future benchmark and peer group rankings may vary from our past performance.

OPERATING REVENUES

The table below presents the percentage change in each operating revenue category.

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Investment management fees	$ 4,359.2	$ 4,471.7	$ 5,327.8	(3%)	(16%)
Sales and distribution fees	1,705.6	1,806.4	2,252.4	(6%)	(20%)
Shareholder servicing fees	225.7	243.6	262.8	(7%)	(7%)
Other	101.7	96.3	105.7	6%	(9%)
Total Operating Revenues	**$ 6,392.2**	**$ 6,618.0**	**$ 7,948.7**	**(3%)**	**(17%)**

Investment Management Fees

Investment management fees are generally calculated under contractual arrangements with our SIPs and the products for which we provide sub-advisory services as a percentage of the market value of AUM. Annual rates vary by investment objective and type of services provided. Rates for products sold outside of the U.S. are generally higher than for U.S. products because they are structured to compensate for certain distribution costs.

Investment management fees decreased $112.5 million in fiscal year 2017 primarily due to a 2% decrease in average AUM and the impact of a lower effective fee rate, partially offset by higher performance fees. Investment management fees decreased $856.1 million in fiscal year 2016 primarily due to a 14% decrease in average AUM and the impact of a lower effective fee rate. The decrease in average AUM in fiscal year 2017 occurred primarily in the global/international fixed income investment objective, and across all sales regions except Asia-Pacific. The decrease in average AUM in fiscal year 2016 occurred in all sales regions and primarily in the global/international and multi-asset/balanced investment objectives.

Our effective investment management fee rate (investment management fees divided by average AUM) was 59.2 , 59.7 and 61.3 basis points for fiscal years 2017 , 2016 and 2015 . The rate decrease in fiscal year 2017 was primarily due to higher weightings of AUM in lower fee products in the global/international fixed income investment objective in the Europe, Middle East and Africa and Asia-Pacific sales regions, partially offset by higher performance fees. The rate decrease in fiscal year 2016 was primarily due to higher weightings of AUM in U.S. products and in lower fee products in global/international investment objectives in the Europe, Middle East and Africa and Asia-Pacific sales regions, partially offset by higher performance fees.

Performance-based investment management fees were $35.5 million , $26.5 million and $19.8 million for fiscal years 2017 , 2016 and 2015 . The increases in fiscal years 2017 and 2016 were primarily due to performance fees earned from separately-managed accounts.

U.S. industry asset-weighted average management fee rates were as follows:

(in basis points)	Industry Average [1]		
for the fiscal years ended September 30,	**2017**	**2016**	**2015**
Equity			
Global/international [2]	50	53	55
United States	35	37	39
Multi-Asset/Balanced	49	50	52
Fixed Income			
Tax-free	33	35	35
Taxable			
Global/international [3]	39	43	46
United States	31	33	35
Cash Management	15	10	9

1 U.S. industry asset-weighted average management fee rates were calculated using information available from Lipper, a Thomson Reuters Company, as of September 30, 2017 , 2016 and 2015 and include all U.S.-registered open-end funds that reported expense data to Lipper as of the funds' most recent annual report date, and for which expenses were equal to or greater than zero. As defined by Lipper, management fees include fees from providing advisory and fund administration services. The averages combine retail and institutional funds data and include all share classes and distribution channels, without exception. Variable annuity and fund of fund products are not included.

2 The decreases in the average rate in fiscal years 2017 and 2016 reflect higher weightings of two large low fee funds.

3 The decreases in the average rate in fiscal years 2017 and 2016 reflect higher weightings of a large low fee fund and lower weightings of two large higher fee funds.

Our actual effective investment management fee rates are generally higher than the U.S. industry average rates as we actively manage our products and have a higher level of international AUM, both of which generate higher fees. Our effective investment management fee rates in the U.S. decreased during fiscal years 2017 and 2016, but to a lesser extent than the average industry rates.

Our product offerings and global operations are diverse. As such, the impact of future changes in the market value of AUM on investment management fees will be affected by the relative mix of investment objective, geographic region, distribution channel and investment vehicle of the assets.

Sales and Distribution Fees

We earn fees from the sale of certain classes of SIPs on which investors pay a commission at the time of purchase ("commissionable sales"). Sales commissions are reduced or eliminated on some share classes and for some sale transactions depending upon the amount invested and the type of investor. Therefore, sales fees will change with the overall level of gross sales, the size of individual transactions, and the relative mix of sales between different share classes and types of investors.

Globally, our mutual funds and certain other products generally pay us distribution fees in return for sales, marketing and distribution efforts on their behalf. Specifically, the majority of U.S.-registered mutual funds, with the exception of certain of our money market mutual funds, have adopted distribution plans under Rule 12b-1 (the "Rule 12b-1 Plans") promulgated under the Investment Company Act of 1940. The Rule 12b-1 Plans permit the mutual funds to pay us for marketing, marketing support, advertising, printing and sales promotion services relating to the distribution of their shares, subject to the Rule 12b-1 Plans' limitations on amounts based on average daily net AUM. Similar arrangements exist for the distribution of our non-U.S. funds.

We pay substantially all of our sales and distribution fees to the financial advisers and other intermediaries who sell our SIPs to investors on our behalf. See the description of sales, distribution and marketing expenses below.

Sales and distribution fees by revenue driver are presented below.

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Asset-based fees	$ 1,345.1	$ 1,410.6	$ 1,698.9	(5%)	(17%)
Sales-based fees	350.8	386.4	542.8	(9%)	(29%)
Contingent sales charges	9.7	9.4	10.7	3%	(12%)
Sales and Distribution Fees	**$ 1,705.6**	**$ 1,806.4**	**$ 2,252.4**	**(6%)**	**(20%)**

Asset-based distribution fees decreased $65.5 million and $288.3 million in fiscal years 2017 and 2016 primarily due to decreases of $55.2 million and $273.1 million from 4% and 14% decreases in the related average AUM. The decrease in fiscal year 2016 also includes $11.3 million from the implementation of lower Rule 12b-1 Plan fee rates for certain funds effective August 1, 2015.

Sales-based fees decreased $35.6 million in fiscal year 2017 primarily due to decreases of $18.8 million from lower effective fee rates and $18.5 million from a lower mix of U.S. product commissionable sales. The lower effective fee rates primarily resulted from a higher mix of non-U.S. product fixed income sales and tiered pricing on larger trades. Non-U.S. products typically generate lower sales fees than U.S. products, and fixed income products typically generate lower sales fees than equity products. Total commissionable sales increased 4% , however the increase resulted from significantly higher sales of non-U.S. products that were largely offset by lower sales of U.S. products; the lower mix of U.S. product commissionable sales resulted in a net decrease in sales-based fees.

Sales-based fees decreased $156.4 million in fiscal year 2016 primarily due to a $158.5 million decrease from a 29% decrease in total commissionable sales.

Commissionable sales represented 11% of total sales for fiscal year 2017 , 12% for fiscal year 2016 , and 10% for fiscal year 2015 . U.S. product commissionable sales were 72%, 92% and 88% of total commissionable sales for fiscal years 2017, 2016 and 2015.

Contingent sales charges are earned from investor redemptions within a contracted period of time. These charges are levied only on certain shares sold without a front-end sales charge, and vary with the mix of redemptions of these shares.

Shareholder Servicing Fees

We receive shareholder servicing fees as compensation for providing transfer agency services, which include providing customer statements, transaction processing, customer service and tax reporting. These fees are generally fixed charges per shareholder account that vary with the particular type of fund and the service being rendered. In some instances, we charge SIPs these fees based on the level of AUM. In the U.S., transfer agency service agreements provide that accounts closed in a calendar year generally remain billable at a reduced rate through the second quarter of the following calendar year. Accordingly, the level of fees varies with the change in open accounts and the level of closed accounts that remain billable. Approximately 0.6 million and 1.2 million accounts closed in the U.S. during calendar years 2016 and 2015 .

We also provide other services to individual and trust clients, including trust services, for which fees are based on the level of AUM, and estate planning and tax planning and preparation, for which fees are primarily account based.

Shareholder servicing fees decreased $17.9 million and $19.2 million in fiscal years 2017 and 2016 primarily due to decreases of $14.8 million and $9.4 million from SIPs in the U.S. resulting from decreases in active accounts, and $3.6 million and $9.5 million from SIPs in Europe resulting from lower levels of related AUM and decreases in active accounts.

Other

Other revenue increased $5.4 million in fiscal year 2017 and decreased $9.4 million in fiscal year 2016 primarily due to changes in interest and dividend income from consolidated SIPs.

OPERATING EXPENSES

The table below presents the percentage change in each operating expense category.

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Sales, distribution and marketing	$ 2,130.9	$ 2,209.9	$ 2,762.3	(4%)	(20%)
Compensation and benefits	1,333.7	1,360.9	1,453.3	(2%)	(6%)
Information systems and technology	219.8	207.3	224.3	6%	(8%)
Occupancy	121.3	134.1	132.7	(10%)	1%
General, administrative and other	322.2	340.1	348.5	(5%)	(2%)
Total Operating Expenses	**$ 4,127.9**	**$ 4,252.3**	**$ 4,921.1**	**(3%)**	**(14%)**

Sales, Distribution and Marketing

Sales, distribution and marketing expenses primarily consist of payments to financial advisers, broker-dealers and other third parties for providing services to investors in our SIPs, including marketing support services. Sales expenses are determined as percentages of sales and are incurred from the same commissionable sales transactions that generate sales fee revenues. Distribution expenses are determined as percentages of AUM and are incurred from assets that generate either distribution fees or higher levels of investment management fees. Marketing support expenses are based on AUM, sales or a combination thereof. Also included is the amortization of deferred sales commissions related to up-front commissions on shares sold without a front-end sales charge to investors. The deferred sales commissions are amortized over the periods in which commissions are generally recovered from related revenues.

Sales, distribution and marketing expenses by cost driver are presented below.

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Asset-based expenses	$ 1,735.8	$ 1,792.7	$ 2,161.0	(3%)	(17%)
Sales-based expenses	323.1	342.0	488.5	(6%)	(30%)
Amortization of deferred sales commissions	72.0	75.2	112.8	(4%)	(33%)
Sales, Distribution and Marketing	**$ 2,130.9**	**$ 2,209.9**	**$ 2,762.3**	**(4%)**	**(20%)**

Asset-based expenses decreased $56.9 million and $368.3 million in fiscal years 2017 and 2016 primarily due to decreases of $62.4 million and $352.4 million from 3% and 14% decreases in the related average AUM. Distribution expenses, which are typically higher for non-U.S. products, are generally not directly correlated with distribution fee revenues due to international fee structures which provide for recovery of certain distribution costs through investment management fees.

Sales-based expenses decreased $18.9 million in fiscal year 2017 primarily due to decreases of $12.4 million from lower average commission rates and $9.0 million from a lower mix of U.S. product commissionable sales. The lower average commission rates primarily resulted from a higher mix of non-U.S. product fixed income sales and tiered pricing on larger trades. Non-U.S. products typically generate lower sales commissions than U.S. products, and fixed income products typically generate lower sales commissions than equity products. Total commissionable sales increased 4% , however the increase resulted from significantly higher sales of non-U.S. products that were largely offset by lower sales of U.S. products; the lower mix of U.S. product commissionable sales resulted in a net decrease in sales-based expenses.

Sales-based expenses decreased $146.5 million in fiscal year 2016 primarily due to $133.7 million from a 29% decrease in commissionable sales. The decrease also included $6.7 million in India primarily related to lower sales and regulatory-driven changes in fee structure, and $6.6 million from lower marketing support expense primarily resulting from the change in fee structure for certain service providers and lower related sales.

Amortization of deferred sales commissions decreased $3.2 million and $37.6 million in fiscal years 2017 and 2016 primarily due to $18.5 million and $25.8 million related to lower sales of U.S. shares sold without a front-end sales charge to investors. The decrease in fiscal year 2017 was substantially offset by $12.7 million of adjustments recognized in fiscal year 2016 related to prior-year amortization expense and $4.3 million from higher sales of non-U.S. shares sold without a front-end sales charge to investors.

Compensation and Benefits

Compensation and benefit expenses decreased $27.2 million in fiscal year 2017 due to a $55.7 million decrease in salaries, wages and benefits, partially offset by a $28.5 million increase in variable compensation. The decrease in salaries, wages and benefits was primarily due to decreases of $51.4 million in termination benefits and $19.9 million from a higher weighting of employees in lower cost regions outside the U.S., partially offset by an $18.3 million increase for annual merit salary adjustments that were effective December 1, 2016 and 2015. The increase in variable compensation was primarily due to increases of $13.1 million from higher market valuations of mutual fund awards, $13.1 million in bonus expense based on our overall performance and $6.5 million from higher sales-related commissions, partially offset by an $8.3 million decrease in amortization of stock and stock unit awards.

Compensation and benefit expenses decreased $92.4 million in fiscal year 2016 due to a $108.4 million decrease in variable compensation, partially offset by a $16.0 million increase in salaries, wages and benefits. The variable compensation decrease was primarily due to $81.2 million related to our lower performance, as well as $8.9 million related to private equity and other product performance fees. The increase in salaries, wages and benefits was primarily due to increases of $55.7 million in termination benefits and $18.0 million for annual merit salary adjustments that were effective December 1, 2015 and 2014, largely offset by decreases of $35.0 million from lower staffing levels and $16.2 million from favorable currency impacts. The increase in termination benefits was primarily due to special benefits related to the voluntary separation of approximately 300 employees.

Variable compensation as a percentage of compensation and benefits was 36% , 33% and 38% for fiscal years 2017 , 2016 and 2015 . At September 30, 2017 , our global workforce had increased to approximately 9,400 employees from approximately 9,100 at September 30, 2016 .

We continue to place a high emphasis on our pay for performance philosophy. As such, any changes in the underlying performance of our SIPs or changes in the composition of our incentive compensation offerings could have an impact on compensation and benefit expenses going forward. However, in order to attract and retain talented individuals, our level of compensation and benefit expenses may increase more quickly or decrease more slowly than our revenue.

Information Systems and Technology

Information systems and technology expenses increased $12.5 million in fiscal year 2017 primarily due to higher external data service and software costs, and decreased $17.0 million in fiscal year 2016 primarily due to lower technology consulting costs.

Details of capitalized information systems and technology costs are shown below.

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Net carrying value at beginning of year	$ 88.1	$ 89.8	$ 85.5
Additions, net of disposals	63.1	46.2	50.8
Amortization	(49.1)	(47.9)	(46.5)
Net Carrying Value at End of Year	**$ 102.1**	**$ 88.1**	**$ 89.8**

Occupancy

We conduct our worldwide operations using a combination of leased and owned facilities. Occupancy expenses include rent and other facilities-related costs including depreciation and utilities.

Occupancy expenses decreased $12.8 million in fiscal year 2017 primarily due to lower rent expense. Occupancy expenses increased $1.4 million in fiscal year 2016 primarily due to higher rent expense, substantially offset by lower building maintenance costs and depreciation.

General, Administrative and Other

General, administrative and other operating expenses primarily consist of fund-related service fees payable to external parties, advertising and promotion, professional fees, travel and entertainment, and other miscellaneous expenses.

General, administrative and other operating expenses decreased $17.9 million in fiscal year 2017 primarily due to lower expenses related to intangible assets and contingent consideration, partially offset by higher consolidated SIPs, advertising and promotion, and travel and entertainment expenses. Definite-lived intangible asset impairment decreased $18.6 million and amortization expense decreased $6.5 million , both primarily resulting from a prior-year impairment related to the K2 Advisors Holdings, LLC (“K2”) acquisition. Contingent consideration expense decreased $12.8 million due to revised estimates of K2 ’ s future revenues and profits and a decline in other acquisition-related AUM. The decreases were partially offset by increases of $9.8 million in consolidated SIPs expenses, $6.7 million in advertising and promotion expenses and $4.5 million in travel and entertainment expenses.

General, administrative and other operating expenses decreased $8.4 million in fiscal year 2016 primarily due to lower levels of travel and entertainment, contingent consideration expense, and advertising and promotion, partially offset by higher levels of net intangible asset expenses, consolidated SIPs expenses, professional fees and third-party servicing fees. Corporate cost reduction initiatives resulted in decreases of $14.7 million in travel and entertainment expenses and $10.6 million in advertising and promotion expenses. Contingent consideration expense decreased $14.5 million primarily due to revised estimates of K2 ’ s future revenues and profits. Net expenses from definite-lived intangible assets, primarily related to the K2 acquisition, increased $10.3 million as $20.0 million of increased impairment due to higher investor redemptions, lower estimates of future sales and renegotiations of certain investment management fees was offset by a related $9.7 million decrease in amortization. Consolidated SIPs expenses increased $9.0 million , professional fees increased $6.2 million related to various corporate activities, and third-party service fees increased $5.5 million primarily due to higher sub-advisory expenses.

We are committed to investing in advertising and promotion in response to changing business conditions, and to advance our products where we see continued or potential new growth opportunities. As a result of potential changes in our strategic marketing campaigns, the level of advertising and promotion expenses may increase more rapidly, or decrease more slowly, than our revenues.

OTHER INCOME (EXPENSES)

Other income (expenses) consisted of the following:

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**	**2017 vs. 2016**	**2016 vs. 2015**
Investment and other income, net	$ 336.3	$ 184.0	$ 40.4	83%	355%
Interest expense	(51.5)	(49.9)	(39.6)	3%	26%
Other Income, Net	**$ 284.8**	**$ 134.1**	**$ 0.8**	**112%**	**NM**

Investment and other income, net consists primarily of gains (losses) on investments of consolidated SIPs and trading investment securities, income (losses) from equity method investees, interest and dividend income, realized gains (losses) on sale of available-for-sale investment securities, and foreign currency exchange gains (losses).

Other income, net increased $150.7 million in fiscal year 2017 primarily due to gains on investments held by consolidated SIPs and higher income from equity method investees and interest income, partially offset by lower net gains on trading investment securities and net realized gains on sale of available-for-sale securities. Investments held by consolidated SIPs generated net gains of $118.2 million , as compared to net losses of $13.5 million in the prior year. The gains were primarily from higher market valuations of holdings by various global/international private equity funds and from a net increase of 20 consolidated SIPs due to adoption of new accounting guidance on October 1, 2016. Income from equity method investees increased $51.2 million primarily due to gains on investments held by a global macro hedge fund SIP and a global equity fund. Interest income increased $38.4 million primarily due to higher levels of interest rates and debt securities. The increases were partially offset by a $37.9 million decrease in net gains on trading investment securities primarily due to lower gains from fixed income SIPs held for investment purposes, partially offset by gains on corporate debt securities, as compared to losses in the prior year, and a $24.9 million decrease in net realized gains on sale of available-for-sale securities. The investments in SIPs that were classified as trading securities and available-for-sale securities in the prior year were significantly reduced on October 1, 2016 as a substantial amount of the investments were in SIPs that were consolidated as a result of the new accounting guidance.

Other income, net increased $133.3 million in fiscal year 2016 primarily due to higher market valuations, which resulted in net investment income and gains, and higher interest income, partially offset by unfavorable impacts from foreign currency exchange and investments of consolidated SIPs. Equity method investees generated income of $56.7 million as compared to losses of $63.2 million in the prior year, primarily due to gains on investments held by two global equity funds and lower losses on investments held by a global macro hedge fund SIP. Trading investment securities generated net gains of $50.1 million as compared to net losses of $22.3 million in the prior year, primarily related to gains from fixed income SIPs held for investment purposes. Interest income increased $25.7 million primarily due to higher levels of debt securities and cash equivalents. These increases were partially offset by $2.9 million of foreign currency exchange net losses as compared to net gains of $57.0 million in the prior year primarily from the impact of strengthening of the U.S. dollar against the Euro on cash and cash equivalents denominated in U.S. dollars held in Europe, and $13.5 million of net losses on investments of consolidated SIPs as compared to net gains of $18.0 million in the prior year.

Significant portions of the net gains (losses) of consolidated SIPs are offset in noncontrolling interests in our consolidated statements of income.

Our investments in SIPs include initial cash investments made in the course of launching mutual fund and other investment product offerings, as well as investments for other business reasons. The market conditions that impact our AUM similarly affect the investment income earned or losses incurred on our SIPs investments.

Our cash, cash equivalents and investments portfolio by investment objective and accounting classification at September 30, 2017 , excluding third-party assets of consolidated SIPs, was as follows:

	Accounting Classification [1]				
(in millions)	**Cash and Cash Equivalents and Other [2]**	**Trading Investments**	**Equity Method Investments**	**Direct Investments in Consolidated SIPs**	**Total Direct Portfolio**
Cash and Cash Equivalents	$ 8,523.3	$ —	$ —	$ —	$ 8,523.3
Investments					
Equity					
Global/international	64.4	14.5	707.1	226.9	1,012.9
United States	3.2	0.4	3.4	3.3	10.3
Total equity	67.6	14.9	710.5	230.2	1,023.2
Multi-Asset/Balanced	15.7	5.4	20.3	216.5	257.9
Fixed Income					
Tax-free	0.2	—	—	—	0.2
Taxable					
Global/international	65.2	271.4	162.4	668.7	1,167.7
United States	36.9	22.8	0.3	399.4	459.4
Total fixed income	102.3	294.2	162.7	1,068.1	1,627.3
Total investments	185.6	314.5	893.5	1,514.8	2,908.4
Total Cash and Cash Equivalents and Investments	**$ 8,708.9**	**$ 314.5**	**$ 893.5**	**$ 1,514.8**	**$ 11,431.7**

[1] See Note 1 – Significant Accounting Policies in the notes to consolidated financial statements in Item 8 of Part II of this Form 10-K for information on investment accounting classifications.

[2] Other consists of $112.7 million of available-for-sale investments and $12.8 million of investments in life settlement contracts, both of which are measured at fair value, and $60.1 million of investments carried at cost.

The percentages of direct cash, cash equivalents and investments held by our U.S. and non-U.S. operations were 20% and 80% at September 30, 2017 .

Investments of consolidated SIPs are generally assigned a classification in the table above based on the investment objective of the SIP holding the securities.

TAXES ON INCOME

As a multi-national corporation, we provide many of our services from locations outside the U.S. Some of these jurisdictions have lower tax rates than the U.S. Additionally, in certain countries our income is subject to reduced tax rates due to tax rulings. The mix of pre-tax income subject to these lower rates, when aggregated with income originating in the U.S., produces a lower overall effective income tax rate than existing U.S. federal and state income tax rates.

Our effective income tax rate for fiscal year 2017 was 29.8% as compared to 29.7% in fiscal year 2016 and 30.5% in fiscal year 2015 . The rate increase in fiscal year 2017 was primarily due to foreign earnings subject to U.S. taxes and the prior-year recognition of tax benefits in U.S. and non-U.S. jurisdictions as a result of various adjustments to unrecognized tax benefits including the expiration of statutes of limitations, substantially offset by higher net income attributable to noncontrolling interests.

The rate decrease in fiscal year 2016 was primarily due to a higher mix of earnings in lower tax jurisdictions partially offset by lower net income attributable to noncontrolling interests.

The effective income tax rate for future reporting periods will continue to reflect the relative contributions of non-U.S. earnings that are subject to reduced tax rates and that are not currently included in U.S. taxable income. Changes in tax rates in these jurisdictions may affect our effective income tax rate and net income.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows were as follows:

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Cash Flow Data			
Operating cash flows	$ 1,135.4	$ 1,727.7	$ 2,252.0
Investing cash flows	52.0	192.2	248.9
Financing cash flows	(956.0)	(1,800.7)	(1,612.2)

Net cash provided by operating activities decreased in fiscal year 2017 primarily due to a larger net increase in trading securities of consolidated SIPs. Net cash provided by investing activities decreased mainly due to net purchases of the Company ’ s investments, as compared to net liquidations in the prior year, and the adoption of new accounting guidance. Net cash used in financing activities decreased primarily due to net subscriptions in consolidated SIPs by noncontrolling interests, as compared to net distributions in the prior year, and lower repurchases of common stock, partially offset by payments on the Company ’ s debt, higher payments on debt by consolidated SIPs and prior-year proceeds from a loan.

Net cash provided by operating activities decreased in fiscal year 2016 primarily due to a decrease in net income and losses from investments in equity method investees as compared to income in the prior year. Net cash provided by investing activities decreased mainly due to lower liquidations, net of purchases, of the Company ’ s investments and investments of consolidated SIPs, and higher net additions of property and equipment, partially offset by higher net liquidations of other investments by consolidated SIPs. Net cash used in financing activities increased primarily due to higher repurchases of common stock, prior-year proceeds from issuance of debt, net of repayments, and net distributions from consolidated SIPs by noncontrolling interests as compared to net subscriptions in the prior year, partially offset by lower dividends paid on common stock.

The assets and liabilities of our consolidated SIPs attributable to third-party investors do not impact our liquidity and capital resources. We have no right to the SIPs' assets, other than our direct equity investment in them and investment management fees earned from them. The debt holders of the consolidated SIPs have no recourse to our assets beyond the level of our direct investment, therefore we bear no other risks associated with the SIPs' liabilities. Accordingly, the assets and liabilities of our consolidated SIPs, other than our direct investments in them, are excluded from the amounts and discussion below.

Our liquid assets and debt consisted of the following:

(in millions) **as of September 30,**	**2017**	**2016**	**2015**
Assets			
Cash and cash equivalents	$ 8,523.3	$ 8,247.1	$ 8,184.9
Receivables	767.8	746.4	816.5
Investments	1,995.2	1,896.7	2,105.8
Total Liquid Assets	**$ 11,286.3**	**$ 10,890.2**	**$ 11,107.2**
Liability			
Debt	$ 1,044.2	$ 1,401.2	$ 1,348.0

Liquidity

Liquid assets consist of cash and cash equivalents, receivables and certain investments. Cash and cash equivalents primarily consist of debt instruments with original maturities of three months or less at the purchase date, money market funds, time deposits with maturities of three months or less, and deposits with financial institutions. Liquid investments consist of trading and available-for-sale securities, investments in equity method investees consisting of mutual fund SIPs, direct investments in redeemable consolidated SIPs, and time deposits with maturities greater than three months.

Cash and cash equivalents at September 30, 2017 increased primarily due to net cash provided by operating and investing activities, partially offset by net cash used in financing activities.

We utilize a significant portion of our liquid assets to satisfy operational and regulatory requirements and fund capital contributions relating to our SIPs. Certain of our subsidiaries are required by our internal policy or regulation to maintain minimum levels of capital which are partially maintained by retaining cash and cash equivalents. As a result, such subsidiaries may be restricted in their ability to transfer cash to their parent companies. Also, as a multi-national corporation, we operate in various locations outside of the U.S. Certain of our non-U.S. subsidiaries are subject to regulatory or contractual repatriation restrictions or requirements. Such restrictions and requirements limit our ability to transfer cash between various international jurisdictions, including repatriation to the U.S. Should we require more capital in the U.S. than is generated domestically, we could elect to reduce the level of discretionary activities, such as share repurchases, or we could elect to repatriate future earnings from non-U.S. jurisdictions or raise capital through debt or equity issuance. Certain of these alternatives could result in higher effective tax rates, increased interest expense or other dilution to our earnings. At September 30, 2017 , our U.S. and non-U.S. entities held $861.8 million and $2,620.1 million of liquid assets to satisfy operational and regulatory requirements and fund capital contributions to our SIPs, as compared to $874.6 million and $2,220.8 million held at September 30, 2016 . Included in these amounts were U.S. and non-U.S. liquid assets that were restricted from transfer to Franklin and other subsidiaries of $4.1 million and $163.3 million at September 30, 2017 and $4.7 million and $345.7 million at September 30, 2016 .

Capital Resources

We believe that we can meet our present and reasonably foreseeable operating cash needs and future commitments through existing liquid assets, continuing cash flows from operations, the ability to issue debt or equity securities and borrowing capacity under our uncommitted private placement program.

In prior fiscal years, we issued senior unsecured unsubordinated notes for general corporate purposes, to redeem outstanding notes and to finance an acquisition. We repaid $300.0 million of these notes upon maturity in September 2017. At September 30, 2017 , $1,049.0 million of the notes were outstanding with an aggregate face value of $1,050.0 million . The notes were issued at fixed interest rates and consist of $350.0 million at 4.625% per annum which mature in 2020 , $300.0 million at 2.800% per annum which mature in 2022 , and $400.0 million at 2.850% per annum which mature in 2025 .

Interest on the notes is payable semi-annually. The notes contain an optional redemption feature that allows us to redeem each series of notes prior to maturity in whole or in part at any time, at a make-whole redemption price. The indentures governing the notes contain limitations on our ability and the ability of our subsidiaries to pledge voting stock or profit participating equity interests in our subsidiaries to secure other debt without similarly securing the notes equally and ratably. The indentures also include requirements that must be met if we consolidate or merge with, or sell all of our assets to, another entity.

In March 2016, we borrowed 6.3 billion Indian Rupees ($93.4 million) at a fixed interest rate of 9.89% with a one-year term to purchase certain securities from SIPs domiciled in India. The loan was secured by a standby letter of credit for 6.5 billion Indian Rupees ($96.6 million) collateralized by a $116.0 million time deposit. The loan agreement was amended in February 2017 with a revised maturity of March 2018, and the loan was fully paid in September 2017.

We were in compliance with all debt covenants at September 30, 2017 .

At September 30, 2017 , we had $500.0 million of short-term commercial paper available for issuance under an uncommitted private placement program which has been inactive since 2012 .

Our ability to access the capital markets in a timely manner depends on a number of factors, including our credit rating, the condition of the global economy, investors' willingness to purchase our securities, interest rates, credit spreads and the valuation levels of equity markets. If we are unable to access capital markets in a timely manner, our business could be adversely impacted.

Uses of Capital

We expect that our main uses of cash will be to invest in and grow our business, acquire shares of our common stock, invest in our SIPs, fund property and equipment purchases, pay operating expenses of the business, enhance technology infrastructure and business processes, pay stockholder dividends and repay and service debt.

We declare dividends on a quarterly basis. We declared regular cash dividends of $0.80 per share ($0.20 per share per quarter) in fiscal year 2017 and $0.72 per share ($0.18 per share per quarter) in fiscal year 2016 . We currently expect to continue paying comparable regular cash dividends on a quarterly basis to holders of our common stock depending upon earnings and other relevant factors.

We maintain a stock repurchase program to manage our equity capital with the objective of maximizing shareholder value. Our stock repurchase program is effected through regular open-market purchases and private transactions in accordance with applicable laws and regulations. During fiscal years 2017 and 2016 , we repurchased 19.1 million and 36.6 million shares of our common stock at a cost of $771.5 million and $1,324.3 million . At September 30, 2017 , 31.6 million shares remained available for repurchase under the program, which is not subject to an expiration date.

We invested $4.2 million , net of redemptions, in our SIPs during fiscal year 2017 , and redeemed $514.2 million , net of investments, from our SIPs during fiscal year 2016 .

The funds that we manage have their own resources available for purposes of providing liquidity to meet shareholder redemptions, including securities that can be sold or provided to investors as in-kind redemptions, and lines of credit. While we have no contractual obligation to do so, we may voluntarily elect to provide the funds with direct or indirect financial support based on our business objectives. We did not provide financial or other support to our SIPs during fiscal year 2017 . During fiscal year 2016, we purchased $182.7 million of certain debt securities from six SIPs domiciled in India in order to provide additional liquidity to the SIPs.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENT LIABILITY

The following table summarizes our contractual obligations, commitments and contingent liability.

(in millions)	Payments Due by Fiscal Year						
as of September 30, 2017	**2018**	**2019**	**2020**	**2021**	**2022**	**There-after**	**Total**
Debt							
Principal [1]	$ —	$ —	$ 350.0	$ —	$ 300.0	$ 400.0	$ 1,050.0
Interest	36.0	36.0	36.0	19.8	19.8	28.5	176.1
Operating leases	44.7	41.1	35.6	31.4	28.4	185.8	367.0
Purchase obligations [2]	161.4	191.6	24.6	9.1	4.7	5.9	397.3
Total Contractual Obligations	242.1	268.7	446.2	60.3	352.9	620.2	1,990.4
Committed capital contributions [3]	73.5	—	—	—	—	—	73.5
Contingent consideration liability [4]	28.0	30.2	—	—	—	—	58.2
Total Contractual Obligations, Commitments and Contingent Liability	**$ 343.6**	**$ 298.9**	**$ 446.2**	**$ 60.3**	**$ 352.9**	**$ 620.2**	**$ 2,122.1**

[1] Debt principal represents maturity amount.

[2] Purchase obligations include contractual amounts that will be due to purchase goods and services to be used in our operations and may be canceled at earlier times than those indicated under certain conditions that may include termination fees.

[3] Committed capital contributions relate to discretionary commitments to invest in SIPs and other investment products. Generally, the timing of the funding of these commitments is unknown as they are callable on demand at any time prior to the expiration of the commitment periods.

[4] Contingent consideration liability relates to the Company’s commitment to acquire the remaining interests in K2.

The debt holders of consolidated SIPs have no recourse to our assets beyond the level of our direct investments, therefore we bear no risks associated with these entities ’ liabilities and have not included them in the table above. See Note 9 – Consolidated Sponsored Investment Products in the notes to consolidated financial statements in Item 8 of Part II of this Form 10-K.

At September 30, 2017 , our consolidated balance sheet included liabilities for unrecognized tax benefits of $81.1 million and related accrued interest of $10.4 million (see Note 11 – Taxes on Income in the notes to consolidated financial statements in Item 8 of Part II of this Form 10-K). Because of the high degree of uncertainty regarding the timing and amounts of future cash outflows, unrecognized tax benefits and related accrued interest have not been included in the table above.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. These estimates, judgments and assumptions are affected by our application of accounting policies. Actual results may differ from those estimates under different assumptions. Described below are the accounting policies that we believe are most critical to understanding our financial position and results of operations. For additional information about our accounting policies, see Note 1 – Significant Accounting Policies in the notes to consolidated financial statements in Item 8 of Part II of this Form 10-K.

Consolidation

We consolidate our subsidiaries and SIPs in which we have a controlling financial interest. We have a controlling financial interest when we own a majority of the voting interest in a voting interest entity (“VOE”) or are the primary beneficiary of a variable interest entity (“VIE”).

A VIE is an entity in which the equity investment holders have not contributed sufficient capital to finance its activities or do not have defined rights and obligations normally associated with an equity investment. The assessment of whether an entity is a VIE or VOE involves judgment and analysis on a structure-by-structure basis. When performing the assessment we consider factors such as the entity ' s legal organization and capital structure, the rights of the equity investment holders and our contractual involvement with and ownership interest in the entity. Our VIEs are all investment entities and our variable interests consist of our equity ownership interests in and certain investment management fees earned from these entities.

We are the primary beneficiary of a VIE if we have the power to direct the activities that most significantly impact the VIE ' s economic performance and the obligation to absorb losses of or right to receive benefits from the VIE that could potentially be significant to the VIE. Investment management fees earned from VIEs are excluded from the primary beneficiary determination if they are deemed to be at market and commensurate with service. The key estimates and assumptions used in the analyses include the amount of AUM and the life of the investment product. These estimates and assumptions are subject to variability. For example, AUM is impacted by market volatility and the level of sales, redemptions, contributions, withdrawals and dividend reinvestments of mutual fund shares that occur daily. In addition, third-party purchases and redemptions, which are outside of our control, can impact our evaluation. There is judgment involved in assessing whether we have the power to direct the activities that most significantly impact VIEs' economic performance and the obligation to absorb losses of or right to receive benefits from VIEs that could potentially be significant to the VIEs. As of September 30, 2017 , we were the primary beneficiary of 37 SIP VIEs.

Fair Value Measurements

We use a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on whether the inputs to those valuation techniques are observable or unobservable. The three levels of fair value hierarchy are set forth below. Our assessment of the hierarchy level of the assets or liabilities measured at fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities, which may include published net asset values ("NAV") for fund products.

Level 2 — Observable inputs other than Level 1 quoted prices, such as non-binding quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data. Level 2 quoted prices are generally obtained from two independent third-party brokers or dealers, including prices derived from model-based valuation techniques for which the significant assumptions are observable in the market or corroborated by observable market data. Quoted prices are validated through price variance analysis, subsequent sales testing, stale price review, price comparison across pricing vendors and due diligence reviews of third-party vendors.

Level 3 — Unobservable inputs that are supported by little or no market activity. These inputs require significant management judgment and reflect our estimation of assumptions that market participants would use in pricing the asset or liability.

Quoted market prices may be adjusted if events occur, such as significant price changes in U.S.-traded market proxies after the close of corresponding foreign markets, trade halts or suspensions, or unscheduled market closures. The market proxies consist of correlated country-specific exchange-traded securities, such as futures, American Depositary Receipts indices or exchange-traded funds. The price adjustments are primarily determined based on third-party factors derived from model-based valuation techniques for which the significant assumptions are observable in the market.

The fair values for Level 3 assets and liabilities are determined using various methodologies in accordance with our global valuation and pricing policy which defines valuation and pricing conventions for each security type. We may employ a market-based method, using purchase multiples observed for comparable third-party transactions, valuations of comparable entities, projected operating results of the investee entity or subsequent financing transactions entered into by the investee entity. If the inputs for a market-based method are not available, we utilize an income-based method, which considers the net present value of anticipated future cash flows of the investment. A discount may be applied due to the nature or duration of any restrictions on the disposition of the investment. We review and approve the market-based and income-based methods on a periodic basis for changes that would impact the unobservable inputs incorporated into the valuation process. The fair value measurements from these methods are further validated through price variance analysis, subsequent sales testing and market comparable sales.

We record a substantial amount of our investments at fair value or amounts that approximate fair value on a recurring basis. Investments in fund products for which fair value is estimated using NAV as a practical expedient (when the NAV is available to us as an investor but is not publicly available) are not classified in the fair value hierarchy. Fair values are estimated for disclosure purposes for financial instruments that are not measured at fair value.

As of September 30, 2017 , Level 3 assets represented 13% of total assets measured at fair value, substantially all of which related to consolidated SIPs ' investments in equity and debt securities and our direct investments in debt securities that are not traded in active markets. There was one Level 3 liability, a contingent consideration liability which represented 85% of total liabilities measured at fair value. There were insignificant transfers out of Level 3 and no transfers into Level 3 during fiscal year 2017 .

Following are descriptions of the significant assets and liability measured at fair value and their fair value methodologies.

Investment Securities, Trading consist of corporate debt securities, nonconsolidated SIPs and other debt and equity securities. The fair value of the corporate debt securities is determined using market pricing. The fair values of all SIPs and certain other equity securities are determined based on their published NAV. The fair values of certain other debt and equity securities are determined using independent third-party broker or dealer price quotes. The fair value of certain other debt securities is determined based on discounted cash flows using significant unobservable inputs.

Investment Securities, Available-for-Sale consist primarily of nonconsolidated SIPs and to a lesser extent, debt and other equity securities. The fair value of the SIPs is determined based on their published NAV. The fair value of the debt securities is primarily determined using independent third-party broker or dealer price quotes. The fair value of other equity securities is determined using quoted market prices.

Investment securities, available-for-sale are evaluated for other-than-temporary impairment on a quarterly basis when the cost of an investment exceeds its fair value. We consider many factors, including the severity and duration of the decline in fair value below cost, our intent and ability to hold the security for a period of time sufficient for an anticipated recovery in fair value, and the financial condition and specific events related to the issuer.

Investments of Consolidated SIPs consist of trading securities and other investments that are not generally traded in active markets. The fair value of the trading securities is determined using quoted market prices, or independent third-party broker or dealer price quotes if quoted market prices are not available.

The investments that are not generally traded in active markets consist of debt and equity securities of entities in emerging markets and fund products. The fair values of the debt and equity securities are determined using significant unobservable inputs in either a market-based or income-based approach. The fair value of the fund products is determined using NAV as a practical expedient.

Contingent Consideration Liability consists of the expected future payments related to our commitment to acquire the remaining interests in K2 and is included in other liabilities in the consolidated balance sheet. The liability is determined using an income-based method which considers the net present value of anticipated future cash flows based on estimated future revenue and profits and timing of payments.

Goodwill and Other Intangible Assets

Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. Other intangible assets consist of investment management contracts resulting from business acquisitions. We amortize these intangible assets over their estimated useful lives, which range from five to 15 years, using the straight-line method, unless the asset is determined to have an indefinite useful life. Indefinite-lived intangible assets represent contracts to manage investment assets for which there is no foreseeable limit on the contract period.

We make significant estimates and assumptions when valuing goodwill and other intangible assets in connection with the initial purchase price allocation of an acquired entity, as well as when evaluating goodwill and other intangible assets for impairment on an ongoing basis.

Goodwill and indefinite-lived intangible assets are tested for impairment annually and when an event occurs or circumstances change that more likely than not reduce the fair value of the related reporting unit or indefinite-lived intangible asset below its carrying value. We have one reporting unit, investment management and related services, consistent with our single operating segment, to which all goodwill has been assigned.

We may first assess goodwill and indefinite-lived intangible assets for qualitative factors to determine whether it is necessary to perform a quantitative impairment test. The qualitative analysis considers entity-specific and macroeconomic factors and their potential impact on the key assumptions used in the determination of the fair value of the reporting unit or indefinite-lived intangible asset. A quantitative impairment test is performed if the results of the qualitative assessment indicate that it is more likely than not that the fair value of the related reporting unit is less than its carrying value or an indefinite-lived intangible asset is impaired, or if a qualitative assessment is not performed.

The quantitative goodwill impairment test involves a two-step process. The first step compares the fair value of the reporting unit to its carrying value. If the carrying value is less than the fair value, no impairment exists and the second step is not performed. If the carrying value is higher than the fair value, there is an indication that impairment may exist and the second step is performed to compute the amount of the impairment. In the second step, impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying value of the goodwill.

The quantitative indefinite-lived intangible assets impairment test compares the fair value of the asset to its carrying value. If the carrying value is higher than the fair value, impairment is recognized in the amount of the difference in values.

In estimating the fair value of the reporting unit and indefinite-lived intangible assets, we use an income approach under which future cash flows are discounted. Our future cash flow estimates include assumptions about the AUM growth rate, pre-tax profit margin, average effective fee rate, effective tax rate, and discount rate, which is based on our weighted average cost of capital. The most relevant of these assumptions to the determination of estimated fair value are the AUM growth rate and the discount rate.

We performed our annual impairment tests for goodwill and indefinite-lived intangible assets as of August 1, 2017 . We elected to perform a qualitative assessment of the valuation of goodwill and 88% of our indefinite-lived intangible assets and concluded it is more likely than not that the fair values of our reporting unit and the specific intangible assets exceed their carrying values. We performed a quantitative test for the remaining indefinite-lived intangible assets and did not recognize any impairment because our estimated fair values of the assets exceeded their carrying values by more than 20%.

We subsequently monitor market conditions and their potential impact on the assumptions used in the annual calculations of fair value to determine whether circumstances have changed that would more likely than not reduce the fair value of our reporting unit below its carrying value, or indicate that our indefinite-lived intangible assets might be impaired. We considered, among other things, changes in our AUM and weighted-average cost of capital by assessing whether these changes would impact the reasonableness of the assumptions used in our impairment tests as of August 1, 2017 . We also monitored fluctuations of our common stock per share price to evaluate our market capitalization relative to the reporting unit as a whole. Subsequent to August 1, 2017 , there were no impairments to goodwill or indefinite-lived intangible assets as no events occurred or circumstances changed that would indicate these assets might be impaired.

While we believe that the assumptions used to estimate fair value in our impairment tests are reasonable and appropriate, future changes in the assumptions could result in recognition of impairment.

Revenues

Investment management, distribution and shareholder servicing fees are recognized as earned over the period in which services are rendered, except for performance-based investment management fees, which are recognized when earned. Sales commissions related to the sale of shares of SIPs are recognized on trade date. Investment management fees, other than performance-based fees, and distribution fees are determined based on a percentage of AUM, primarily on a monthly basis using average daily AUM. Performance-based investment management fees are based on performance targets established in the related investment management contracts. Shareholder servicing fees are generally calculated based on the number and type of accounts serviced.

AUM is generally based on the fair value of the underlying securities held by SIPs and is calculated using fair value methods derived primarily from unadjusted quoted market prices, unadjusted independent third-party broker or dealer price quotes in active markets, or market prices or price quotes adjusted for observable price movements after the close of the primary market. The fair values of the underlying securities for which market prices are not readily available are internally valued using various methodologies which incorporate unobservable inputs as appropriate for each security type.

Pricing of the securities held by SIPs is governed by our global valuation and pricing policy, which defines valuation and pricing conventions for each security type, including practices for responding to unexpected or unusual market events. As of September 30, 2017 , our total AUM by fair value hierarchy level was 54% Level 1, 45% Level 2 and 1% Level 3.

As substantially all of our AUM is valued based on observable market prices or inputs, market risk is the most significant risk underlying the valuation of our AUM.

Income Taxes

Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and the reported amounts in the consolidated financial statements using the statutory tax rates in effect for the year when the reported amount of the asset or liability is expected to be recovered or settled, respectively. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying values of deferred tax assets to the amount that is more likely than not to be realized. For each tax position taken or expected to be taken in a tax return, we determine whether it is more likely than not that the position will be sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. We recognize the accrual of interest on uncertain tax positions in interest expense and penalties in other operating expenses.

As a multinational corporation, we operate in various locations outside the U.S. and generate earnings from our non-U.S. subsidiaries. We indefinitely reinvest the undistributed earnings of all our non-U.S. subsidiaries, except for income previously taxed in the U.S. or subject to regulatory or legal repatriation restrictions or requirements. As a result, we have not recognized a provision for U.S. income taxes and a deferred income tax liability on $9.0 billion of cumulative undistributed non-U.S. earnings that are indefinitely reinvested at September 30, 2017 . Changes to our policy of reinvestment or repatriation of non-U.S. earnings may have a significant effect on our financial condition and results of operations.

Loss Contingencies

We are involved in various lawsuits and claims encountered in the normal course of business. When such a matter arises and periodically thereafter, we consult with our legal counsel and evaluate the merits of the claims based on the facts available at that time. In management's opinion, an adequate accrual has been made as of September 30, 2017 to provide for any probable losses that may arise from such matters for which we could reasonably estimate an amount. See also Note 12 – Commitments and Contingencies in the notes to consolidated financial statements in Item 8 of Part II of this Form 10-K.

NEW ACCOUNTING GUIDANCE

See Note 2 – New Accounting Guidance in the notes to consolidated financial statements in Item 8 of Part II of this Form 10-K.

Selected Quarterly Financial Data (Unaudited)

(in millions, except per share data)

Quarter ended	December 31	March 31	June 30	September 30
Fiscal year 2017				
Operating revenues	$ 1,560.8	$ 1,600.6	$ 1,613.9	$ 1,616.9
Operating income	586.9	555.5	564.2	557.7
Net income attributable to Franklin Resources, Inc.	440.2	420.7	410.6	425.2
Earnings per share				
Basic	$ 0.77	$ 0.74	$ 0.73	$ 0.76
Diluted	0.77	0.74	0.73	0.76
Dividends declared per share	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Common stock price per share				
High	$ 42.18	$ 44.35	$ 45.60	$ 47.65
Low	33.02	39.38	40.48	40.95
AUM *(in billions)*				
Ending	$ 720.0	$ 740.0	$ 742.8	$ 753.2
Average	722.7	731.7	742.1	749.0
Fiscal year 2016				
Operating revenues	$ 1,758.0	$ 1,613.9	$ 1,634.3	$ 1,611.8
Operating income	653.6	537.3	595.4	579.4
Net income attributable to Franklin Resources, Inc.	447.8	360.4	446.4	472.1
Earnings per share				
Basic	$ 0.74	$ 0.61	$ 0.77	$ 0.82
Diluted	0.74	0.61	0.77	0.82
Dividends declared per share	$ 0.18	$ 0.18	$ 0.18	$ 0.18
Common stock price per share				
High	$ 42.23	$ 39.94	$ 41.24	$ 36.99
Low	34.62	31.00	30.56	31.59
AUM *(in billions)*				
Ending	$ 763.9	$ 742.6	$ 732.1	$ 733.3
Average	781.5	737.1	739.8	736.4

Risk Factors

For a description of certain risk factors and other important factors that may affect us, our subsidiaries and our business, please see the description of the risk factors set forth under Item 1A of Part I of this Form 10-K, which is incorporated herein by reference.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

In the normal course of business, our financial position is subject to market risk, including, but not limited to, potential loss due to changes in the value of financial instruments including those resulting from adverse changes in interest rates, foreign currency exchange rates and market valuation. Financial instruments include, but are not limited to, investment securities and debt obligations. Management is responsible for managing market risk. Our Enterprise Risk Management Committee is responsible for providing a framework to assist management to identify, assess and manage market and other risks.

Our market risk from assets and liabilities of consolidated SIPs is limited to that of our direct equity investments in the SIPs and investment management fees earned from them. Accordingly, the assets and liabilities of our consolidated SIPs are excluded from the discussion below.

AUM Market Price Risk

We are exposed to market risk through our investment management and distribution fees, which are generally calculated as a percentage of the market value of AUM. Changes in equity market prices, interest rates, credit spreads, foreign exchange rates, or a combination of these factors could cause the value of AUM to decline, which would result in lower investment management and distribution fees. Our exposure to these risks is minimized as we sponsor a broad range of investment products in various global jurisdictions, which serves to mitigate the impact of changes in any particular market or region.

Assuming the respective effective fee rates remain unchanged, a proportional 10% change in the value of our average AUM would result in corresponding 10% changes in our investment management fees and asset-based distribution fee revenues and expenses, excluding performance-based investment management fees. Such a change for the fiscal year ended September 30, 2017 would have resulted in an increase or decrease in pre-tax earnings of $393.3 million .

Interest Rate Risk

We are exposed to changes in interest rates primarily through our investments in SIPs that invest in debt securities, which were $1,539.5 million at September 30, 2017 . Our exposure to interest rate risks from these investments is minimized by the low average duration exposure mandate of a substantial majority of the SIPs. The investment mandates of the remaining SIPs consist of a broad range of products in various global jurisdictions, mitigating the impact of changes in any particular market or region. We had no exposure to changes in interest rates from debt obligations at September 30, 2017 as all of our outstanding debt was issued at fixed rates.

As of September 30, 2017 , we have considered the potential impact of a 100 basis point movement in market interest rates on our portfolio of SIPs that invest in debt securities. Based on our analysis, we do not expect that such a change would have a material impact on our earnings in the next twelve months.

Foreign Currency Exchange Risk

We are subject to foreign currency exchange risk through our international operations. While the majority of our revenues are earned in the U.S., we also provide services and earn revenues in Europe, the Middle East and Africa, Asia-Pacific, Canada, The Bahamas and Latin America. Our exposure to foreign currency exchange risk is minimized in relation to our results of operations since a significant portion of these revenues is denominated in U.S. dollars. This situation may change in the future as our business continues to grow outside the U.S. and expenses incurred denominated in foreign currencies increase.

The exposure to foreign currency exchange risk in our consolidated balance sheet mostly relates to cash and cash equivalents and investments that are denominated in foreign currencies, primarily in the Euro, Indian Rupee, Pound Sterling and Canadian dollar. These assets accounted for 9% of the total cash and cash equivalents and investments at September 30, 2017 . Changes in the values of these assets resulting from changes in U.S. dollar exchange rates are recorded in accumulated other comprehensive income (loss), except for cash and cash equivalents held by subsidiaries for which the U.S. dollar is the functional currency, for which the changes are recorded in earnings. We also have exposure to foreign exchange revaluation of cash and cash equivalents and investments that are denominated in U.S. dollars and held by non-U.S. subsidiaries for which their local currency is the functional currency. These assets accounted for 5% of the total cash and cash equivalents and investments at September 30, 2017 . Changes in the values of these assets resulting from changes in U.S. dollar exchange rates are recorded in earnings.

A 10% weakening of the U.S. dollar against the various foreign currencies to which we had exposure as described above would result in corresponding 10% increases in the U.S. dollar values of the foreign currency assets and 10% decreases in the foreign currency values of the U.S. dollar assets. Such a weakening as of September 30, 2017 would result in a $77.5 million increase in accumulated other comprehensive income (loss) and a $40.2 million decrease in pre-tax earnings. We generally do not use derivative financial instruments to manage foreign currency exchange risk exposure. As a result, both positive and negative currency fluctuations against the U.S. dollar may affect our results of operations and accumulated other comprehensive income (loss).

Market Valuation Risk

We are exposed to market valuation risks related to securities we hold that are carried at fair value. To mitigate the risks we maintain a diversified investment portfolio and, from time to time, we may enter into derivative agreements.

The following is a summary of the effect of a 10% increase or decrease in the carrying values of our financial instruments subject to market valuation risks at September 30, 2017 . If such a 10% increase or decrease in carrying values were to occur, the changes from trading investment securities and direct investments in consolidated SIPs would result in a $183.0 million increase or decrease in our pre-tax earnings. The changes from available-for-sale investment securities would not result in a change to other-than-temporary impairment charges that would be material to our pre-tax earnings.

(in millions)	**Carrying Value**	**Carrying Value Assuming a 10% Increase**	**Carrying Value Assuming a 10% Decrease**
Investment securities, trading	$ 314.5	$ 346.0	$ 283.1
Investment securities, available-for-sale	112.7	124.0	101.4
Direct investments in consolidated SIPs	1,514.8	1,666.3	1,363.3
Total	**$ 1,942.0**	**$ 2,136.3**	**$ 1,747.8**

Item 8. Financial Statements and Supplementary Data.

Index of Consolidated Financial Statements for the fiscal years ended September 30, 2017 , 2016 and 2015 .

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All schedules have been omitted as the information is provided in the financial statements or in related notes thereto or is not required to be filed, as the information is not applicable.

Certain required quarterly information is included in Item 7 of Part II of this Form 10-K report under the heading "Selected Quarterly Financial Data (Unaudited)" and incorporated herein by reference.

MANAGEMENT ' S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Franklin Resources, Inc. and its consolidated subsidiaries (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of September 30, 2017 , based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework (2013). Based on that assessment, management concluded that, as of September 30, 2017 , the Company's internal control over financial reporting was effective.

The effectiveness of the Company's internal control over financial reporting as of September 30, 2017 has been audited by PricewaterhouseCoopers LLP, the independent registered public accounting firm that audits the Company's consolidated financial statements, as stated in their report immediately following this report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of September 30, 2017 .

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
and Stockholders of Franklin Resources, Inc.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, stockholders' equity and cash flows present fairly, in all material respects, the financial position of Franklin Resources, Inc. and its subsidiaries (the "Company") at September 30, 2017 and 2016 , and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2017 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017 , based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

San Francisco, California
November 13, 2017

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF INCOME

(in millions, except per share data) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Operating Revenues			
Investment management fees	$ 4,359.2	$ 4,471.7	$ 5,327.8
Sales and distribution fees	1,705.6	1,806.4	2,252.4
Shareholder servicing fees	225.7	243.6	262.8
Other	101.7	96.3	105.7
Total operating revenues	6,392.2	6,618.0	7,948.7
Operating Expenses			
Sales, distribution and marketing	2,130.9	2,209.9	2,762.3
Compensation and benefits	1,333.7	1,360.9	1,453.3
Information systems and technology	219.8	207.3	224.3
Occupancy	121.3	134.1	132.7
General, administrative and other	322.2	340.1	348.5
Total operating expenses	4,127.9	4,252.3	4,921.1
Operating Income	2,264.3	2,365.7	3,027.6
Other Income (Expenses)			
Investment and other income, net	336.3	184.0	40.4
Interest expense	(51.5)	(49.9)	(39.6)
Other income, net	284.8	134.1	0.8
Income before taxes	2,549.1	2,499.8	3,028.4
Taxes on income	759.4	742.1	923.7
Net income	1,789.7	1,757.7	2,104.7
Less: net income (loss) attributable to			
Nonredeemable noncontrolling interests	40.0	29.4	75.5
Redeemable noncontrolling interests	53.0	1.6	(6.1)
Net Income Attributable to Franklin Resources, Inc.	**$ 1,696.7**	**$ 1,726.7**	**$ 2,035.3**
Earnings per Share			
Basic	$ 3.01	$ 2.94	$ 3.29
Diluted	3.01	2.94	3.29
Dividends Declared per Share	$ 0.80	$ 0.72	$ 1.10

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Net Income	$ 1,789.7	$ 1,757.7	$ 2,104.7
Other Comprehensive Income (Loss)			
Net unrealized gains (losses) on investments, net of tax	2.2	(12.5)	(11.7)
Currency translation adjustments, net of tax	65.4	(18.3)	(184.2)
Net unrealized gains (losses) on defined benefit plans, net of tax	2.1	(2.4)	(0.6)
Total other comprehensive income (loss)	69.7	(33.2)	(196.5)
Total comprehensive income	1,859.4	1,724.5	1,908.2
Less: comprehensive income (loss) attributable to			
Nonredeemable noncontrolling interests	40.0	29.4	75.5
Redeemable noncontrolling interests	53.0	1.6	(6.1)
Comprehensive Income Attributable to Franklin Resources, Inc.	$ 1,766.4	$ 1,693.5	$ 1,838.8

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS

(in millions, except share and per share data)

as of September 30,	2017	2016
Assets		
Cash and cash equivalents	$ 8,523.3	$ 8,247.1
Receivables	767.8	746.4
Investments (including $440.0 and $1,437.6 at fair value at September 30, 2017 and 2016)	1,393.6	2,416.6
Assets of consolidated sponsored investment products		
Cash and cash equivalents	226.4	236.2
Receivables	234.1	47.9
Investments, at fair value	3,467.4	1,513.4
Property and equipment, net	517.2	523.2
Goodwill and other intangible assets, net	2,227.7	2,211.3
Other	176.5	156.7
Total Assets	**$ 17,534.0**	**$ 16,098.8**
Liabilities		
Compensation and benefits	$ 396.6	$ 357.4
Accounts payable and accrued expenses	291.5	233.3
Dividends	113.3	104.6
Commissions	313.3	302.0
Debt	1,044.2	1,401.2
Debt of consolidated sponsored investment products	53.4	682.2
Deferred taxes	170.6	161.5
Other	273.4	267.3
Total liabilities	2,656.3	3,509.5
Commitments and Contingencies (Note 12)		
Redeemable Noncontrolling Interests	1,941.9	61.1
Stockholders’ Equity		
Preferred stock, $1.00 par value, 1,000,000 shares authorized; none issued	—	—
Common stock, $0.10 par value, 1,000,000,000 shares authorized; 554,865,343 and 570,345,156 shares issued and outstanding at September 30, 2017 and 2016	55.5	57.0
Retained earnings	12,849.3	12,226.2
Accumulated other comprehensive loss	(284.8)	(347.4)
Total Franklin Resources, Inc. stockholders’ equity	12,620.0	11,935.8
Nonredeemable noncontrolling interests	315.8	592.4
Total stockholders’ equity	12,935.8	12,528.2
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders’ Equity	**$ 17,534.0**	**$ 16,098.8**

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS ' EQUITY

(in millions)	Franklin Resources, Inc.								
	Common Stock								
as of and for the fiscal years ended September 30, 2017, 2016 and 2015	Shares	Amount	Capital in Excess of Par Value	Retained Earnings	Appropriated Retained Earnings of Consolidated Variable Interest Entities	Accumulated Other Compre-hensive Loss	Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total Stockholders' Equity
Balance at October 1, 2014	**622.9**	**$ 62.3**	**$ —**	**$ 11,625.6**	**$ 13.9**	**$ (117.7)**	**$ 11,584.1**	**$ 628.3**	**$ 12,212.4**
Adoption of new accounting guidance				(0.3)	(13.9)		(14.2)		(14.2)
Net income				2,035.3			2,035.3	75.5	2,110.8
Other comprehensive loss						(196.5)	(196.5)		(196.5)
Cash dividends declared on common stock				(682.1)			(682.1)		(682.1)
Repurchase of common stock	(22.5)	(2.2)	(173.9)	(883.7)			(1,059.8)		(1,059.8)
Issuance of common stock	3.1	0.3	154.5				154.8		154.8
Tax benefit from stock-based compensation			10.9				10.9		10.9
Stock-based compensation			8.5				8.5		8.5
Net distributions and other								(49.0)	(49.0)
Balance at September 30, 2015	**603.5**	**$ 60.4**	**$ —**	**$ 12,094.8**	**$ —**	**$ (314.2)**	**$ 11,841.0**	**$ 654.8**	**$ 12,495.8**
Net income				1,726.7			1,726.7	29.4	1,756.1
Other comprehensive loss						(33.2)	(33.2)		(33.2)
Cash dividends declared on common stock				(420.7)			(420.7)		(420.7)
Repurchase of common stock	(36.6)	(3.7)	(146.0)	(1,174.6)			(1,324.3)		(1,324.3)
Issuance of common stock	3.4	0.3	149.8				150.1		150.1
Tax shortfall from stock-based compensation			(5.9)				(5.9)		(5.9)
Stock-based compensation			2.1				2.1		2.1
Net distributions and other								(91.8)	(91.8)
Balance at September 30, 2016	**570.3**	**$ 57.0**	**$ —**	**$ 12,226.2**	**$ —**	**$ (347.4)**	**$ 11,935.8**	**$ 592.4**	**$ 12,528.2**

[Table continued on next page]

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS ' EQUITY

[Table continued from previous page]

(in millions) as of and for the fiscal years ended September 30, 2017, 2016 and 2015	Franklin Resources, Inc. Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Appropriated Retained Earnings of Consolidated Variable Interest Entities	Accumulated Other Compre-hensive Loss	Stockholders' Equity	Nonredeemable Noncontrolling Interests	Total Stockholders' Equity
Balance at September 30, 2016	**570.3**	**$ 57.0**	**$ —**	**$ 12,226.2**	**$ —**	**$ (347.4)**	**$ 11,935.8**	**$ 592.4**	**$ 12,528.2**
Adoption of new accounting guidance				5.8		(7.1)	(1.3)	(324.6)	(325.9)
Net income				1,696.7			1,696.7	40.0	1,736.7
Other comprehensive income						69.7	69.7		69.7
Cash dividends declared on common stock				(449.9)			(449.9)		(449.9)
Repurchase of common stock	(19.1)	(1.9)	(140.1)	(629.5)			(771.5)		(771.5)
Issuance of common stock	3.7	0.4	134.2				134.6		134.6
Tax shortfall from stock-based compensation			(8.7)				(8.7)		(8.7)
Stock-based compensation			14.6				14.6		14.6
Net subscriptions and other								17.3	17.3
Deconsolidation of sponsored investment product								(9.3)	(9.3)
Balance at September 30, 2017	**554.9**	**$ 55.5**	**$ —**	**$ 12,849.3**	**$ —**	**$ (284.8)**	**$ 12,620.0**	**$ 315.8**	**$ 12,935.8**

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Net Income	**$ 1,789.7**	**$ 1,757.7**	**$ 2,104.7**
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred sales commissions	72.0	75.2	112.8
Depreciation and other amortization	80.3	87.1	97.4
Impairment of intangible assets	9.6	28.2	8.2
Stock-based compensation	123.4	131.5	140.0
Excess tax benefit from stock-based compensation	(0.9)	(0.8)	(11.0)
Gains on sale of assets	(6.8)	(29.7)	(31.6)
Losses (income) from investments in equity method investees	(107.9)	(56.7)	63.2
Net losses (gains) on other investments of consolidated sponsored investment products	(55.4)	19.7	(28.9)
Other	(8.0)	15.1	3.1
Changes in operating assets and liabilities:			
Decrease (increase) in receivables, prepaid expenses and other	(161.0)	(10.8)	45.2
Decrease in trading securities, net	130.2	120.4	23.3
Increase in trading securities of consolidated sponsored investment products, net	(875.0)	(242.3)	(181.1)
Increase (decrease) in accrued compensation and benefits	37.2	(76.7)	(16.7)
Increase (decrease) in commissions payable	11.3	(57.9)	(80.4)
Increase (decrease) in income taxes payable	44.5	(14.0)	20.0
Increase (decrease) in other liabilities	52.2	(18.3)	(16.2)
Net cash provided by operating activities	**1,135.4**	**1,727.7**	**2,252.0**
Purchase of investments	(372.5)	(367.8)	(297.2)
Liquidation of investments	344.9	405.2	405.5
Purchase of other investments by consolidated sponsored investment products	(114.7)	(333.3)	(438.9)
Liquidation of other investments by consolidated sponsored investment products	368.1	597.3	643.9
Additions of property and equipment, net	(74.9)	(97.6)	(68.8)
Adoption of new accounting guidance	(49.2)	—	—
Acquisition of business	(14.0)	—	—
Net (deconsolidation) consolidation of sponsored investment products	(35.7)	(11.6)	4.4
Net cash provided by investing activities	**52.0**	**192.2**	**248.9**
Decrease in deposits	—	—	(0.3)
Issuance of common stock	24.9	24.1	25.5
Dividends paid on common stock	(441.2)	(408.7)	(666.4)
Repurchase of common stock	(765.3)	(1,308.0)	(1,059.8)
Excess tax benefit from stock-based compensation	0.9	0.8	11.0

[Table continued on next page]

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

[Table continued from previous page]

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Proceeds from loan	$ —	$ 93.4	$ —
Payments on loan	(53.7)	(41.2)	—
Proceeds from issuance of debt	—	—	395.7
Payments on debt	(300.0)	—	(250.0)
Proceeds from debt of consolidated sponsored investment products	20.6	33.8	571.8
Payments on debt by consolidated sponsored investment products	(308.5)	(179.8)	(732.2)
Payments on contingent consideration liabilities	(35.3)	(3.2)	(7.9)
Noncontrolling interests	901.6	(11.9)	100.4
Net cash used in financing activities	**(956.0)**	**(1,800.7)**	**(1,612.2)**
Effect of exchange rate changes on cash and cash equivalents	35.0	(4.0)	(116.6)
Increase in cash and cash equivalents	266.4	115.2	772.1
Cash and cash equivalents, beginning of year	8,483.3	8,368.1	7,596.0
Cash and Cash Equivalents, End of Year	**$ 8,749.7**	**$ 8,483.3**	**$ 8,368.1**
Supplemental Disclosure of Cash Flow Information			
Cash paid for income taxes	$ 712.2	$ 758.6	$ 925.0
Cash paid for interest	42.3	47.4	44.6
Cash paid for interest by consolidated sponsored investment products	11.2	28.3	33.0

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Significant Accounting Policies

Business. Franklin Resources, Inc. ("Franklin") is a holding company that, together with its various subsidiaries (collectively, the "Company") is referred to as Franklin Templeton Investments. The Company provides investment management and related services to investors globally through products that include investment funds and institutional, high net-worth and separately-managed accounts (collectively, the "sponsored investment products" or "SIPs"). In addition to investment management, the Company ' s services include fund administration, sales, distribution, marketing, shareholder servicing, and trust, custody and other services.

Basis of Presentation. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Management believes that the accounting estimates are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual amounts may differ from these estimates. Certain comparative amounts for prior fiscal years have been reclassified to conform to the financial statement presentation as of and for the fiscal year ended September 30, 2017 ("fiscal year 2017 ").

Consolidation. The consolidated financial statements include the accounts of Franklin and its subsidiaries and SIPs in which it has a controlling financial interest. The Company has a controlling financial interest when it owns a majority of the voting interest in a voting interest entity ("VOE") or is the primary beneficiary of a variable interest entity ("VIE"). All material intercompany accounts and transactions have been eliminated.

A VIE is an entity in which the equity investment holders have not contributed sufficient capital to finance its activities or do not have defined rights and obligations normally associated with an equity investment. The Company ' s VIEs are all investment entities, and its variable interests consist of its equity ownership interests in and certain investment management fees earned from these entities.

The Company is the primary beneficiary of a VIE if it has the power to direct the activities that most significantly impact the VIE ' s economic performance and the obligation to absorb losses of or right to receive benefits from the VIE that could potentially be significant to the VIE. Investment management fees earned from VIEs are excluded from the primary beneficiary determination if they are deemed to be at market and commensurate with service. The key estimates and assumptions used in the analyses include the amount of assets under management ("AUM") and the life of the investment product.

Related Parties include the investment funds sponsored by the Company as a result of the Company ' s advisory relationship and equity method investees. A substantial amount of the Company ' s operating revenues and receivables are from related parties.

Earnings per Share . Basic and diluted earnings per share are computed using the two-class method, which considers participating securities as a separate class of shares. The Company ' s participating securities consist of its nonvested stock and stock unit awards that contain nonforfeitable rights to dividends or dividend equivalents. Basic earnings per share is computed by dividing net income available to the Company ' s common shareholders, adjusted to exclude earnings allocated to participating securities, by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted-average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period.

Fair Value Measurements. The Company uses a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on whether the inputs to those valuation techniques are observable or unobservable. The three levels of fair value hierarchy are set forth below. The Company ' s assessment of the hierarchy level of the assets or liabilities measured at fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels are recognized at the end of each quarter.

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities, which may include published net asset values ("NAV") for fund products.
Level 2	Observable inputs other than Level 1 quoted prices, such as non-binding quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data. Level 2 quoted prices are generally obtained from two independent third-party brokers or dealers, including prices derived from model-based valuation techniques for which the significant assumptions are observable in the market or corroborated by observable market data. Quoted prices are validated through price variance analysis, subsequent sales testing, stale price review, price comparison across pricing vendors and due diligence reviews of third-party vendors.
Level 3	Unobservable inputs that are supported by little or no market activity. These inputs require significant management judgment and reflect the Company's estimation of assumptions that market participants would use in pricing the asset or liability.

Quoted market prices may be adjusted if events occur, such as significant price changes in U.S.-traded market proxies after the close of corresponding foreign markets, trade halts or suspensions, or unscheduled market closures. The market proxies consist of correlated country-specific exchange-traded securities, such as futures, American Depositary Receipts indices or exchange-traded funds. The price adjustments are primarily determined based on third-party factors derived from model-based valuation techniques for which the significant assumptions are observable in the market.

The fair values for Level 3 assets and liabilities are determined using various methodologies in accordance with the Company ' s global valuation and pricing policy which defines valuation and pricing conventions for each security type. The Company may employ a market-based method, using purchase multiples observed for comparable third-party transactions, valuations of comparable entities, projected operating results of the investee entity or subsequent financing transactions entered into by the investee entity. If the inputs for a market-based method are not available, the Company utilizes an income-based method, which considers the net present value of anticipated future cash flows of the investment. A discount may be applied due to the nature or duration of any restrictions on the disposition of the investment. The Company reviews and approves the market-based and income-based methods on a periodic basis for changes that would impact the unobservable inputs incorporated into the valuation process. The fair value measurements from these methods are further validated through price variance analysis, subsequent sales testing and market comparable sales.

The Company records a substantial amount of its investments at fair value or amounts that approximate fair value on a recurring basis. Investments in fund products for which fair value is estimated using NAV as a practical expedient (when the NAV is available to the Company as an investor but is not publicly available) are not classified in the fair value hierarchy. The financial assets and financial liabilities of consolidated collateralized loan obligations ("CLOs") at September 30, 2016 were measured using the more observable fair value of either the financial assets or financial liabilities. Fair values are estimated for disclosure purposes for financial instruments that are not measured at fair value.

Cash and Cash Equivalents primarily consist of debt instruments with original maturities of three months or less at the purchase date, nonconsolidated SIP money market funds, time deposits with maturities of three months or less, and deposits with financial institutions. Cash and cash equivalents are carried at cost, except for debt instruments which are carried at amortized cost. Due to the short-term nature and liquidity of these financial instruments, the carrying values of these assets approximate fair value.

The Company maintains cash and cash equivalents with financial institutions in various countries, limits the amount of credit exposure with any given financial institution and conducts ongoing evaluations of the creditworthiness of the financial institutions with which it does business.

Receivables consist primarily of fees receivable from SIPs and are carried at invoiced amounts. Due to the short-term nature and liquidity of the receivables, the carrying values of these assets approximate fair value.

Investments consist of investment securities, trading and available-for-sale, investments in equity method investees and other investments.

Investment Securities, Trading consist of corporate debt securities, nonconsolidated SIPs and other debt and equity securities, and are carried at fair value. Changes in the fair value of trading securities are recognized as gains and losses in earnings. The fair value of the corporate debt securities is determined using market pricing. The fair values of all SIPs and certain other equity securities are determined based on their published NAV. The fair values of certain other debt and equity securities are determined using independent third-party broker or dealer price quotes. The fair value of certain other debt securities is determined based on discounted cash flows using significant unobservable inputs.

Investment Securities, Available-for-Sale consist primarily of nonconsolidated SIPs and to a lesser extent, debt and other equity securities, and are carried at fair value. Realized gains and losses are included in investment income using the average cost method. Unrealized gains and losses are recorded net of tax as part of accumulated other comprehensive income (loss) until realized. The fair value of the SIPs is determined based on their published NAV. The fair value of the debt securities is primarily determined using independent third-party broker or dealer price quotes. The fair value of other equity securities is determined using quoted market prices.

Investments in Equity Method Investees consist of equity investments in entities, including SIPs, over which the Company is able to exercise significant influence, but not control. Significant influence is generally considered to exist when the Company ' s ownership interest in the investee is between 20% and 50%, although other factors, such as representation on the investee ' s board of directors and the impact of commercial arrangements, also are considered in determining whether the equity method of accounting is appropriate. Investments in limited partnerships and limited liability companies are accounted for using the equity method when the Company ' s investment is more than minor or when the Company is the general partner. Under the equity method of accounting, the investments are initially carried at cost and subsequently adjusted by the Company ' s proportionate share of the entities ' net income, which is recognized in earnings.

Other Investments consist of equity investments in entities over which the Company is unable to exercise significant influence and are not marketable, time deposits with maturities greater than three months from the date of purchase, and life settlement contracts. The equity investments are accounted for under the cost method and their fair value is generally estimated using NAV as a practical expedient. The time deposits are carried at cost, which approximates fair value due to their short-term nature and liquidity. Life settlement contracts are carried at fair value, which is determined based on discounted cash flows using significant unobservable inputs.

Impairment of Investments. Investments other than trading securities are evaluated for other-than-temporary impairment on a quarterly basis when the cost of an investment exceeds its fair value. The evaluation of equity securities includes the severity and duration of the decline in the fair value below cost, the Company ' s intent and ability to hold the security for a period of time sufficient for an anticipated recovery in fair value, and the financial condition and specific events related to the issuer. When an impairment of an equity security is determined to be other-than-temporary, the impairment is recognized in earnings.

Cash and Cash Equivalents of Consolidated SIPs consist of deposits with financial institutions and highly liquid investments, including money market funds, which are readily convertible into cash, and are carried at cost. Due to the short-term nature and liquidity of these financial instruments, their carrying values approximate fair value. At September 30, 2016, cash and cash equivalents of consolidated SIPs also included investments in a money market fund held by consolidated CLOs which were carried at fair value based on the fund ' s published NAV.

Receivables of Consolidated SIPs consist of trades pending settlement and other investment and share transaction related receivables and are carried at transacted amounts. Due to the short-term nature and liquidity of the receivables, the carrying values of these assets approximate fair value.

Investments of Consolidated SIPs consist of trading securities and other investments that are not generally traded in active markets, and are carried at fair value. Changes in the fair value of the investments are recognized as gains and losses in earnings. The fair value of the trading securities is determined using quoted market prices, or independent third-party broker or dealer price quotes if quoted market prices are not available.

The investments that are not generally traded in active markets consist of debt and equity securities of entities in emerging markets and fund products. The fair values of the debt and equity securities are determined using significant unobservable inputs in either a market-based or income-based approach. The fair value of the fund products is determined using NAV as a practical expedient. At September 30, 2016, investments of consolidated SIPs also included corporate debt securities held by consolidated CLOs for which the fair value was primarily obtained from independent third-party broker or dealer price quotes.

Property and Equipment, net are recorded at cost and depreciated using the straight-line method over their estimated useful lives which range from three to 35 years. Expenditures for repairs and maintenance are charged to expense when incurred. Leasehold improvements are amortized using the straight-line method over their estimated useful lives or the lease term, whichever is shorter.

Internal and external costs incurred in connection with developing or obtaining software for internal use are capitalized and amortized over the shorter of the estimated useful lives of the software or the license terms, beginning when the software project is complete and the application is put into production.

Property and equipment is tested for impairment when there is an indication that the carrying value of an asset may not be recoverable. Carrying values are not recoverable when the undiscounted cash flows estimated to be generated by the assets are less than their carrying values. When an asset is determined to not be recoverable, the impairment is measured based on the excess, if any, of the carrying value of the asset over its respective fair value. Fair value is determined by discounted future cash flows models, appraisals or other applicable methods.

Goodwill and Other Intangible Assets, net . Goodwill represents the excess cost of a business acquisition over the fair value of the net assets acquired. Other intangible assets consist of investment management contracts resulting from business acquisitions. These intangible assets are amortized over their estimated useful lives, which range from five to 15 years, using the straight-line method, unless the asset is determined to have an indefinite useful life. Indefinite-lived intangible assets represent contracts to manage investment assets for which there is no foreseeable limit on the contract period.

Goodwill and indefinite-lived intangible assets are tested for impairment annually as of August 1 and when an event occurs or circumstances change that more likely than not reduce the fair value of the related reporting unit or indefinite-lived intangible asset below its carrying value. The Company has one reporting unit, investment management and related services, consistent with its single operating segment, to which all goodwill has been assigned.

Goodwill and indefinite-lived intangible assets may first be assessed for qualitative factors to determine whether it is necessary to perform a quantitative impairment test. The qualitative analysis considers entity-specific and macroeconomic factors and their potential impact on the key assumptions used in the determination of the fair value of the reporting unit or indefinite-lived intangible asset. A quantitative impairment test is performed if the results of the qualitative assessment indicate that it is more likely than not that the fair value of the reporting unit is less than its carrying value or an indefinite-lived intangible asset is impaired, or if a qualitative assessment is not performed.

The quantitative goodwill impairment test involves a two-step process. The first step compares the fair value of the reporting unit to its carrying value. If the carrying value is less than the fair value, no impairment exists and the second step is not performed. If the carrying value is higher than the fair value, there is an indication that impairment may exist and the second step is performed to compute the amount of any impairment. In the second step, impairment is computed by comparing the implied fair value of the reporting unit goodwill with the carrying value of the goodwill.

The quantitative indefinite-lived intangible assets impairment test compares the fair value of the asset to its carrying value. If the carrying value is higher than the fair value, impairment is recognized in the amount of the difference in values.

In estimating the fair value of the reporting unit and indefinite-lived intangible assets, the Company uses an income approach under which future cash flows are discounted. The future cash flow estimates include assumptions about the AUM growth rate, pre-tax profit margin, average effective fee rate, effective tax rate and discount rate, which is based on the Company ’ s weighted average cost of capital.

Definite-lived intangible assets are tested for impairment quarterly. Impairment is indicated when the carrying value of the asset is not recoverable and exceeds its fair value. In evaluating the recoverability of definite-lived intangible assets, the Company estimates the undiscounted future cash flows to be derived from these assets. The future undiscounted cash flow projections include assumptions about AUM growth and effective fee rates, investor redemptions, the pre-tax profit margin, and expected useful lives. If the carrying value of an asset is not recoverable through the related undiscounted cash flows, the

impairment is measured based on the amount by which the carrying value of the asset exceeds its fair value, as determined by discounted cash flows or other methods as appropriate for the asset type.

Impairment is recognized in general, administrative and other expense.

Deferred Sales Commissions consist of up-front commissions paid to financial advisers and broker-dealers on shares sold without a front-end sales charge to investors, and are amortized over the periods in which they are generally recovered from related revenues, which range from one to seven years. Deferred sales commissions are included in other assets in the consolidated balance sheet.

Debt consists of senior notes which are carried at amortized cost. At September 30, 2016, debt also included a loan. The fair values are estimated using quoted market prices, independent third-party broker or dealer price quotes, or prices of publicly traded debt with similar maturities, credit risk and interest rates.

Debt of Consolidated SIPs is carried at amortized cost. The fair value is estimated using a discounted cash flow model that considers current interest rate levels, the quality of the underlying collateral and current economic conditions. At September 30, 2016, debt of consolidated SIPs also included debt of consolidated CLOs which was measured based on the fair value of the assets of the CLOs less the fair value of the Company's own economic interests in the CLOs.

Contingent Consideration Liability consists of the expected future payments related to the Company's commitment to acquire the remaining interests in K2 Advisors Holdings, LLC ("K2") and is included in other liabilities in the consolidated balance sheet. The liability is carried at fair value, determined using an income-based method which considers the net present value of anticipated future cash flows based on estimated future revenue and profits and timing of payments.

Noncontrolling Interests relate almost entirely to consolidated SIPs. Noncontrolling interests that are currently redeemable or convertible for cash or other assets at the option of the holder are classified as temporary equity. Nonredeemable noncontrolling interests are classified as a component of equity. Net income (loss) attributable to third-party investors is reflected as net income (loss) attributable to nonredeemable and redeemable noncontrolling interests in the consolidated statements of income. Sales and redemptions of shares of consolidated SIPs by third-party investors are a component of the change in noncontrolling interests included in financing activities in the consolidated statements of cash flows.

Revenues . Fees from providing investment management and fund administration services ("investment management fees"), distribution fees and shareholder servicing fees are recognized as earned, over the period in which services are rendered, except for performance-based investment management fees, which are recognized when earned. Sales commissions related to the sale of shares of SIPs are recognized on trade date. Investment management fees, other than performance-based fees, and distribution fees are determined based on a percentage of AUM, primarily on a monthly basis using average daily AUM. Performance-based investment management fees are based on performance targets established in the related investment management contracts. Shareholder servicing fees are generally calculated based on the number and type of accounts serviced.

AUM is generally based on the fair value of the underlying securities held by SIPs and is calculated using fair value methods derived primarily from unadjusted quoted market prices, unadjusted independent third-party broker or dealer price quotes in active markets, or market prices or price quotes adjusted for observable price movements after the close of the primary market. The fair values of the underlying securities for which market prices are not readily available are internally valued using various methodologies which incorporate significant unobservable inputs as appropriate for each security type and represent an insignificant percentage of total AUM. Pricing of the securities held by SIPs is governed by the Company ' s global valuation and pricing policy, which defines valuation and pricing conventions for each security type, including practices for responding to unexpected or unusual market events.

Sales commissions and distribution fees are recorded gross of sales and distribution expenses paid to financial advisers and other intermediaries as the Company acts as the principal in its role as primary obligor to the sales and distribution agreements.

Stock-Based Compensation. The fair value of share-based payment awards is estimated on the date of grant based on the market price of the underlying shares of the Company ' s common stock and is amortized to compensation expense on a straight-line basis over the related vesting period, which is generally three years. Expense relating to awards subject to performance conditions is recognized if it is probable that the performance goals will be achieved. The probability of achievement is assessed on a quarterly basis. The total number of awards expected to vest is adjusted for estimated forfeitures.

Postretirement Benefits . Defined contribution plan costs are expensed as incurred.

Income Taxes. Deferred tax assets and liabilities are recorded for temporary differences between the tax basis of assets and liabilities and the reported amounts in the consolidated financial statements using the statutory tax rates in effect for the year when the reported amount of the asset or liability is expected to be recovered or settled, respectively. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income tax expense in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying values of deferred tax assets to the amount that is more likely than not to be realized. For each tax position taken or expected to be taken in a tax return, the Company determines whether it is more likely than not that the position will be sustained upon examination based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon settlement. The Company recognizes the accrual of interest on uncertain tax positions in interest expense and penalties in other operating expenses.

As a multinational corporation, the Company operates in various locations outside the United States and generates earnings from its non-U.S. subsidiaries. The Company indefinitely reinvests the undistributed earnings of all its non-U.S. subsidiaries, except for income previously taxed in the U.S. or subject to regulatory or legal repatriation restrictions or requirements.

Foreign Currency Translation and Transactions. Assets and liabilities of non-U.S. subsidiaries for which the local currency is the functional currency are translated at current exchange rates as of the end of the accounting period. The related revenues and expenses are translated at average exchange rates in effect during the period. Net exchange gains and losses resulting from translation are excluded from income and are recorded as part of accumulated other comprehensive income (loss). Transactions denominated in a foreign currency are revalued at the current exchange rate at the transaction date and any related gains and losses are recognized in earnings.

Note 2 – New Accounting Guidance

Recently Adopted Accounting Guidance

On October 1, 2016 , the Company adopted an amendment to the consolidation guidance issued by the Financial Accounting Standards Board (“FASB”) using the modified retrospective approach which did not require the restatement of prior-year periods. The amendment modifies the consolidation framework for certain investment entities and all limited partnerships. It also eliminates certain criteria used to determine whether fees paid to a decision maker are a variable interest and results in a lower consolidation threshold for VIEs. The adoption caused the consolidation of 24 SIPs that changed from VOEs to VIEs and three other SIPs that are VIEs. In addition, two CLOs for which the Company was previously the primary beneficiary and five limited partnerships were deconsolidated. The adoption resulted in net increases in total assets, redeemable noncontrolling interests and retained earnings of $180.9 million , $824.7 million and $5.8 million , and net decreases in total liabilities, nonredeemable noncontrolling interests and other equity of $317.9 million , $324.6 million and $7.1 million as of October 1, 2016 .

Accounting Guidance Not Yet Adopted

The FASB issued an amendment to the existing stock-based compensation guidance in March 2016. The amendment requires all income tax effects of stock-based awards to be recognized as income tax expense when the awards vest or settle and clarifies the classification of these transactions within the statement of cash flows. The amendment also provides an election to account for forfeitures as they occur, which the Company will make. The Company will adopt the amendment on October 1, 2017. The income tax effect and statement of cash flow changes will be adopted on a prospective basis, and the forfeitures change will be adopted using a modified retrospective basis which will not have a material impact on retained earnings. The Company expects the adoption to increase the volatility of income tax expense as a result of fluctuations in its stock price.

The FASB issued new guidance in May 2014 that requires use of a single principles-based model for recognition of revenue from contracts with customers. The core principle of the model is that revenue is recognized upon the transfer of promised goods or services to customers in an amount that reflects the expected consideration to be received for the goods or services. The guidance also changes the accounting for certain contract costs and revises the criteria for determining if an entity is acting as a principal or agent in certain arrangements. The guidance is effective for the Company on October 1, 2018

and allows for either a full retrospective or modified approach at adoption. While the Company's implementation efforts are ongoing, it does not expect adoption of the guidance to have a significant impact on the timing of recognition for the majority of its operating revenue. The Company is evaluating certain costs to determine if they should be capitalized or expensed based on the criteria in the guidance for costs to obtain or fulfill a contract. Additionally, it is assessing certain arrangements to determine whether it continues to act as a principal and present the related revenue gross of associated expenses. The overall impact upon adoption may differ based on further evaluation, issuance of additional interpretive guidance and other facts and circumstances identified during implementation. The Company has not yet determined its transition approach.

The FASB issued an amendment to the existing financial instruments guidance in January 2016. The amendment requires substantially all equity investments in nonconsolidated entities to be measured at fair value with changes recognized in earnings, except for those accounted for using the equity method of accounting, which will impact all equity securities currently classified as available-for-sale. The amendment also provides an election to measure equity investments that do not have a readily determinable fair value at cost less impairment, if any, which the Company expects to take. The amendment is effective for the Company on October 1, 2018 and requires a cumulative effect adjustment to retained earnings at adoption. The Company does not expect the adoption to have a material impact on its consolidated financial statements; however, this could be affected by market volatility as well as additional facts and circumstances identified during implementation.

The FASB issued new guidance for the accounting for leases in February 2016. The new guidance requires lessees to recognize assets and liabilities arising from substantially all leases. The guidance also requires an evaluation at the inception of a contract to determine whether the contract is or contains a lease. The guidance is effective for the Company on October 1, 2019 and requires a modified retrospective approach at adoption. The Company is currently evaluating the impact of adopting the guidance.

The FASB issued new guidance for the accounting for credit losses in June 2016. The new guidance requires the application of a current expected credit loss model for financial assets measured at amortized cost and an allowance for credit loss model for available-for-sale debt securities. The guidance is effective for the Company on October 1, 2020 and requires a cumulative effect adjustment to retained earnings at adoption. The Company is currently evaluating the impact of adopting the guidance.

Note 3 – Earnings per Share

The components of basic and diluted earnings per share were as follows:

(in millions, except per share data)

for the fiscal years ended September 30,	**2017**	**2016**	**2015**
Net income attributable to Franklin Resources, Inc.	$ 1,696.7	$ 1,726.7	$ 2,035.3
Less: allocation of earnings to participating nonvested stock and stock unit awards	12.4	10.9	12.0
Net Income Available to Common Stockholders	**$ 1,684.3**	**$ 1,715.8**	**$ 2,023.3**
Weighted-average shares outstanding – basic	558.8	583.8	614.8
Dilutive effect of nonparticipating nonvested stock unit awards	0.3	—	0.1
Weighted-Average Shares Outstanding – Diluted	**559.1**	**583.8**	**614.9**
Earnings per Share			
Basic	$ 3.01	$ 2.94	$ 3.29
Diluted	3.01	2.94	3.29

Nonparticipating nonvested stock unit awards excluded from the calculation of diluted earnings per share because their effect would have been antidilutive were 0.7 million for fiscal year 2017 , 1.3 million for the fiscal year ended September 30, 2016 ("fiscal year 2016 "), and 0.9 million for the fiscal year ended September 30, 2015 ("fiscal year 2015 ").

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Note 4 – Investments

The disclosures below include details of the Company's investments, excluding those of consolidated SIPs. See Note 9 – Consolidated Sponsored Investment Products for information related to the investments held by these entities.

Investments consisted of the following:

(in millions) **as of September 30,**	**2017**	**2016**
Investment securities, trading		
SIPs	$ 31.1	$ 844.4
Debt and other equity securities	283.4	277.5
Total investment securities, trading	314.5	1,121.9
Investment securities, available-for-sale		
SIPs	110.8	297.7
Debt and other equity securities	1.9	3.7
Total investment securities, available-for-sale	112.7	301.4
Investments in equity method investees	893.5	797.4
Other investments	72.9	195.9
Total	**$ 1,393.6**	**$ 2,416.6**

Debt and other equity trading securities consist primarily of corporate debt.

Investment securities with aggregate carrying amounts of $0.8 million and $117.3 million were pledged as collateral at September 30, 2017 and 2016 .

Gross unrealized gains and losses relating to investment securities, available-for-sale were as follows:

		Gross Unrealized		
(in millions)	**Cost Basis**	**Gains**	**Losses**	**Fair Value**
as of September 30, 2017				
SIPs	$ 107.9	$ 9.4	$ (6.5)	$ 110.8
Debt and other equity securities	1.9	—	—	1.9
Total	**$ 109.8**	**$ 9.4**	**$ (6.5)**	**$ 112.7**
as of September 30, 2016				
SIPs	$ 289.6	$ 13.7	$ (5.6)	$ 297.7
Debt and other equity securities	3.6	0.1	—	3.7
Total	**$ 293.2**	**$ 13.8**	**$ (5.6)**	**$ 301.4**

Gross unrealized losses relating to investment securities, available-for-sale aggregated by length of time that individual securities have been in a continuous unrealized loss position were as follows:

	Less Than 12 Months		12 Months or Greater		Total	
(in millions)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
as of September 30, 2017						
SIPs	$ 28.4	$ (6.3)	$ 2.4	$ (0.2)	$ 30.8	$ (6.5)
as of September 30, 2016						
SIPs	$ 75.8	$ (4.3)	$ 18.0	$ (1.3)	$ 93.8	$ (5.6)

The Company recognized $0.8 million , $11.1 million and $10.0 million of other-than-temporary impairment during fiscal years 2017 , 2016 and 2015 , of which $5.8 million and $8.2 million in fiscal years 2016 and 2015 related to available-for-sale SIPs.

Note 5 – Fair Value Measurements

The disclosures below include details of the Company's fair value measurements, excluding those of consolidated SIPs. See Note 9 – Consolidated Sponsored Investment Products for information related to fair value measurements of the assets and liabilities of these entities.

The assets and liability measured at fair value on a recurring basis were as follows:

(in millions)				
as of September 30, 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Investment securities, trading				
SIPs	$ 31.1	$ —	$ —	$ 31.1
Debt and other equity securities	18.2	78.4	186.8	283.4
Investment securities, available-for-sale				
SIPs	110.8	—	—	110.8
Debt and other equity securities	1.0	0.6	0.3	1.9
Life settlement contracts	—	—	12.8	12.8
Total Assets Measured at Fair Value	**$ 161.1**	**$ 79.0**	**$ 199.9**	**$ 440.0**
Liability				
Contingent consideration liability	$ —	$ —	$ 51.0	$ 51.0

(in millions) as of September 30, 2016	Level 1	Level 2	Level 3	Total
Assets				
Investment securities, trading				
SIPs	$ 844.4	$ —	$ —	$ 844.4
Debt and other equity securities	2.6	84.1	190.8	277.5
Investment securities, available-for-sale				
SIPs	297.7	—	—	297.7
Debt and other equity securities	1.6	2.1	—	3.7
Life settlement contracts	—	—	14.3	14.3
Total Assets Measured at Fair Value	**$ 1,146.3**	**$ 86.2**	**$ 205.1**	**$ 1,437.6**
Liability				
Contingent consideration liability	$ —	$ —	$ 98.1	$ 98.1

There were no transfers between Level 1 and Level 2, or into Level 3, during fiscal years 2017 and 2016 .

Changes in Level 3 assets and liabilities measured at fair value on a recurring basis were as follows:

	2017		2016	
(in millions) for the fiscal years ended September 30,	Investments	Contingent Consideration Liabilities	Investments	Contingent Consideration Liability
Balance at beginning of year	$ 205.1	$ (98.1)	$ 20.7	$ (102.9)
Acquisition	—	(5.7)	—	—
Total realized and unrealized gains (losses)				
Included in investment and other income, net	8.5	—	(2.4)	—
Included in general, administrative and other expense	—	13.8	—	1.0
Purchases	5.4	—	190.4	—
Sales	(17.7)	—	(4.0)	—
Settlements	(4.8)	39.0	(2.8)	3.8
Transfers out of Level 3	(0.4)	—	—	—
Foreign exchange revaluation	3.8	—	3.2	—
Balance at End of Year	**$ 199.9**	**$ (51.0)**	**$ 205.1**	**$ (98.1)**
Change in unrealized gains (losses) included in net income relating to assets and liability held at end of year	$ 6.0	$ 8.1	$ (4.0)	$ 1.0

Valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements were as follows:

(in millions)

as of September 30, 2017	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Investment securities, trading – debt and other equity securities	$ 175.7	Market pricing	Redemption price	$73 per $100 of par
			Discount rate	18.6%
	11.1	Discounted cash flow	Discount rate	4.1%–6.7% (5.7%)
			Risk premium	2.0%–4.1% (2.9%)
Life settlement contracts	12.8	Discounted cash flow	Life expectancy	20–123 months (62)
			Discount rate	8.0%–20.0% (13.2%)
Contingent consideration liability	51.0	Discounted cash flow	AUM growth rate	1.3%–9.4% (5.3%)
			EBITDA margin	8.5%–8.9% (8.7%)
			Discount rate	14.6%

(in millions)

as of September 30, 2016	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Investment securities, trading - debt and other equity securities	$ 190.8	Discounted cash flow	Discount rate	3.6%–6.9% (6.7%)
			Risk premium	2.0%–17.9% (16.5%)
			Liquidity discount	0.0%–10.0% (9.6%)
Life settlement contracts	14.3	Discounted cash flow	Life expectancy	20–132 months (65)
			Discount rate	3.3%–18.0% (11.5%)
Contingent consideration liability	98.1	Discounted cash flow	AUM growth rate	2.4%–11.5% (5.9%)
			EBITDA margin	14.3%
			Discount rate	13.2%

For investment securities, trading - debt and other equity securities using the market pricing technique, a significant increase (decrease) in the redemption price in isolation would result in a significantly higher (lower) fair value measurement, while a significant increase (decrease) in the discount rate in isolation would result in a significantly lower (higher) fair value measurement.

For investment securities, trading - debt and other equity securities using the discounted cash flow technique, a significant increase (decrease) in the discount rate, risk premium or liquidity discount in isolation would result in a significantly lower (higher) fair value measurement.

For life settlement contracts, a significant increase (decrease) in the life expectancy or the discount rate in isolation would result in a significantly lower (higher) fair value measurement.

For the contingent consideration liability, a significant increase (decrease) in the AUM growth rate or EBITDA margin, or decrease (increase) in the discount rate, in isolation would result in a significantly higher (lower) fair value measurement.

Financial instruments that were not measured at fair value were as follows:

(in millions)		2017		2016	
as of September 30,	**Fair Value Level**	**Carrying Value**	**Estimated Fair Value**	**Carrying Value**	**Estimated Fair Value**
Financial Assets					
Cash and cash equivalents	1	$ 8,523.3	$ 8,523.3	$ 8,247.1	$ 8,247.1
Other investments					
Time deposits	2	13.4	13.4	131.6	131.6
Cost method investments	3	46.7	67.7	50.0	61.3
Financial Liabilities					
Debt					
Senior notes	2	$ 1,044.2	$ 1,073.5	$ 1,348.5	$ 1,412.5
Loan	2	—	—	52.7	52.7

Note 6 – Property and Equipment

Property and equipment, net consisted of the following:

(in millions) **as of September 30,**	**2017**	**2016**	**Useful Lives In Years**
Furniture, software and equipment	$ 804.7	$ 756.4	3 – 10
Premises and leasehold improvements	580.9	563.5	5 – 35
Land	74.2	74.1	N/A
Total cost	1,459.8	1,394.0	
Less: accumulated depreciation and amortization	(942.6)	(870.8)	
Property and Equipment, Net	**$ 517.2**	**$ 523.2**	

Depreciation and amortization expense related to property and equipment was $81.5 million , $81.0 million and $81.6 million in fiscal years 2017 , 2016 and 2015 . The Company recognized insignificant impairment of equipment during each year.

Note 7 – Goodwill and Other Intangible Assets

Goodwill and other intangible assets, net consisted of the following:

(in millions) **as of September 30,**	**2017**	**2016**
Goodwill	$ 1,687.2	$ 1,661.2
Indefinite-lived intangible assets	534.0	530.9
Definite-lived intangible assets, net	6.5	19.2
Goodwill and Other Intangible Assets, Net	**$ 2,227.7**	**$ 2,211.3**

Changes in the carrying value of goodwill were as follows:

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**
Balance at beginning of year	$ 1,661.2	$ 1,661.2
Acquisition	18.8	—
Foreign exchange revaluation	7.2	—
Balance at End of Year	**$ 1,687.2**	**$ 1,661.2**

Indefinite-lived intangible assets consist of management contracts. No impairment of goodwill or indefinite-lived intangible assets was recognized during fiscal years 2017 , 2016 and 2015 .

Definite-lived intangible assets were as follows:

	2017			**2016**		
(in millions) **as of September 30,**	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Value**	**Gross Carrying Value**	**Accumulated Amortization**	**Net Carrying Value**
Management contracts	$ 52.4	$ (45.9)	$ 6.5	$ 60.1	$ (40.9)	$ 19.2

Amortization expense related to definite-lived intangible assets was $3.9 million , $10.4 million and $20.1 million for fiscal years 2017 , 2016 and 2015 .

The Company recognized impairment of management contract definite-lived intangible assets of $9.6 million , $28.2 million and $8.2 million during fiscal years 2017 , 2016 and 2015 . The impairments were primarily related to the K2 acquisition and resulted from increased investor redemptions, as well as lower estimates of future sales and renegotiations of certain investment management fees in fiscal year 2016.

Definite-lived intangible assets had a weighted-average remaining useful life of 8.8 years at September 30, 2017 , with estimated remaining amortization expense as follows:

(in millions) **for the fiscal years ending September 30,**	**Amount**
2018	$ 1.0
2019	0.8
2020	0.8
2021	0.7
2022	0.5
Thereafter	2.7
Total	**$ 6.5**

Note 8 – Debt

The disclosures below include details of the Company's debt, excluding that of consolidated SIPs. See Note 9 – Consolidated Sponsored Investment Products for information related to the debt of these entities.

Debt consisted of the following:

(in millions) as of September 30,	2017	Effective Interest Rate	2016	Effective Interest Rate
Senior Notes				
$300 million 1.375% notes due September 2017	$ —	N/A	$ 299.7	1.66%
$350 million 4.625% notes due May 2020	349.9	4.74%	349.9	4.74%
$300 million 2.800% notes due September 2022	299.6	2.93%	299.5	2.93%
$400 million 2.850% notes due March 2025	399.5	2.97%	399.4	2.97%
Total senior notes	1,049.0		1,348.5	
Other				
Loan due March 2017	—	N/A	52.7	9.89%
Debt issuance costs	(4.8)		—	
Total	**$ 1,044.2**		**$ 1,401.2**	

At September 30, 2017 , the Company's outstanding senior unsecured unsubordinated notes had an aggregate face value of $1.1 billion . The notes have fixed interest rates with interest payable semi-annually and contain an optional redemption feature that allows the Company to redeem each series of notes prior to maturity in whole or in part at any time, at a make-whole redemption price. The indentures governing the notes contain limitations on the Company's ability and the ability of its subsidiaries to pledge voting stock or profit participating equity interests in its subsidiaries to secure other debt without similarly securing the notes equally and ratably. The indentures also include requirements that must be met if the Company consolidates or merges with, or sells all or substantially all of its assets to, another entity.

At September 30, 2016, other debt consisted of the outstanding balance of a loan originated in March 2016 for 6.3 billion Indian Rupees ($93.4 million) at a fixed interest rate of 9.89% to purchase certain securities from SIPs domiciled in India. The loan was secured by a standby letter of credit for 6.5 billion Indian Rupees ($96.6 million) collateralized by a $116.0 million time deposit. The loan agreement was amended in February 2017 with a revised maturity of March 2018, and the loan was fully paid in September 2017.

The Company was in compliance with all debt covenants at September 30, 2017 .

At September 30, 2017 , the Company had $500.0 million of short-term commercial paper available for issuance under an uncommitted private placement program which has been inactive since 2012 .

Note 9 – Consolidated Sponsored Investment Products

The Company consolidates SIPs, which consist of both VOEs and VIEs, when it has a controlling financial interest. New accounting guidance adopted on October 1, 2016 modified the consolidation framework for certain investment entities and all limited partnerships. See Note 2 - New Accounting Guidance in these notes to consolidated financial statements.

Consolidated SIPs consist of mutual and other investment funds, limited partnerships and similar structures and CLOs, which are asset-backed financing entities collateralized by a pool of corporate debt securities. The Company consolidated 58 SIPs, none of which are CLOs, as of September 30, 2017 and 40 SIPs, including three CLOs, as of September 30, 2016 . Amounts for prior periods have been reclassified to combine amounts previously presented separately as consolidated SIPs and consolidated VIEs.

The balances of consolidated SIPs included in the Company's consolidated balance sheets were as follows:

(in millions)

as of September 30,	**2017**	**2016**
Assets		
Cash and cash equivalents	$ 226.4	$ 236.2
Receivables	234.1	47.9
Investments, at fair value	3,467.4	1,513.4
Other assets	0.9	1.4
Total Assets	**$ 3,928.8**	**$ 1,798.9**
Liabilities		
Accounts payable and accrued expenses	$ 124.1	$ 65.2
Debt	53.4	682.2
Other liabilities	8.7	8.5
Total liabilities	186.2	755.9
Redeemable Noncontrolling Interests	1,941.9	61.1
Stockholders' Equity		
Franklin Resources, Inc.'s interests	1,511.8	414.1
Nonredeemable noncontrolling interests	288.9	567.8
Total stockholders' equity	1,800.7	981.9
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity	**$ 3,928.8**	**$ 1,798.9**

The consolidated SIPs did not have a significant impact on net income attributable to the Company in fiscal years 2017 , 2016 and 2015 .

The Company has no right to the consolidated SIPs' assets, other than its direct equity investments in them and investment management fees earned from them. The debt holders of the consolidated SIPs have no recourse to the Company's assets beyond the level of its direct investment, therefore the Company bears no other risks associated with the SIPs' liabilities.

SIPs are typically consolidated when the Company makes an initial investment in a newly launched investment entity. They are typically deconsolidated when the Company no longer has a controlling financial interest due to redemptions of its investment or increases in third-party investments. The Company's investments in SIPs subsequent to deconsolidation are accounted for as trading or available-for-sale investment securities, or equity method or cost method investments depending on the structure of the SIP and the Company's role and level of ownership.

Investments

Investments of consolidated SIPs consisted of the following:

(in millions) **as of September 30,**	**2017**	**2016**
Investment securities, trading	$ 3,017.2	$ 287.8
Other equity securities	306.9	607.3
Other debt securities	143.3	618.3
Total	**$ 3,467.4**	**$ 1,513.4**

Investment securities, trading consist of debt and equity securities that are traded in active markets. Other equity securities consist of equity securities of entities in emerging markets and fund products. Other debt securities consist of debt securities of entities in emerging markets and also included corporate debt securities held by CLOs at September 30, 2016.

Investments in fund products for which fair value was estimated using NAV as a practical expedient were as follows:

(in millions) **as of September 30,**	**Redemption Frequency**	**2017**	**2016**
Real estate and private equity funds	Nonredeemable	$ 155.2	$ 444.2
Hedge funds	Monthly, quarterly or triennially	—	1.8
Total		**$ 155.2**	**$ 446.0**

The investments in real estate and private equity funds are expected to be returned through distributions as a result of liquidations of the funds' underlying assets over a weighted-average period of 4.4 years and 3.2 years at September 30, 2017 and 2016 . The consolidated SIPs' unfunded commitments to these funds totaled $1.9 million and $74.4 million at September 30, 2017 and 2016 , of which the Company was contractually obligated to fund $0.4 million and $2.2 million based on its ownership percentage in the SIPs.

Fair Value Measurements

Assets and liabilities of consolidated SIPs measured at fair value on a recurring basis were as follows:

(in millions) **as of September 30, 2017**	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**
Assets					
Investments					
Equity securities	$ 331.4	$ 128.1	$ 160.7	$ 155.2	$ 775.4
Debt securities	1.4	2,555.2	135.4	—	2,692.0
Total Assets Measured at Fair Value	**$ 332.8**	**$ 2,683.3**	**$ 296.1**	**$ 155.2**	**$ 3,467.4**
Liabilities					
Other liabilities	$ 0.4	$ 8.3	$ —	$ —	$ 8.7

(in millions) **as of September 30, 2016**	**Level 1**	**Level 2**	**Level 3**	**NAV as a Practical Expedient**	**Total**
Assets					
Cash and cash equivalents of CLOs	$ 146.4	$ —	$ —	$ —	$ 146.4
Receivables of CLOs	—	23.6	—	—	23.6
Investments					
Equity securities	155.4	0.5	160.3	446.0	762.2
Debt securities	—	618.9	132.3	—	751.2
Total Assets Measured at Fair Value	**$ 301.8**	**$ 643.0**	**$ 292.6**	**$ 446.0**	**$ 1,683.4**
Liabilities					
Other liabilities	$ 0.1	$ 8.4	$ —	$ —	$ 8.5

Receivables of CLOs consisted primarily of investment trades pending settlement. The fair value of the assets was obtained from independent third-party broker or dealer quotes.

Other liabilities consist of short positions in debt and equity securities. The fair value of the liabilities is determined based on the fair value of the underlying securities using quoted market prices, or independent third-party broker or dealer price quotes if quoted market prices securities are not available.

There were no transfers between Level 1 and Level 2, or into or out of Level 3, during fiscal years 2017 and 2016 .

Changes in Level 3 assets measured at fair value on a recurring basis were as follows:

	2017			**2016**		
(in millions) **for the fiscal years ended September 30,**	**Equity Securities**	**Debt Securities**	**Total Level 3 Assets**	**Equity Securities**	**Debt Securities**	**Total Level 3 Assets**
Balance at beginning of year	$ 160.3	$ 132.3	$ 292.6	$ 191.6	$ 130.2	$ 321.8
Adoption of new accounting guidance	(45.4)	(0.5)	(45.9)	—	—	—
Realized and unrealized gains (losses) included in investment and other income, net	19.2	(0.3)	18.9	1.2	(10.5)	(9.3)
Purchases	30.4	24.7	55.1	1.6	26.8	28.4
Sales	(6.7)	(22.3)	(29.0)	(34.0)	(15.4)	(49.4)
Settlements	—	(0.6)	(0.6)	—	—	—
Foreign exchange revaluation	2.9	2.1	5.0	(0.1)	1.2	1.1
Balance at End of Year	**$ 160.7**	**$ 135.4**	**$ 296.1**	**$ 160.3**	**$ 132.3**	**$ 292.6**
Change in unrealized gains (losses) included in net income relating to assets held at end of year	$ 29.4	$ (0.9)	$ 28.5	$ (1.1)	$ (10.9)	$ (12.0)

Valuation techniques and significant unobservable inputs used in recurring Level 3 fair value measurements were as follows:

(in millions)

as of September 30, 2017	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Equity securities	$ 101.9	Market comparable companies	EBITDA multiple	5.5–12.3 (9.0)
	44.4	Discounted cash flow	Discount rate	5.7%–17.9% (14.3%)
	14.4	Market pricing	Price to earnings ratio	10.0
Debt securities	112.7	Discounted cash flow	Discount rate	5.0%–33.0% (9.5%)
			Risk premium	0.0%–25.0% (8.4%)
	22.7	Market pricing	Private sale pricing	$33–$57 ($52) per $100 of par

(in millions)

as of September 30, 2016	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average)
Equity securities	$ 113.1	Market comparable companies	EBITDA multiple	5.0–14.2 (10.3)
			Discount for lack of marketability	25.0%–50.0% (36.6%)
	24.3	Discounted cash flow	Discount rate	5.0%–19.0% (13.7%)
	22.9	Market pricing	Price to book value ratio	1.8–2.3 (2.0)
Debt securities	119.7	Discounted cash flow	Discount rate	6.0%–15.0% (10.4%)
			Risk premium	0.0%–28.0% (9.7%)
			EBITDA multiple	5.5
	12.6	Market pricing	Private sale pricing	$57 per $100 of par

Following are descriptions of the sensitivity of the Level 3 recurring fair value measurements to changes in the significant unobservable inputs presented in the above tables.

For securities using the market comparable companies valuation technique, a significant increase (decrease) in the EBITDA multiple in isolation would result in a significantly higher (lower) fair value measurement. A significant increase (decrease) in the discount for lack of marketability in isolation would result in a significantly lower (higher) fair value measurement. The discount for lack of marketability used to determine fair value may include other factors such as liquidity or credit risk.

For securities using the discounted cash flow valuation technique, a significant increase (decrease) in the discount rate or risk premium in isolation would result in a significantly lower (higher) fair value measurement. A significant increase (decrease) in the EBITDA multiple in isolation would result in a significantly higher (lower) fair value measurement.

For securities using a market pricing valuation technique, a significant increase (decrease) in the price to earnings ratio, private sale pricing or price to book value ratio would result in a significantly higher (lower) fair value measurement.

Financial instruments of consolidated SIPs that were not measured at fair value were as follows:

(in millions) as of September 30,	Fair Value Level	2017 Carrying Value	2017 Estimated Fair Value	2016 Carrying Value	2016 Estimated Fair Value
Financial Assets					
Cash and cash equivalents	1	$ 226.4	$ 226.4	$ 89.8	$ 89.8
Financial Liabilities					
Debt, excluding CLOs	3	$ 53.4	$ 53.1	$ 75.0	$ 74.6
Debt of CLOs [1]	2 or 3	—	—	607.2	594.5

[1] Substantially all was Level 2.

Debt

Debt of consolidated SIPs consisted of the following:

(in millions) as of September 30,	2017 Amount	2017 Weighted-Average Effective Interest Rate	2016 Amount	2016 Weighted-Average Effective Interest Rate
Debt, excluding CLOs	$ 53.4	5.15%	$ 75.0	4.79%
Debt of CLOs	—	N/A	607.2	2.24%
Total	**$ 53.4**		**$ 682.2**	

Debt, excluding CLOs had fixed and floating interest rates ranging from 2.84% to 6.75% at September 30, 2017 , and from 2.36% to 6.19% at September 30, 2016 .

At September 30, 2017 , maturities for debt of consolidated SIPs were as follows:

(in millions) for the fiscal years ending September 30,	Carrying Amount
2018	$ 5.8
2019	47.6
Total	**$ 53.4**

Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests of consolidated SIPs were as follows:

(in millions) for the fiscal years ended September 30,	2017	2016	2015
Balance at beginning of year	$ 61.1	$ 59.6	$ 234.8
Adoption of new accounting guidance	824.7	—	—
Net income (loss)	53.0	1.6	(6.1)
Net subscriptions and other	884.3	79.9	149.4
Net consolidations (deconsolidations)	118.8	(80.0)	(318.5)
Balance at End of Year	**$ 1,941.9**	**$ 61.1**	**$ 59.6**

Collateralized Loan Obligations

During fiscal years 2017 and 2016 , the Company recognized $4.8 million and $6.2 million of net gains related to its own economic interests in consolidated CLOs.

Note 10 – Nonconsolidated Variable Interest Entities

VIEs for which the Company is not the primary beneficiary consist of SIPs and other investment products in which the Company has an equity ownership interest. The Company’s maximum exposure to loss from these VIEs consists of equity investments and investment management fee receivables as follows:

(in millions) **as of September 30,**	**2017**	**2016**
Receivables	$ 155.6	$ 21.4
Investments	129.3	77.3
Total	**$ 284.9**	**$ 98.7**

While the Company has no contractual obligation to do so, it routinely makes cash investments in the course of launching SIPs. The Company also may voluntarily elect to provide its SIPs with additional direct or indirect financial support based on its business objectives. The Company did not provide financial or other support to its SIPs during fiscal year 2017 . During fiscal year 2016 , the Company purchased $182.7 million of certain debt securities from six SIPs domiciled in India in order to provide additional liquidity to the SIPs.

Note 11 – Taxes on Income

Taxes on income were as follows:

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Current expense			
Federal	$ 585.0	$ 582.8	$ 733.9
State	65.3	47.5	83.1
Non-U.S.	100.2	102.8	121.1
Deferred expense (benefit)	8.9	9.0	(14.4)
Total	**$ 759.4**	**$ 742.1**	**$ 923.7**

The tax benefit from the utilization of net operating loss carry-forwards was insignificant in fiscal years 2017 , 2016 and 2015 . The Company had tax shortfalls of $8.7 million and $5.9 million in fiscal years 2017 and 2016 associated with stock-based compensation plans, which increased the amount of income taxes that would have otherwise been payable, and a tax benefit of $10.9 million in fiscal year 2015 which reduced the amount of income taxes that would have otherwise been payable. The tax shortfalls and benefit are reflected as components of stockholders ’ equity.

Income before taxes consisted of the following:

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
U.S.	$ 1,594.5	$ 1,641.7	$ 2,026.4
Non-U.S.	954.6	858.1	1,002.0
Total	**$ 2,549.1**	**$ 2,499.8**	**$ 3,028.4**

The Company’s income in certain countries is subject to reduced tax rates due to tax rulings. The impact of the reduced rates on income tax expense was $28.8 million or $0.05 per diluted share for fiscal year 2017 , $34.2 million or $0.06 per diluted share for fiscal year 2016 , and $68.3 million or $0.11 per diluted share for fiscal year 2015 . The tax rulings will expire in fiscal years 2019 and 2022 .

The significant components of deferred tax assets and deferred tax liabilities were as follows:

(in millions)

as of September 30,	**2017**	**2016**
Deferred Tax Assets		
Deferred compensation and employee benefits	$ 60.2	$ 52.9
Stock-based compensation	36.1	36.6
Net operating loss carry-forwards	28.4	32.5
Tax benefit for uncertain tax positions	17.9	19.8
Other	23.9	12.5
Total deferred tax assets	166.5	154.3
Valuation allowance for net operating loss carry-forwards	(25.2)	(24.6)
Deferred tax assets, net of valuation allowance	141.3	129.7
Deferred Tax Liabilities		
Goodwill and other purchased intangibles	205.2	202.8
Depreciation on fixed assets	35.3	18.0
Investments in partnerships	26.0	17.9
Deferred commissions	15.0	18.3
Other	14.6	16.5
Total deferred tax liabilities	296.1	273.5
Net Deferred Tax Liability	**$ 154.8**	**$ 143.8**

Deferred income tax assets and liabilities that relate to the same tax jurisdiction are presented net on the consolidated balance sheets. The components of the net deferred tax liability were classified in the consolidated balance sheets as follows:

(in millions)

as of September 30,	**2017**	**2016**
Other assets	$ 15.8	$ 17.7
Deferred tax liabilities	170.6	161.5
Net Deferred Tax Liability	**$ 154.8**	**$ 143.8**

At September 30, 2017 , there were $131.4 million of non-U.S. net operating loss carry-forwards, $62.4 million of which expire between fiscal years 2019 and 2038 with the remaining carry-forwards having an indefinite life. In addition, there were $32.2 million in state net operating loss carry-forwards that expire between fiscal years 2020 and 2037 . A partial valuation allowance has been provided to offset the related deferred tax assets due to the uncertainty of realizing the benefit of the net operating loss carry-forwards. The valuation allowance increased $0.6 million in fiscal year 2017 and decreased $9.4 million in fiscal year 2016 .

The Company has made no provision for U.S. income taxes on $9.0 billion of cumulative undistributed non-U.S. earnings that are indefinitely reinvested at September 30, 2017 . Determination of the potential amount of unrecognized deferred U.S. income tax liability related to such reinvested non-U.S. earnings is not practicable because of the numerous assumptions associated with this hypothetical calculation. However, foreign tax credits would be available to reduce some portion of this amount. Changes to the Company’s policy of reinvestment or repatriation of non-U.S. earnings may have a significant effect on its financial condition and results of operations.

A reconciliation of the amount of tax expense at the federal statutory rate and taxes on income as reflected in the consolidated statements of income is as follows:

(in millions)

for the fiscal years ended September 30,	**2017**			**2016**			**2015**		
Federal taxes at statutory rate	$	892.2	35.0%	$	874.9	35.0%	$	1,059.9	35.0%
State taxes, net of federal tax effect		41.4	1.6%		42.7	1.7%		51.6	1.7%
Effect of non-U.S. operations		(146.2)	(5.7%)		(153.0)	(6.1%)		(148.5)	(4.9%)
Effect of net income attributable to noncontrolling interests		(32.6)	(1.3%)		(10.9)	(0.4%)		(24.3)	(0.8%)
Other		4.6	0.2%		(11.6)	(0.5%)		(15.0)	(0.5%)
Tax Provision	**$**	**759.4**	**29.8%**	**$**	**742.1**	**29.7%**	**$**	**923.7**	**30.5%**

A reconciliation of the beginning and ending balances of gross unrecognized tax benefits is as follows:

(in millions)

for the fiscal years ended September 30,	**2017**		**2016**		**2015**	
Balance at beginning of year	$	82.1	$	105.2	$	118.2
Additions for tax positions of prior years		6.6		0.6		12.6
Reductions for tax positions of prior years		(1.3)		(9.0)		(3.4)
Tax positions related to the current year		11.6		12.9		16.2
Settlements with taxing authorities		(5.2)		(5.4)		(0.1)
Expirations of statute of limitations		(12.7)		(22.2)		(38.3)
Balance at End of Year	**$**	**81.1**	**$**	**82.1**	**$**	**105.2**

If recognized, substantially all of the balance, net of any deferred tax benefits, would favorably affect the Company’s effective income tax rate in future periods.

Accrued interest on uncertain tax positions at September 30, 2017 and 2016 was $10.4 million and $9.6 million , and is not presented in the unrecognized tax benefits table above. Interest expense (benefit) of $1.6 million , $(1.3) million and $(6.6) million was recognized during fiscal years 2017 , 2016 and 2015 . Accrued penalties at September 30, 2017 and 2016 were insignificant.

The Company files a consolidated U.S. federal income tax return, multiple U.S. state and local income tax returns, and income tax returns in multiple non-U.S. jurisdictions. The Company is subject to examination by the taxing authorities in these jurisdictions. The Company’s major tax jurisdictions and the tax years for which the statutes of limitations have not expired are as follows: India 2003 to 2017; Canada 2010 to 2017; Hong Kong 2011 to 2017; Singapore 2012 to 2017; Luxembourg 2014 to 2017; the U.K. 2015 to 2017; U.S. federal 2014 to 2017; the States of California and Florida 2013 to 2017; the States of Massachusetts and New York, and City of New York 2014 to 2017; and the State of Minnesota 2015 to 2017.

The Company has on-going examinations in various stages of completion in the States of California, Missouri and New York, and in Canada, Hong Kong, India and Switzerland. Examination outcomes and the timing of settlements are subject to significant uncertainty. Such settlements may involve some or all of the following: the payment of additional taxes, the adjustment of deferred taxes and/or the recognition of unrecognized tax benefits. The Company has recognized a tax benefit only for those positions that meet the more-likely-than-not recognition threshold. It is reasonably possible that the total unrecognized tax benefit as of September 30, 2017 could decrease by an estimated $12.6 million within the next twelve months as a result of the expiration of statutes of limitations in the U.S. federal and certain U.S. state and local and non-U.S. tax jurisdictions, and potential settlements with U.S. states and non-U.S. taxing authorities.

Note 12 – Commitments and Contingencies

Legal Proceedings

On July 28, 2016, a former employee filed a class action lawsuit captioned Cryer v. Franklin Resources, Inc., et al. in the United States District Court for the Northern District of California against Franklin, the Franklin Templeton 401(k) Retirement Plan ("Plan") Investment Committee ("Investment Committee"), and unnamed Investment Committee members. The plaintiff asserts a claim for breach of fiduciary duty under the Employee Retirement Income Security Act ("ERISA"), alleging that the defendants selected mutual funds sponsored and managed by the Company (the "Funds") as investment options for the Plan when allegedly lower-cost and better performing non-proprietary investment vehicles were available. The plaintiff also claims that the total Plan costs, inclusive of investment management and administrative fees, are excessive. The plaintiff alleges that Plan losses exceed $79.0 million and seeks, among other things, damages, disgorgement, rescission of the Plan's investments in the Funds, attorneys' fees and costs, and pre- and post-judgment interest.

On November 2, 2017, a second former employee, represented by the same law firm, filed another putative class action lawsuit relating to the Plan in the same court, captioned Fernandez v. Franklin Resources, Inc., et al. This second action names the same defendants as those named in the Cryer action, but also includes as defendants the Franklin Board of Directors, individual current and former Franklin directors, and individual current and former Investment Committee members. The plaintiff in this second lawsuit seeks to assert the same ERISA breach of fiduciary duty claim asserted in the Cryer action, as well as claims for alleged prohibited transactions by virtue of the Plan ' s investments in the Funds and for an alleged failure to monitor the performance of the Investment Committee. The plaintiff alleges that Plan losses exceed $60.0 million and seeks the same relief sought in the Cryer action.

Management strongly believes that the claims made in these lawsuits are without merit. Discovery is continuing in the Cryer action and the Fernandez action has not yet been served. Franklin will defend against both actions vigorously. Franklin cannot at this time predict the eventual outcome of the lawsuits or whether they will have a material negative impact on the Company, or reasonably estimate the possible loss or range of loss that may arise from any negative outcome.

The Company is from time to time involved in other litigation relating to claims arising in the normal course of business. Management is of the opinion that the ultimate resolution of such claims will not materially affect the Company ' s business, financial position, results of operations or liquidity. In management ' s opinion, an adequate accrual has been made as of September 30, 2017 to provide for any probable losses that may arise from such matters for which the Company could reasonably estimate an amount.

Other Commitments and Contingencies

The Company leases office space and equipment under operating leases expiring at various dates through fiscal year 2032 . Lease expense was $56.3 million , $69.3 million and $58.0 million in fiscal years 2017 , 2016 and 2015 . Sublease income totaled $0.4 million , $1.6 million and $1.7 million in fiscal years 2017 , 2016 and 2015 .

Future minimum lease payments under long-term non-cancelable operating leases were as follows as of September 30, 2017 :

(in millions)

for the fiscal years ending September 30,	**Amount**
2018	$ 44.7
2019	41.1
2020	35.6
2021	31.4
2022	28.4
Thereafter	185.8
Total Minimum Lease Payments	**$ 367.0**

Future minimum rentals to be received under non-cancelable subleases totaled $0.5 million at September 30, 2017 .

While the Company has no contractual obligation to do so, it routinely makes cash investments in the course of launching SIPs. At September 30, 2017 , the Company had $73.5 million of committed capital contributions which relate to discretionary commitments to invest in SIPs and other investment products. These unfunded commitments are not recorded in the Company ' s consolidated balance sheet.

Note 13 – Stock-Based Compensation

The Company's stock-based compensation plans consist of the Amended and Restated Annual Incentive Compensation Plan (the "AIP"), the 2002 Universal Stock Incentive Plan, as amended and restated (the "USIP") and the amended and restated Franklin Resources, Inc. 1998 Employee Stock Investment Plan (the "ESIP"). The Compensation Committee of the Board of Directors determines the terms and conditions of awards under the AIP, the USIP and the ESIP.

Stock-based compensation expenses were as follows:

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Stock and stock unit awards	$ 117.0	$ 125.3	$ 133.6
Employee stock investment plan	6.4	6.2	6.4
Total	**$ 123.4**	**$ 131.5**	**$ 140.0**

Stock and Stock Unit Awards

Under the terms of the AIP, eligible employees may receive cash, equity awards and/or mutual fund unit awards generally based on the performance of the Company, its funds and the individual employee. The USIP provides for the issuance of the Company's common stock for various stock-related awards to officers, directors and employees. There are 120.0 million shares authorized under the USIP, of which 21.0 million shares were available for grant at September 30, 2017 .

Stock awards generally entitle holders to the right to sell the underlying shares of the Company's common stock once the awards vest. Stock unit awards generally entitle holders to receive the underlying shares of common stock once the awards vest. Awards generally vest based on the passage of time or the achievement of predetermined Company financial performance goals. In the event a performance measure is not achieved at or above a specified threshold level, the portion of the award tied to such performance measure is forfeited.

Stock and stock unit award activity was as follows:

(shares in thousands) **for the fiscal year ended September 30, 2017**	**Time-Based Shares**	**Performance-Based Shares**	**Total Shares**	**Weighted-Average Grant-Date Fair Value**
Nonvested balance at September 30, 2016	2,369	1,288	3,657	$ 45.67
Granted	2,739	1,124	3,863	34.23
Vested	(2,082)	(355)	(2,437)	43.90
Forfeited/canceled	(243)	(296)	(539)	42.86
Nonvested Balance at September 30, 2017	**2,783**	**1,761**	**4,544**	**$ 37.23**

Total unrecognized compensation expense related to nonvested stock and stock unit awards, net of estimated forfeitures, was $118.9 million at September 30, 2017 . This expense is expected to be recognized over a remaining weighted-average vesting period of 1.6 years . The weighted-average grant-date fair values of stock awards and stock unit awards granted during fiscal years 2017 , 2016 and 2015 were $34.23 , $40.88 and $55.65 per share. The total fair value of stock and stock unit awards vested during the same periods was $104.0 million , $92.8 million and $115.2 million .

The Company generally does not repurchase shares upon vesting of stock and stock unit awards. However, in order to pay taxes due in connection with the vesting of employee and executive officer stock and stock unit awards, shares are repurchased using a net stock issuance method.

Employee Stock Investment Plan

The ESIP allows eligible participants to buy shares of the Company's common stock at a discount of its market value on defined dates. A total of 0.8 million shares were issued under the ESIP during fiscal year 2017 , and 3.6 million shares were reserved for future issuance at September 30, 2017 .

Note 14 – Defined Contribution Plans

The Company sponsors a 401(k) plan that covers substantially all U.S. employees who meet certain employment requirements. Participants may contribute up to 50% of pretax annual compensation and up to 100% of the cash portion of the participant ' s year-end bonus, as defined by the plan and subject to Internal Revenue Code limitations, each year to the plan. In addition, certain of the Company ' s non-U.S. subsidiaries sponsor defined contribution plans primarily for the purpose of providing deferred compensation incentives for employees and to comply with local regulatory requirements. The total expenses recognized for defined contribution plans were $45.5 million , $46.8 million and $46.4 million for fiscal years 2017 , 2016 and 2015 .

Note 15 – Segment and Geographic Information

The Company has one operating segment, investment management and related services.

Geographic information was as follows:

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Operating Revenues			
United States	$ 3,898.4	$ 4,063.6	$ 4,634.2
Luxembourg	1,652.8	1,707.9	2,278.6
Asia-Pacific	281.0	267.9	311.8
Canada	260.8	273.8	339.0
The Bahamas	205.9	204.6	250.2
Europe, the Middle East and Africa, excluding Luxembourg	83.2	94.0	126.8
Latin America	10.1	6.2	8.1
Total	**$ 6,392.2**	**$ 6,618.0**	**$ 7,948.7**

(in millions) **as of September 30,**	**2017**	**2016**	**2015**
Property and Equipment, Net			
United States	$ 426.1	$ 428.0	$ 406.9
Asia-Pacific	60.2	62.9	68.9
The Bahamas	13.4	14.3	14.6
Europe, the Middle East and Africa	12.2	14.9	14.8
Canada	5.3	3.1	4.5
Latin America	—	—	0.4
Total	**$ 517.2**	**$ 523.2**	**$ 510.1**

Operating revenues are generally allocated to geographic areas based on the location of the subsidiary providing services.

Note 16 – Other Income (Expenses)

Other income (expenses) consisted of the following:

(in millions) **for the fiscal years ended September 30,**	**2017**	**2016**	**2015**
Investment and Other Income, Net			
Dividend income	$ 13.9	$ 20.6	$ 10.3
Interest income	74.9	36.5	10.8
Gains (losses) on trading investment securities, net	12.2	50.1	(22.3)
Realized gains on sale of investment securities, available-for-sale	5.6	32.1	28.1
Realized losses on sale of investment securities, available-for-sale	(1.6)	(3.2)	(4.0)
Income (losses) from investments in equity method investees	107.9	56.7	(63.2)
Other-than-temporary impairment of investments	(0.8)	(11.1)	(10.0)
Gains (losses) on investments of consolidated SIPs, net	118.2	(13.5)	18.0
Foreign currency exchange gains (losses), net	(16.0)	(2.9)	57.0
Other, net	22.0	18.7	15.7
Total	336.3	184.0	40.4
Interest Expense	(51.5)	(49.9)	(39.6)
Other Income, Net	**$ 284.8**	**$ 134.1**	**$ 0.8**

Substantially all of the Company's dividend income and realized gains and losses on sale of available-for-sale securities were generated by investments in its nonconsolidated SIPs. Interest income was primarily generated by cash equivalents and trading investment securities. Proceeds from the sale of available-for-sale securities were $51.6 million , $269.4 million and $221.3 million for fiscal years 2017 , 2016 and 2015 .

Net gains (losses) recognized on the Company ' s trading investment securities that were held at September 30, 2017 , 2016 and 2015 were $5.0 million , $27.9 million and $(20.3) million . Net gains (losses) recognized on trading investment securities of consolidated SIPs that were held at September 30, 2017 , 2016 and 2015 were $21.9 million , $9.4 million and $(17.7) million .

Note 17 – Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component were as follows:

(in millions) **for the fiscal year ended September 30, 2017**	**Unrealized Gains on Investments**	**Currency Translation Adjustments**	**Unrealized Losses on Defined Benefit Plans**	**Total**
Balance at October 1, 2016	$ 6.8	$ (346.1)	$ (8.1)	$ (347.4)
Adoption of new accounting guidance	(6.8)	(0.3)	—	(7.1)
Other comprehensive income				
Other comprehensive income before reclassifications, net of tax	6.5	65.4	2.1	74.0
Reclassifications to net investment and other income, net of tax	(4.3)	—	—	(4.3)
Total other comprehensive income	2.2	65.4	2.1	69.7
Balance at September 30, 2017	**$ 2.2**	**$ (281.0)**	**$ (6.0)**	**$ (284.8)**

(in millions) **for the fiscal year ended September 30, 2016**	**Unrealized Gains on Investments**	**Currency Translation Adjustments**	**Unrealized Losses on Defined Benefit Plans**	**Total**
Balance at October 1, 2015	$ 19.3	$ (327.8)	$ (5.7)	$ (314.2)
Other comprehensive loss				
Other comprehensive income (loss) before reclassifications, net of tax	2.7	(18.3)	(2.4)	(18.0)
Reclassifications to net investment and other income, net of tax	(15.2)	—	—	(15.2)
Total other comprehensive loss	(12.5)	(18.3)	(2.4)	(33.2)
Balance at September 30, 2016	**$ 6.8**	**$ (346.1)**	**$ (8.1)**	**$ (347.4)**

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

Item 9A. Controls and Procedures.

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the U.S. Securities Exchange Act of 1934 (the "Exchange Act")) as of September 30, 2017 . Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company ' s disclosure controls and procedures as of September 30, 2017 were designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC ' s rules and forms, and (ii) accumulated and communicated to management, including the principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended September 30, 2017 , that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and the Report of Independent Registered Public Accounting Firm set forth in Item 8 of Part II of this Form 10-K are incorporated herein by reference.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item 10 with respect to executive officers of the Company is contained at the end of Part I of this Form 10-K under the heading "Executive Officers of the Registrant."

Code of Ethics. The Company has adopted a Code of Ethics and Business Conduct (the "Code of Ethics") that applies to the Company ' s principal executive officer, principal financial officer, principal accounting officer, controller, and any persons performing similar functions, as well as all directors, officers and employees of the Company and its subsidiaries and affiliates. The Code of Ethics is posted on the Company's website at www.franklinresources.com under "Corporate Governance." A copy of the Code of Ethics is available in print free of charge to any stockholder who requests a copy. Interested parties may address a written request for a printed copy of the Code of Ethics to: Secretary, Franklin Resources, Inc., One Franklin Parkway, San Mateo, California 94403-1906. The Company intends to satisfy the disclosure requirement regarding any amendment to, or a waiver from, a provision of the Code of Ethics for the Company's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, by posting such information on its website.

The other information required by this Item 10 is incorporated by reference from the information provided under the sections entitled "Proposal No. 1 Election of Directors–Nominees," "Information about the Board and its Committees–The Audit Committee" and "Section 16(a) Beneficial Ownership Reporting Compliance" from the Company's definitive proxy statement for its annual meeting of stockholders (" 2018 Proxy Statement") to be filed with the SEC within 120 days after September 30, 2017 .

Item 11. Executive Compensation.

The information required by this Item 11 is incorporated by reference from the information provided under the sections entitled "Director Fees," "Compensation Discussion and Analysis" and "Executive Compensation" of the Company's 2018 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The information required by this Item 12 with respect to security ownership of certain beneficial owners and management is incorporated by reference from the information provided under the sections entitled "Stock Ownership of Certain Beneficial Owners" and "Stock Ownership and Stock-Based Holdings of Directors and Executive Officers" of the Company's 2018 Proxy Statement.

Equity Compensation Plan Information.

The following table sets forth certain information as of September 30, 2017 with respect to the shares of the Company's common stock that may be issued under the Company's existing compensation plans that have been approved by stockholders and plans that have not been approved by stockholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by stockholders [1]	2,397,393 [2]	N/A [3]	24,546,139 [4]
Equity compensation plans not approved by stockholders	—	—	—
Total	**2,397,393**	**N/A**	**24,546,139**

[1] Consists of the 2002 Universal Stock Incentive Plan, as amended and restated (the "USIP") and the amended and restated Franklin Resources, Inc. 1998 Employee Stock Investment Plan (the "ESIP"). Equity securities granted under the USIP may include awards in connection with the Amended and Restated Annual Incentive Compensation Plan and the 2014 Key Executive Incentive Compensation Plan.

[2] Represents restricted stock unit awards under the USIP that may be settled in shares of the Company's common stock. Excludes options to purchase shares of the Company's common stock accruing under the Company's ESIP. Under the ESIP, each eligible employee is granted a separate option to purchase up to 6,000 shares of common stock each semi-annual accrual period on January 31 and July 31 at a purchase price per share equal to 85% of the fair market value of the common stock on the enrollment date or the exercise date, whichever is lower.

[3] Does not take into account restricted stock unit awards under the USIP.

[4] As of September 30, 2017 , 3.6 million shares of common stock were available for future issuance under the ESIP and 21.0 million shares of common stock were available for future issuance under the USIP.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this Item 13 is incorporated by reference from the information provided under the sections entitled "Proposal No. 1 Election of Directors-General," "Corporate Governance–Director Independence Standards" and "Certain Relationships and Related Transactions" of the Company's 2018 Proxy Statement.

Item 14. Principal Accountant Fees and Services.

The information required by this Item 14 is incorporated by reference from the information provided under the section entitled "Fees Paid to Independent Registered Public Accounting Firm" of the Company's 2018 Proxy Statement.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a)(1) The financial statements filed as part of this report are listed in Item 8 of this Form 10-K.

(a)(2) No financial statement schedules are required to be filed as part of this report because all such schedules have been omitted. Such omission has been made on the basis that information is provided in the financial statements, or in the related notes thereto, in Item 8 of this Form 10-K or is not required to be filed as the information is not applicable.

(a)(3) The exhibits listed on the Exhibit Index to this Form 10-K are incorporated herein by reference.

Item 16. Form 10-K Summary.

None.

EXHIBIT INDEX

Exhibit No.	Description
3(i)(a)	Registrant's Certificate of Incorporation, as filed November 28, 1969, incorporated by reference to Exhibit (3)(i) to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 001-09318) (the "1994 Annual Report")
3(i)(b)	Registrant's Certificate of Amendment of Certificate of Incorporation, as filed March 1, 1985, incorporated by reference to Exhibit 3(ii) to the 1994 Annual Report
3(i)(c)	Registrant's Certificate of Amendment of Certificate of Incorporation, as filed April 1, 1987, incorporated by reference to Exhibit 3(iii) to the 1994 Annual Report
3(i)(d)	Registrant's Certificate of Amendment of Certificate of Incorporation, as filed February 2, 1994, incorporated by reference to Exhibit 3(iv) to the 1994 Annual Report
3(i)(e)	Registrant's Certificate of Amendment of Certificate of Incorporation, as filed on February 4, 2005, incorporated by reference to Exhibit (3)(i)(e) to the Registrant's Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)
3(ii)	Registrant's Amended and Restated Bylaws (as adopted and effective October 23, 2017), incorporated by reference to Exhibit 3.1 to the Registrant's Form 8-K filed with the SEC on October 23, 2017 (File No. 001-09318)
4.1	Indenture between the Registrant and The Bank of New York Mellon Trust Company, N.A. (as successor to Chemical Bank), as trustee, dated as of May 19, 1994, incorporated by reference to Exhibit 4 to the Registrant's Registration Statement on Form S-3 filed with the SEC on April 14, 1994 (File No. 033-53147)
4.2	First Supplemental Indenture, dated October 9, 1996, between the Registrant and The Bank of New York Mellon Trust Company, N.A. (as successor to The Chase Manhattan Bank), as trustee, incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-3 filed with the SEC on October 4, 1996 (File No. 333-12101)
4.3	Second Supplemental Indenture, dated May 20, 2010, between the Registrant and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed with the SEC on May 20, 2010 (File No. 001-09318)
4.4	Third Supplemental Indenture, dated September 24, 2012, between the Registrant and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed with the SEC on September 24, 2012 (File No. 001-09318)
4.5	Fourth Supplemental Indenture, dated March 30, 2015, between the Registrant and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Registrant's Form 8-K filed with the SEC on March 30, 2015 (File No. 001-09318)
10.1	Representative Form of Amended and Restated Indemnification Agreement with directors of the Registrant, incorporated by reference to Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2006 (File No. 001-09318)*

Exhibit No.	Description
10.2	Representative Form of Notice of Restricted Stock Award and Restricted Stock Award Agreement (RSA) under the Registrant's 2002 Universal Stock Incentive Plan for certain executive officers of the Registrant, incorporated by reference to Exhibit 10.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2014 (File No. 001-09318) (the "2014 Annual Report")*
10.3	Representative Form of Notice of Restricted Stock Unit Award and Restricted Stock Unit Award Agreement (RSU) under the Registrant's 2002 Universal Stock Incentive Plan for certain executive officers of the Registrant, incorporated by reference to Exhibit 10.3 to the 2014 Annual Report*
10.4	2006 Directors Deferred Compensation Plan, as amended and restated effective March 13, 2013, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2013 (File No. 001-09318)*
10.5	1998 Employee Stock Investment Plan (as amended and restated effective September 13, 2017) (filed herewith)*
10.6	2002 Universal Stock Incentive Plan (as amended and restated effective June 14, 2017) (filed herewith)*
10.7	Amended and Restated Annual Incentive Compensation Plan (as amended and restated effective June 14, 2016), incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2016 (File No. 001-09318)*
10.8	2014 Key Executive Incentive Compensation Plan (as adopted and effective December 10, 2013), incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on March 13, 2014 (File No. 001-09318)*
10.9	Non-Employee Director Compensation as of October 17, 2016, incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the period ended December 31, 2016 (File No. 001-09318)*
10.10	Named Executive Officer Compensation as of October 1, 2017 (filed herewith)*
12	Computation of Ratios of Earnings to Fixed Charges (filed herewith)
21	List of Subsidiaries (filed herewith)
23	Consent of Independent Registered Public Accounting Firm (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following materials from the Registrant's Annual Report on Form 10-K for the fiscal year ended September 30, 2017, formatted in Extensible Business Reporting Language (XBRL), include: (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Stockholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes (filed herewith)

* Management Contract or Compensatory Plan or Arrangement

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

FRANKLIN RESOURCES, INC.

Date:	November 13, 2017	By:	/s/ Kenneth A. Lewis
			Kenneth A. Lewis, Chief Financial Officer and Executive Vice President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

Date:	November 13, 2017	By:	/s/ Peter K. Barker
			Peter K. Barker, Director
Date:	November 13, 2017	By:	/s/ Mariann Byerwalter
			Mariann Byerwalter, Director
Date:	November 13, 2017	By:	/s/ Charles E. Johnson
			Charles E. Johnson, Director
Date:	November 13, 2017	By:	/s/ Gregory E. Johnson
			Gregory E. Johnson, Chairman, Director and Chief Executive Officer (Principal Executive Officer)
Date:	November 13, 2017	By:	/s/ Rupert H. Johnson, Jr.
			Rupert H. Johnson, Jr., Vice Chairman and Director
Date:	November 13, 2017	By:	/s/ Kenneth A. Lewis
			Kenneth A. Lewis, Chief Financial Officer and Executive Vice President (Principal Financial and Accounting Officer)
Date:	November 13, 2017	By:	/s/ Mark C. Pigott
			Mark C. Pigott, Director
Date:	November 13, 2017	By:	/s/ Chutta Ratnathicam
			Chutta Ratnathicam, Director
Date:	November 13, 2017	By:	/s/ Laura Stein
			Laura Stein, Director
Date:	November 13, 2017	By:	/s/ Seth H. Waugh
			Seth H. Waugh, Director
Date:	November 13, 2017	By:	/s/ Geoffrey Y. Yang
			Geoffrey Y. Yang, Director

EXHIBIT 10.5

FRANKLIN RESOURCES, INC.

1998 EMPLOYEE STOCK INVESTMENT PLAN

As Amended and Restated effective as of September 13, 2017

The following constitute the provisions of the 1998 Employee Stock Investment Plan of Franklin Resources, Inc.

1. Purpose. The purpose of the Plan is to provide Eligible Employees of the Company and its Designated Parents, Subsidiaries or Affiliates with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. This Plan includes two components: a Code Section 423 Component (the "423 Component") and a non-Code Section 423 Component (the "Non-423 Component"). It is the intention of the Company to have the 423 Component qualify as an "Employee Stock Investment Plan" under Section 423 of the Code and the applicable regulations thereunder. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in the 423 Component in a manner consistent with the requirements of that section of the Code. Except as otherwise indicated or determined by the Plan Administrator pursuant to the terms hereof, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Affiliate" shall mean any corporation or other entity affiliated with the Company or in which the Company has an interest.

(b) "Applicable Laws" means the legal requirements relating to the administration of employee stock investment plans, if any, under applicable provisions of federal securities laws, state corporate and securities laws, the Code and the applicable regulations thereunder, the rules of any applicable stock exchange or national market system, and the rules of any foreign jurisdiction applicable to participation in the Plan by residents therein.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Common Stock" means the common stock of the Company.

(f) "Company" means Franklin Resources, Inc., a Delaware corporation.

(g) "Compensation" means an Eligible Employee's base salary including paid time off and overtime (whether such amount is reflected by one amount or several separate components making up an aggregate amount) and commissions from the Company or one or more Designated Parents, Subsidiaries or Affiliates, including such amounts of base salary and commissions as are deferred by the Eligible Employee (i) under a qualified cash or deferred arrangement described in Section 401(k) of the Code, or (ii) to a plan qualified under Section 125 of the Code. Compensation does **not** include bonuses, restricted stock awards, other annual awards, other incentive payments, reimbursements or other expense allowances, fringe benefits (cash or noncash), moving expenses, deferred compensation, profit sharing or other employer matching contributions (other than employee deferral contributions described in the first sentence) made on the Eligible Employee's behalf by the Company or one (1) or more Designated Parents, Subsidiaries or Affiliates under any employee benefit or welfare plan now or hereafter established, and any other payments not specifically referenced in the first sentence.

(h) "Corporate Transaction" means any of the following stockholder-approved transactions to which the Company is a party:

(1) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;

(2) the sale, transfer or other disposition of all or substantially all of the assets of the Company (including the capital stock of the Company's subsidiary corporations) in connection with complete liquidation or dissolution of the Company; or

(3) any reverse merger in which the Company is the surviving entity, but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger.

(i) " Designated Parents or Subsidiaries " means the Parents or Subsidiaries which have been designated by the Plan Administrator from time to time as eligible to participate in the 423 Component.

(j) " Designated Affiliate " shall mean any Affiliate selected by the Plan Administrator as eligible to participate in the Non-423 Component.

(k) " Eligible Employee " means any individual, including an officer or director, who is (i) an employee of the Company or a Designated Parent or Subsidiary for purposes of Section 423 of the Code or (ii) treated as an active employee in the records of any Designated Affiliate other than an individual who, as of the commencement of a Purchase Period, resides in a country that has been specifically excluded from participation in the Non-423 Component at the discretion of the Plan Administrator. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on a Leave of Absence. Where the period of leave exceeds three (3) months and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to have terminated on the day that is three (3) months and one (1) day of such leave for purposes of determining eligibility to participate in the Plan. Unless otherwise determined by the Plan Administrator, the employment relationship shall be treated as continuing intact where an Eligible Employee transfers employment from one Designated Parent, Designated Subsidiary or Designated Affiliate to another, provided, however, that to be eligible to participate in the 423 Component, the Participant must be employed by a Designated Parent or Designated Subsidiary on the commencement of a Purchase Period and through a date that is at least three (3) months prior to the Exercise Date. The Plan Administrator may in its discretion establish rules to govern other such transfers consistent with the applicable requirements of Section 423 of the Code.

(l) " Enrollment Date " means the first day of each Purchase Period.

(m) " Exchange Act " means the Securities Exchange Act of 1934, as amended.

(n) " Exercise Date " means the last day of each Purchase Period.

(o) " Fair Market Value " means, as of any date, the closing price of the Common Stock on the New York Stock Exchange Composite Tape on such date. In the event such date is not a Market Trading Day, then such closing price for the next Market Trading Day immediately following such date shall be used.

(p) " Leave of Absence " means the following types of unpaid or reduced pay leaves of absence authorized by the Participant's employer: pregnancy leave and/or parental leave, bereavement leave, compassionate care leave, family responsibility or family medical leave, emergency leave, sick or medical leave, or any other similar leave of absence as approved by the Company.

(q) " Market Trading Day " means a day on which the New York Stock Exchange is open for trading and the Company's Common Stock was traded on such date.

(r) " Offering " means an offer under the Plan of an option that may be exercised during a Purchase Period as further described in Section 4. Unless otherwise specified by the Plan Administrator, each Offering to the Eligible Employees of the Company, a Designated Subsidiary or a Designated Affiliate shall be deemed a separate Offering (the terms of which Offering under the Non-423 Component need not be identical), even if the dates and other terms of each such Offering are identical, and the provisions of the Plan will separately apply to each Offering. To the extent permitted by U.S. Treasury Regulation Section 1.423-2(a)(1), the terms of each separate Offering under the Section 423 Component need not be identical, provided that the terms of the Plan and an Offering together satisfy U.S. Treasury Regulation Section 1.423-2(a)(2) and (a)(3).

(s) " Parent " means a "parent corporation" of the Company, whether now or hereafter existing, as defined in Section 424(e) of the Code.

(t) " Participant " means an Eligible Employee of the Company or Designated Parent or Subsidiary or Designated Affiliate who has completed a subscription agreement as set forth in Section 5(a) and is thereby enrolled in the Plan.

(u) "Plan" means this 1998 Employee Stock Investment Plan, as amended and restated.

(v) "Plan Administrator" means, separately and not jointly, the Board, the Compensation Committee of the Board, and the duly appointed executive officers of the Company, each of whom shall have the authority to administer the Plan as set forth herein.

(w) "Purchase Period" means a purchase period established pursuant to Section 4 hereof.

(x) "Purchase Price" shall mean an amount equal to Eighty-Five Percent (85%) of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower.

(y) "Reserves" means, as of any date, the sum of (1) the number of shares of Common Stock covered by each then outstanding option under the Plan which has not yet been exercised and (2) the number of shares of Common Stock which have been authorized for issuance under the Plan but not then subject to an outstanding option.

(z) "Subsidiary" means a "subsidiary corporation" of the Company, whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Eligibility.

(a) General. Any individual who is an Eligible Employee for the ten (10) business day period prior to and including a given Enrollment Date shall be eligible to participate in the Plan for the Purchase Period commencing with such Enrollment Date. No individual who is not an Eligible Employee shall be eligible to participate in the Plan.

(b) Limitations on Grant and Accrual. Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Eligible Employee (taking into account stock owned by any other person whose stock would be attributed to such Eligible Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Parent or Subsidiary, or (ii) which permits the Eligible Employee's rights to purchase stock under all employee stock investment plans of the Company and its Parents or Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (US$25,000) worth of stock (determined at the Fair Market Value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time. The determination of the accrual of the right to purchase stock shall be made in accordance with Section 423(b)(8) of the Code and the regulations thereunder. Notwithstanding the foregoing, the Plan Administrator may waive the limits set forth in this Section 3(b) with respect to any Offering under the Non-423 Component if necessary, in the Plan Administrator's discretion, to comply with Applicable Laws.

(c) Other Limits on Eligibility. Notwithstanding subsection (a) above, Eligible Employees who are subject to rules or laws of a foreign jurisdiction (x) that prohibit the participation of such Eligible Employees in the Plan, or (y) in the case of the 423 Component, compliance with which would cause the Plan to be in violation of any requirement of Section 423 of the Code or the regulations thereunder, shall not be eligible to participate in the Plan for any relevant Purchase Period. Further, in the case of the Non-423 Component, Eligible Employees may be excluded from participation in the Plan if the Plan Administrator has determined that participation of such Eligible Employees is not advisable or practicable.

4. Purchase Periods.

(a) The Plan shall be implemented through separate Offerings and overlapping or consecutive Purchase Periods until such time as (i) the maximum number of shares of Common Stock available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated in accordance with Section 19 hereof. The Plan Administrator shall designate, in its discretion, whether each Offering falls under the 423 Component or the Non-423 Component. As of February 1, 2012, the Plan shall be implemented through consecutive Purchase Periods of six (6) months' duration commencing on each February 1 and August 1 and concluding on each July 31 and January 31, respectively. The Plan Administrator shall have the authority to change the length and commencement date of any Purchase Period. Notwithstanding the foregoing, in the event the Company determines it is inadvisable to issue and/or purchase shares of Common Stock under the Plan as of any Exercise Date, issuances and/or purchases under the Plan shall be delayed until a date specified by the Plan Administrator.

(b) A Participant shall be granted a separate option for each Purchase Period in which he or she participates. The option shall be granted on the Enrollment Date and shall be automatically exercised on the Exercise Date for the Purchase Period.

(c) Except as specifically provided herein, the acquisition of Common Stock through participation in the Plan for any Purchase Period shall neither limit nor require the acquisition of Common Stock by a Participant in any subsequent Purchase Period.

5. Participation .

(a) Subject to Section 3, an Eligible Employee may become a Participant in the Plan by completing a subscription agreement, in a form designated by the Plan Administrator from time to time, whether in hard copy or in electronic form, authorizing payroll deductions (where permitted) and submitting it with the designated payroll office of the Company (where required) prior to the Enrollment Date for the Purchase Period in which such participation will commence, unless a later time for filing the subscription agreement is set by the Plan Administrator for all Eligible Employees who may participate in a given Offering. In the event an Eligible Employee is on a Leave of Absence, such Eligible Employee may participate in the Plan by making direct contributions to the Plan in the form and manner as authorized by the Plan Administrator.

(b) Subject to the provisions of Section 6(b), payroll deductions for a Participant shall commence with the first payroll period following the Enrollment Date and shall end on the last complete payroll period during the Purchase Period, unless sooner terminated by the Participant as provided in Section 10. A Participant who is on a Leave of Absence may make direct contributions to the Plan in the form and manner as authorized by the Plan Administrator.

6. Payroll Deductions .

(a) Subject to the provisions of Section 6(b), at the time a Participant files a subscription agreement, the Participant shall elect to have payroll deductions made during the Purchase Period in amounts between one percent (1%) and not exceeding ten percent (10%) of the Compensation which the Participant receives during the Purchase Period. Subject to Section 6(c), if a Participant has been participating in the Plan prior to taking a Leave of Absence, any direct contributions to the Plan made by such Participant during a Leave of Absence together with any payroll deductions continuing during such Leave of Absence shall in combination be at the same rate as in effect prior to such Leave of Absence. A Participant may commence participation in the Plan even if on a Leave of Absence by filing a subscription agreement as provided in this Section 6(a) and by making direct contributions, along with any payroll deductions which, either individually or together, as the case may be, total between one percent (1%) and ten percent (10%) of the Compensation which such Participant received immediately preceding the commencement of such Leave of Absence.

(b) A Participant may not make any additional payments into such Participant's account under the Plan except as provided above for a Participant on a Leave of Absence and except as may be required to comply with the laws of certain non-U.S. jurisdictions where payroll deductions may be prohibited by law or to conform to local practice in such non-U.S. jurisdictions. All payroll deductions made for a Participant (and/or any direct contributions, as permitted under the Plan) shall be credited to such Participant's account under the Plan and will be withheld in whole percentages only.

(c) A Participant may discontinue participation in the Plan as provided in Section 10, or may decrease the rate of payroll deductions (and/or direct contributions, if applicable), during the Purchase Period by completing and filing with the Company a new subscription agreement authorizing a decrease in the payroll deduction rate (and/or rate of direct contribution, if applicable). The decrease in rate shall be effective with the first full payroll period commencing fifteen (15) days after the Company's receipt of the new subscription agreement unless the Company elects to process a given change in participation more quickly. A Participant may increase the rate of payroll deductions (and/or direct contributions, if applicable), for a future Purchase Period by filing with the Company a new subscription agreement authorizing an increase in the payroll deduction rate within fifteen (15) days (unless the Company elects to process a given change in participation more quickly) before the commencement of the upcoming Purchase Period. A Participant's subscription agreement shall remain in effect for successive Purchase Periods unless terminated as provided in Section 10. The Plan Administrator shall be authorized to limit the number of payroll deduction rate changes during any Purchase Period.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) herein, a Participant's payroll deductions (and/or direct contributions for a Participant on a Leave of Absence or in non-U.S. jurisdictions, as applicable and as provided in Sections 6(a) and (b) hereof) shall be decreased to 0%. Payroll deductions (and/or direct contributions, if applicable) shall recommence at the rate provided in such Participant's subscription agreement, as amended, at the time when permitted under Section 423(b)(8) of the Code (in the case of

participation in the 423 Component) and Section 3(b) herein, unless such participation is sooner terminated by the Participant as provided in Section 10.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the Participant must make adequate provision for the Company's or its Parent's, Subsidiary's, or Affiliate's federal, state, or any other tax liability payable to any authority, national insurance, social security, payment on account or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock including, for the avoidance of doubt, any liability of the Participant to pay an employer tax or social contribution obligation, which liability has been shifted to the Participant as a matter of law or contract. At any time, the Company or its Parent, Subsidiary or Affiliate, as applicable, may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary for the Company or its Parent, Subsidiary or Affiliate, as applicable, to meet applicable withholding obligations, including any withholding required to make available to the Company or its Parent, Subsidiary or Affiliate, as applicable, any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Eligible Employee. In addition, the Company or its Parent, Subsidiary or Affiliate, as applicable, may, but will not be obligated to, withhold from the proceeds of the sale of Common Stock or employ any other method of withholding the Company or its Parent, Subsidiary or Affiliate, as applicable, deems appropriate.

7. Grant of Option. On the Enrollment Date, each Participant in an Offering shall be granted an option to purchase on the Exercise Date of the applicable Purchase Period (at the applicable Purchase Price) up to a number of shares of the Common Stock determined by dividing such Participant's payroll deductions (and/or direct contributions, if applicable) accumulated prior to such Exercise Date by the applicable Purchase Price; provided (i) that such option shall be subject to the limitations set forth in Sections 3(b), 6 and 12 hereof, and (ii) the maximum number of shares of Common Stock a Participant shall be permitted to purchase in any Purchase Period shall be two thousand (2,000) shares, subject to adjustment as provided in Section 18 hereof. Exercise of the option shall occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10, and the option, to the extent not exercised, shall expire on the last day of the Purchase Period with respect to which such option was granted. Notwithstanding the foregoing, shares subject to the option may only be purchased with accumulated payroll deductions (and/or any direct contributions, as permitted under the Plan) credited to a Participant's account in accordance with Section 6 of the Plan. In addition, to the extent an option is not exercised on each Purchase Date, the option shall lapse and thereafter cease to be exercisable.

8. Exercise of Option. Unless a Participant withdraws from the Plan as provided in Section 10 below, such Participant's option for the purchase of shares will be exercised automatically on each Exercise Date, and the maximum number of shares (including fractional shares) subject to the option shall be purchased for such Participant at the applicable Purchase Price with the accumulated payroll deductions (and direct contributions) in such Participant's account. The Plan Administrator shall be authorized to establish procedures for the handling of fractional shares, including the distribution of cash in lieu thereof. Notwithstanding the foregoing, any amount remaining in a Participant's account following the purchase of shares on the Exercise Date due to the application of Section 423(b)(8) of the Code or Section 7, above, shall be returned to the Participant and shall not be carried over to the next Purchase Period. During a Participant's lifetime, a Participant's option to purchase shares hereunder is exercisable only by the Participant.

9. Delivery. The shares purchased under the Plan will be delivered in uncertificated form by way of an electronic transfer to the individual account of a Participant. Upon receipt of a request from a Participant after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to such Participant, as promptly as practicable, of a certificate representing the shares purchased upon exercise of the Participant's option.

10. Withdrawal; Termination of Employment.

(a) A Participant (i) may withdraw all, but not less than all of the payroll deductions (and/or direct contributions, if applicable) credited to such Participant's account and not yet used to exercise such Participant's option under the Plan at any time or (ii) terminate future payroll deductions(and/or direct contributions, if applicable), but allow accumulated payroll deductions (and/or direct contributions, if applicable) to be used to exercise the Participant's option under the Plan at any time by giving at least fifteen (15) days prior written notice to the Company (subject to any shorter period as may be required under Applicable Laws), in a form designated by the Plan Administrator from time to time, whether in hard copy or electronic form. If the Participant elects withdrawal alternative (i) described above, all of the Participant's payroll deductions (and/or direct contributions, if applicable) credited to the Participant's account will be paid to such Participant as promptly as practicable after receipt of the notice of withdrawal, such Participant's option for the Purchase Period will be automatically terminated, and no further payroll deductions (and/or direct contributions, if applicable) for the purchase of shares will be made during the Purchase Period. If the Participant elects withdrawal alternative (ii) described above, no further payroll deductions (and/or direct contributions, if applicable) for the purchase of shares will be made during the Purchase Period, all of the

Participant's payroll deductions (and/or direct contributions, if applicable) credited to the Participant's account will be applied to the exercise of the Participant's option on the Exercise Date (subject to Sections 3(b), 6, 7 and 12) and after such Exercise Date, such Participant's option for the Purchase Period will be automatically terminated and all remaining accumulated payroll deduction amounts (and/or direct contributions, if applicable) shall be returned to the Participant. If a Participant withdraws from a Purchase Period, payroll deductions (and/or direct contributions, if applicable) will not resume at the beginning of the succeeding Purchase Period unless the Participant delivers a new subscription agreement to the Company.

(b) Upon a Participant's ceasing to be an Eligible Employee for any reason or upon termination of a Participant's employment relationship (as described in Section 2(k)), the payroll deductions (and/or direct contributions, if applicable) credited to such Participant's account during the Purchase Period, but not yet used to purchase shares will be returned to such Participant or, in the case of such Participant's death, to the person or persons entitled thereto under Section 14, and such Participant's option will be automatically terminated.

11. Interest . No interest shall accrue on the payroll deductions (and/or direct contributions, if applicable) credited to a Participant's account under the Plan. Notwithstanding the foregoing, if the Plan Administrator determines that interest is required to be accrued on the payroll deductions or contributions for Participants in the Non-423 Component or any separate Offering under the 423 Component, then the Plan Administrator shall cause such interest to accrue to the extent required by applicable non-U.S. requirements.

12. Stock .

(a) The maximum number of shares of Common Stock which shall be made available for sale under the Plan shall be eight million (8,000,000) shares, subject to adjustment upon changes in capitalization of the Company as provided in Section 18. For avoidance of doubt, such maximum number of shares may be used to satisfy exercises of options under the 423 Component or the Non-423 Component, or both. With respect to any amendment to increase the total number of shares of Common Stock under the Plan, the Plan Administrator shall have discretion to disallow the purchase of any increased shares of Common Stock for the Purchase Period in existence prior to such increase. If the Plan Administrator determines that on a given Exercise Date the number of shares with respect to which options are to be exercised may exceed (x) the number of shares then available for sale under the Plan or (y) the number of shares available for sale under the Plan on the Enrollment Date of the Purchase Period in which such Exercise Date is to occur, the Plan Administrator may make a pro rata allocation of the shares remaining available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine to be equitable, and shall either continue all Offerings then in effect or terminate any one or more Offerings then in effect pursuant to Section 19, below. Any amount remaining in a Participant's payroll account following such pro rata allocation shall be returned to the Participant and shall not be carried over to any future Purchase Period, as determined by the Plan Administrator.

(b) A Participant will have no interest or voting right in shares covered by the Participant's option until such shares are actually purchased on the Participant's behalf in accordance with the applicable provisions of the Plan. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such purchase.

(c) Shares to be delivered to a Participant under the Plan will be registered in the name of the Participant.

13. Administration . The Plan shall be administered by the Plan Administrator, which shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan, including whether Participants shall participate in the 423 Component or the Non-423 Component and which entities shall be Designated Subsidiaries or Designated Affiliates. Every finding, decision and determination made by the Plan Administrator shall, to the full extent permitted by Applicable Law, be final and binding upon all persons. Notwithstanding any provision to the contrary in this Plan, the Plan Administrator may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures for jurisdictions outside of the United States. Without limiting the generality of the foregoing, the Plan Administrator is specifically authorized to adopt rules, procedures and subplans, which for purposes of the Non-423 Component may be outside the scope of Section 423 of the Code, regarding, but not limited to, eligibility to participate, the definition of Compensation, handling of payroll deductions, making of contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold payroll deductions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates which vary with local requirements.

14. Designation of Beneficiary .

(a) Subject to any alternative rules promulgated by the Plan Administrator pursuant to Section 13, each Participant will file a written or electronic designation of a beneficiary who is to receive any shares and cash, if any, from the Participant's account under the Plan in the event of such Participant's death.

(b) Such designation of beneficiary may be changed by the Participant (and the Participant's spouse, if any) at any time by written notice. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living (or in existence) at the time of such Participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Plan Administrator), the Plan Administrator shall deliver such shares and/or cash to the spouse (or domestic partner, as determined by the Plan Administrator) of the Participant, or if no spouse (or domestic partner) is known to the Plan Administrator, then to the issue of the Participant, such distribution to be made per stirpes (by right of representation), or if no issue are known to the Plan Administrator, then to the heirs at law of the Participant determined in accordance with applicable law. Notwithstanding the foregoing, in the absence of a beneficiary validly designated under the Plan who is living (or in existence) at the time of death of a Participant residing outside the U.S., any required distribution under the Plan shall be made to the executor or administrator of the estate of the Participant, or to such other individual as may be prescribed by applicable law.

15. Transferability . No payroll deductions (and/or direct contributions, if applicable) credited to a Participant's account, options granted hereunder, or any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 14 hereof) by the Participant, nor shall it be subject to attachment or other legal process of whatever nature. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Plan Administrator may, in its sole discretion, treat such act as an election to withdraw funds from a Purchase Period in accordance with Section 10; provided, however, that the shares purchased under the Plan may also be delivered in uncertificated form by way of an electronic transfer to the individual account of Participant.

16. Use of Funds . All payroll deductions (and/or direct contributions, if applicable) received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions or hold them exclusively for the benefit of Participants, except for payroll deductions (and/or direct contributions, if applicable) made to a Non-423 Component Offering or a separate Offering under the 423 Component where, as determined by the Plan Administrator, non-U.S. law requires segregation of such amounts. Except as required by applicable local law, all payroll deductions (and/or direct contributions, if applicable) received or held by the Company may be subject to the claims of the Company's general creditors. Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Plan Administrator, the Company or any Designated Parent, Subsidiary or Affiliate and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of the Company or a Designated Parent, Subsidiary or Affiliate. The Participants shall have no claim against the Company or any Designated Parent, Subsidiary or Affiliate for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan. Notwithstanding the other provisions of this Section 16, Participants in the Non-423 Component or a separate Offering under the 423 Component may have additional rights where required under local law, as determined by the Plan Administrator in its discretion.

17. Reports . Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to Participants at least annually, which statements will set forth the amounts of payroll deductions (and/or direct contributions, if applicable), the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization; Corporate Transactions .

(a) Adjustments Upon Changes in Capitalization . Subject to any required action by the stockholders of the Company, the Reserves, the Purchase Price, the maximum number of shares that may be purchased in any Purchase Period, as well as any other terms that the Plan Administrator determines require adjustment shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued

shares of Common Stock effected without receipt of consideration by the Company; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment, if any, shall be made by the Plan Administrator and its determination shall be final, binding and conclusive. Except as the Plan Administrator determines, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the Reserves and the Purchase Price.

(b) Corporate Transactions . In the event of a proposed Corporate Transaction, each option under the Plan shall be assumed by such successor corporation or a parent or subsidiary of such successor corporation, unless the Plan Administrator, in the exercise of its sole discretion and in lieu of such assumption, determines to shorten the Purchase Period then in progress by setting a new Exercise Date (the "New Exercise Date"). If the Plan Administrator shortens the Purchase Period then in progress in lieu of assumption in the event of a Corporate Transaction, the Plan Administrator shall notify each Participant in writing at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that either :

(1) the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Purchase Period as provided in Section 10; or

(2) the Company shall pay to the Participant on the New Exercise Date an amount in cash, cash equivalents, or property as determined by the Plan Administrator that is equal to the excess, if any, of (i) the Fair Market Value of the shares subject to the option over (ii) the Purchase Price due had the Participant's option been exercised automatically under Subsection (b)(1) above. In addition, all remaining accumulated payroll deduction (and/or direct contributions, if applicable) amounts shall be returned to the Participant.

(c) For purposes of this Section 18, an option granted under the Plan shall be deemed to be assumed if, in connection with the Corporate Transaction, the option is replaced with a comparable option with respect to shares of capital stock of the successor corporation or Parent thereof. The determination of option comparability shall be made by the Plan Administrator prior to the Corporate Transaction and its determination shall be final, binding and conclusive on all persons.

19. Amendment or Termination .

(a) The Board or a Committee of the Board that is responsible for the administration of the Plan may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18, this Section 19 and Section 26, no such termination can adversely affect options previously granted, provided that the Plan or any one or more Offerings may be terminated by the Plan Administrator on any Exercise Date or by the Plan Administrator establishing a new Exercise Date with respect to any Offering then in progress if the Plan Administrator determines that the termination of the Plan or such one or more Offerings is in the best interests of the Company and its stockholders. Except as provided in Section 18, this Section 19 and Section 26, no amendment may make any change in any option theretofore granted which adversely affects the rights of any Participant without the consent of affected Participants. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other Applicable Law), the Company shall obtain stockholder approval of any amendment in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any Participant rights may be considered to have been "adversely affected," the Plan Administrator shall be entitled to limit the frequency and/or number of changes in the amount withheld during Purchase Periods, determine the length of any future Purchase Period, determine whether future Purchase Periods shall be consecutive or overlapping, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable foreign jurisdictions, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation, amend an outstanding option if, in the Plan Administrator's discretion, it determines that such amendment is necessary or advisable to comply with Applicable Laws and establish such other limitations or procedures as the Plan Administrator determines in its sole discretion advisable and which are consistent with the Plan, in each case to the extent consistent with the requirements of Code Section 423 (with respect to the 423 Component) and other Applicable Laws.

(c) On December 13, 2006, the Board approved an amendment and restatement of the Plan to (i) increase the maximum number of shares available for sale or as a matching grant under the Plan to eight million (8,000,000) shares, (ii) extend the term of the Plan to January 31, 2018, and (iii) remove, for Purchase Periods occurring on and after the

date the Board approved such amendment and restatement, the provision that an Eligible Employee will not be eligible to participate in the Plan for any relevant Purchase Period if such Eligible Employee's customary employment is less than 20 hours per week. The increase in the maximum number of shares available under the Plan required the approval of the Company's stockholders, which was obtained on January 25, 2007. On June 19, 2007 **,** the Plan was amended to allow direct contributions to the Plan for Participants on Leaves of Absence. On July 9, 2007, the Plan was amended to (A) provide that the term "Accrual Period" shall refer to a "Purchase Period" effective for Purchase Periods commencing on and after August 1, 2007; and (B) provide that the duration of Purchase Periods commencing on and after August 1, 2007 shall be shortened from twenty-four (24) months to six (6) months. The 2007 Plan amendments do not require the approval of the Company's stockholders. On June 17, 2008, the Plan was amended to change the definition of "Purchase Price" so that it referred to an amount equal to 85% (rather than 90%) of the Fair Market Value of a share of Common Stock, and to eliminate the provision regarding Company discretionary matching grants under the Plan for Purchase Periods commencing on or after August 1, 2008. The June 2008 amendments do not require the approval of the Company's stockholders. On October 12, 2009, the Plan was amended, effective as of February 1, 2010 (such amendments not subject to stockholder approval) to (A) bring the Plan in to compliance with proposed changes to the regulations promulgated under Section 423 of the Code, (B) modify the definitions of "Exercise Date" and "Purchase Price" to clarify treatment in the event a Purchase Period ends on a date other than a Market Trading Day, and (C) make certain other clarifying and administrative changes. On October 17, 2011, the Plan was amended to update the definition of "Fair Market Value" to better correspond to the previously modified definitions of "Exercise Date" and "Purchase Price." Such amendments did not require stockholder approval. On December 15, 2011, the Plan was amended and restated, effective as of February 1, 2012, to add a Plan component not subject to Section 423 of the Code, to add the capacity for separate Offerings, to adjust the operation of Purchase Periods, and to effect certain other updates to the Plan's terms. Such amendments did not require stockholder approval.

20. Notices . All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Plan Administrator at the location, or by the person, designated by the Plan Administrator for the receipt thereof.

21. Conditions Upon Issuance of Shares . Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance. As a condition to the exercise of an option, the Company may require the Participant to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned Applicable Laws or is otherwise advisable.

22. Term of Plan . The Plan became effective upon January 1, 1998. It shall continue in effect until February 1, 2022 unless sooner terminated under Section 19.

23. No Employment Rights . The Plan does not, directly or indirectly, create any right for the benefit of any employee or class of employees to purchase any shares under the Plan, or create in any employee or class of employees any right with respect to continuation of employment by the Company or a Designated Parent, Subsidiary or Affiliate, and it shall not be deemed to interfere in any way with such employer's right to terminate, or otherwise modify, an employee's employment at any time.

24. No Effect on Retirement and Other Benefit Plans . Except as specifically provided in a retirement or other benefit plan of the Company or a Designated Parent, Subsidiary or Affiliate, participation in the Plan shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Designated Parent, Subsidiary or Affiliate, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a "Retirement Plan" or "Welfare Plan" under the Employee Retirement Income Security Act of 1974, as amended.

25. Effect of Plan . The provisions of the Plan shall, in accordance with its terms, be binding upon, and inure to the benefit of, all successors of each Participant, including, without limitation, such Participant's estate and the executors, administrators or trustees thereof, heirs and legatees, and any receiver, trustee in bankruptcy or representative of creditors of such Participant.

26. Code Section 409A . The Plan is exempt from the application of Code Section 409A and any ambiguities herein will be interpreted to so be exempt from Code Section 409A. The Non-423 Component is intended to be exempt from the application of Section 409A of the Code under the short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. In furtherance of the foregoing and notwithstanding any provision in the Plan to the

contrary, if the Plan Administrator determines that an option granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code Section 409A, the Plan Administrator may amend the terms of an outstanding option granted under the Plan, or take such other action the Plan Administrator determines is necessary or appropriate, in each case, without the Participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Code Section 409A, but only to the extent any such amendments or action by the Plan Administrator would not violate Code Section 409A. Notwithstanding the foregoing, the Company shall have no liability to a Participant or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Code Section 409A is not so exempt or compliant or for any action taken by the Plan Administrator with respect thereto.

27. Tax-Qualification . Although the Company may endeavor to (a) qualify an option for favorable tax treatment under the laws of the U.S. or jurisdictions outside of the U.S. or (b) avoid adverse tax treatment (e.g., under Section 409A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything to the contrary in this Plan, including Section 26. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants under the Plan.

28. Governing Law . The Plan is to be construed in accordance with and governed by the internal laws of the State of Delaware without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Delaware to the rights and duties of the parties, except to the extent the internal laws of the State of Delaware are superseded by the laws of the United States. Should any provision of the Plan be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

EXHIBIT 10.6

FRANKLIN RESOURCES, INC.

2002 UNIVERSAL STOCK INCENTIVE PLAN

(as amended and restated effective June 14, 2017)

1. GENERAL

1.1 Purpose . The Franklin Resources, Inc. 2002 Universal Stock Incentive Plan (the " 2002 Stock Plan ") has been established by Franklin Resources, Inc., a Delaware corporation (the " Company ") to (i) attract and retain persons eligible to participate in the 2002 Stock Plan; (ii) motivate employees, by means of appropriate incentives, to achieve long-range performance goals; (iii) provide incentive compensation opportunities that are competitive with those of other similar companies; and (iv) further identify Participants' interests with those of the Company's other stockholders through compensation that is based on the Company's common stock; and thereby promote the long-term financial interest of the Company and the Subsidiaries.

1.2 Participation . Subject to the terms and conditions of the 2002 Stock Plan, a Committee shall determine and designate, from time to time, from among the Participants, those persons who will be granted one or more Awards under the 2002 Stock Plan. In the discretion of a Committee, a Participant may be granted any Award permitted under the provisions of the 2002 Stock Plan, and more than one Award may be granted to a Participant. Awards may be granted as alternatives to or replacement of awards outstanding under the 2002 Stock Plan, or any other plan or arrangement of the Company or a Subsidiary (including a plan or arrangement of a business or entity, all or a portion of which is acquired by the Company or a Subsidiary).

1.3 Operation, Administration, and Definitions . The operation and administration of the 2002 Stock Plan, including the Awards made under the 2002 Stock Plan, shall be subject to the provisions of Section 4. Capitalized terms in the 2002 Stock Plan shall be defined as set forth in the 2002 Stock Plan (including the definition provisions of Section 8 of the 2002 Stock Plan).

1.4 Stock Subject to 2002 Stock Plan; Share Counting . Subject to the provisions of this Section 1.4 and Section 6.1 of the 2002 Stock Plan, the maximum aggregate number of Shares which may be delivered pursuant to Awards, including without limitation, the number of Shares that may be granted pursuant to Options (including Incentive Stock Options) and SARs, is 40,000,000. The Shares may be authorized but unissued, or reacquired Common Stock.

(a) Except as set forth in Section 1.4(b) and (c), to the extent any Shares covered by an Award are not delivered to a Participant or beneficiary because the Award is forfeited or canceled, or the Shares are not delivered because the Award is settled in cash, such Shares shall not be deemed to have been delivered for purposes of determining the maximum number of Shares available for delivery pursuant to Awards granted under the 2002 Stock Plan.

(b) All Shares covered by the portion of a SAR that is exercised (whether or not Shares are actually issued to the Participant upon exercise of the SAR) shall be considered issued pursuant to the 2002 Stock Plan.

(c) If Shares are surrendered or withheld as payment of either the exercise price of an Option granted hereunder and/or withholding taxes in respect of such an Option (including, without limitation, by attestation), such Shares shall not be returned to the 2002 Stock Plan and shall not be available for future awards under the 2002 Stock Plan

(d) Subject to adjustment under Section 6.1, (i) the maximum number of shares that may be granted to any one individual Participant pursuant to Section 2 (relating to Options and SARs) shall be 400,000 Shares during any one-calendar-year period and (ii) the maximum number of Shares that may be granted to any one individual Participant subject to Section 3 (relating to Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards) shall be 1,000,000 Shares during any one-calendar-year period (regardless of when such Shares are deliverable).

(e) Subject to adjustment under Section 6.1, the maximum number of Shares subject to Awards granted during a single fiscal year of the Company to any non-employee member of the Board, taken together with any cash fees paid to such non-employee member of the Board during the fiscal year, shall not, in each case, exceed $1,000,000 in total value (calculating the value of any stock-based Award based on the grant date fair value of such Award for financial reporting purposes).

2. OPTIONS AND SARS

2.1 Options .

(a) An Option is a grant of a right to purchase Shares at an exercise price established by the Compensation Committee, subject to Section 2.3. Options granted under this Section 2 may be either Incentive Stock Options (" ISO ") or Nonstatutory Stock Options (" NSO "), as determined in the discretion of the Compensation Committee.

(b) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designations, to the extent that the aggregate Fair Market Value of the Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Optionee during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds $100,000, such excess Options shall be automatically treated as Nonstatutory Stock Options. For purposes of this paragraph 2.1(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the underlying Shares shall be determined as of the original date on which the Option is granted. In the event that the Code or the regulations promulgated thereunder are amended after the date the 2002 Stock Plan becomes effective to provide for a different limit on the Fair Market Value of Shares permitted to be subject to Incentive Stock Options, then such different limit will be automatically incorporated herein and will apply to any Options granted after the effective date of such amendment.

(c) The term of each Option shall be the term stated in the Award Agreement; provided , however, that in the case of any Incentive Stock Option, the term shall be no more than ten (10) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement. However, in the case of an Incentive Stock Option granted to an Optionee who, at the time the Option is granted, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be five (5) years from the date of grant thereof or such shorter term as may be provided in the Award Agreement.

(d) The date of grant of an Option shall, for all purposes, be the date on which the Compensation Committee makes the determination granting such Option, or such other future date as is determined by the Compensation Committee. Notice of the determination shall be given to each Participant to whom an Option is so granted within a reasonable time after the date of such grant.

2.2 Stock Appreciation Rights . A "Stock Appreciation Right" (" SAR ") is a grant of rights to receive, in cash or Stock (as determined by the Compensation Committee), value equal to (or otherwise based on) the excess of: (a) the Fair Market Value of a specified number of Shares at the time of exercise; over (b) a base appreciation amount established by the Compensation Committee, subject to Section 2.3.

2.3 Exercise Price . The exercise price or base appreciation amount (as applicable) of each Option and SAR shall be established by the Compensation Committee or shall be determined by a method established by the Compensation Committee at the time the Option or SAR is granted; provided, that:

(a) In the case of an ISO,

(i) granted to an employee who, at the time of the grant of such Incentive Stock Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the per Share exercise price shall be no less than 110% of the Fair Market Value per Share on the date of grant;

(ii) granted to any other employee, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(b) In the case of a NSO, the per Share exercise price shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(c) In the case of a SAR, the base appreciation amount shall be no less than 100% of the Fair Market Value per Share on the date of grant.

2.4 Time and Manner of Exercise. Options and SARs shall be exercisable in accordance with such terms and conditions and during such periods as may be established by a Committee; subject to the following terms regarding Options and SARs:

(a) Termination of Employment. In the event of termination of an Optionee's Continuous Status as an Employee, such Optionee may, but only within ninety (90) days after the date of such termination (or such other period as is set out by a Committee in the Award Agreement, but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the Option to the extent that Optionee was entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of such termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(b) Disability of Optionee. Notwithstanding the provisions of paragraph 2.4(a) above, in the event of termination of an Optionee's Continuous Status as an Employee as a result of disability (as determined by a Committee in accordance with the policies of the Company), Optionee may, but only within six (6) months from the date of such termination (or such other period as is set out by a Committee in the Award Agreement, but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), exercise the Option to the extent otherwise entitled to exercise it at the date of such termination. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(c) Death of Optionee. In the event of the death of an Optionee, the Option may be exercised, at any time within twelve (12) months following the date of death (or such other period as is set out by a Committee in the Award Agreement, but in no event later than the expiration date of the term of such Option as set forth in the Award Agreement), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance, but only to the extent the Optionee was entitled to exercise the Option at the date of death. To the extent that Optionee was not entitled to exercise the Option at the date of termination, or if Optionee does not exercise such Option to the extent so entitled within the time specified herein, the Option shall terminate.

(d) Minimum Vesting Requirement. No Option or SAR shall become vested or exercisable prior to the first anniversary of its date of grant.

2.5 Payment of Exercise Price. Payment of the exercise price of an Option shall be subject to the following:

(a) The full exercise price for Shares purchased upon the exercise of any Option shall be paid at the time of such exercise (except that, in the case of an exercise arrangement approved by a Committee and described in paragraph 2.5(b), payment may be made as soon as practicable after the exercise).

(b) The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by a Committee (and, in the case of an Incentive Stock Option, shall be determined at the time of grant) and may, in the discretion of a Committee, consist entirely of (i) cash, (ii) check, (iii) delivery of authorization for the Company to retain from the total number of Shares as to which the Option is exercised that number of Shares having a Fair Market Value on the date of exercise equal to the exercise price for the total number of Shares as to which the Option is exercised, (iv) delivery of a properly executed exercise notice together with irrevocable instructions to a broker to promptly deliver to the Company the amount of sale or loan proceeds required to pay the exercise price, (v) irrevocably authorizing a third party to sell Shares (or a sufficient portion of the shares) acquired upon exercise of the Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise, (vi) any combination of the foregoing methods of payment, or (vii) such other consideration and method of payment for the issuance of Shares to the extent permitted under Applicable Laws.

2.6 Settlement of Award. Shares delivered pursuant to the exercise of an Option or SAR shall be subject to such conditions, restrictions and contingencies as a Committee may establish in the applicable Award Agreement at the time of grant. Settlement of SARs may be made in Shares (valued at their Fair Market Value at the time of exercise), in cash, or in a combination thereof, as determined in the discretion of a Committee. A Committee, in its discretion, may impose such conditions, restrictions and contingencies with respect to Shares acquired pursuant to the exercise of an Option or a SAR as such Committee determines to be desirable.

3. OTHER STOCK AWARDS

3.1 Restrictions on Stock Awards . Each Restricted Stock Award, Restricted Stock Unit Award and Performance Share Award shall be subject to the following:

(a) Any such Awards shall be subject to such conditions, restrictions and contingencies as a Committee shall determine.

(b) The Compensation Committee may designate whether any such Awards being granted to any Participant are intended to be "performance-based compensation" as that term is used in Section 162(m) of the Code. Any such Awards designated as intended to be "performance-based compensation" shall be conditioned on the achievement of one or more Performance Goals. The Performance Goals that may be used by a Committee for such Awards shall be based on any one or more of the criteria attached hereto on Attachment I, as selected and further defined by the Compensation Committee. The Performance Goals may be applicable to the Company and/or any of its individual business units and may differ from Participant to Participant. For Awards intended to be "performance-based compensation," the grant of the Awards and the establishment of the Performance Goals shall be made during the period required under Section 162(m) of the Code and shall be subject to the individual share limit set out in Section 1.4(c) above.

4. OPERATION AND ADMINISTRATION

4.1 Effective Date . The 2002 Stock Plan became effective as of October 10, 2002. The 2002 Stock Plan shall be unlimited in duration and, in the event of the 2002 Stock Plan termination, shall remain in effect as long as any Awards under it are outstanding; provided , however, that to the extent required by the Code, no ISO may be granted under the 2002 Stock Plan after March 15, 2021.

4.2 Term of Awards . Subject to the limitations of Section 2.1(c), the term of each Award under the 2002 Stock Plan shall be the term stated in the applicable Award Agreement, provided , that the term shall be no more than ten (10) years from the date of grant thereof. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the Participant has elected to defer the receipt of the Shares or cash issuable pursuant to the Award.

4.3 General Restrictions . Delivery of Shares or other amounts under the 2002 Stock Plan shall be subject to the following:

(a) Notwithstanding any other provision of the 2002 Stock Plan, the Company shall have no liability to deliver any Shares under the 2002 Stock Plan or make any other distribution of benefits under the 2002 Stock Plan unless such delivery or distribution would comply with all Applicable Laws (including, without limitation, the requirements of the Securities Act), and the applicable requirements of any securities exchange or similar entity.

(b) Shares issued under the 2002 Stock Plan may be certificated or, to the extent not prohibited by Applicable Law or the applicable rules of any stock exchange, non-certificated.

4.4 Tax Withholding . All distributions under the 2002 Stock Plan are subject to withholding of all applicable taxes, and a Committee may condition the delivery of any Shares or other benefits under the 2002 Stock Plan on satisfaction of the applicable withholding obligations. A Committee, in its discretion, and subject to such requirements as such Committee may impose prior to the occurrence of such withholding, may permit such withholding obligations to be satisfied through (i) cash payment by the Participant, (ii) through the surrender of Shares which the Participant already owns (which have been held by the Participant and vested for at least six (6) months or such other period as established from time to time by the Committee in order to avoid an adverse accounting treatment under applicable accounting standards), or (iii) through the surrender of Shares to which the Participant is otherwise entitled under the 2002 Stock Plan, provided , however, that only the number of Shares sufficient to satisfy the Company's minimum statutorily required tax withholding obligations shall be surrendered to the Company. The Committee has full discretion to allow a Participant to satisfy, in whole or in part, any additional income, employment and/or other applicable taxes payable by the Participant with respect to an Award by electing to have the Company withhold from the Shares otherwise deliverable to, or that would otherwise be retained by, the Participant upon the grant, exercise, vesting or settlement of the Award, as applicable, Shares having an aggregate Fair Market Value that is greater than the applicable minimum required statutory withholding obligation (but such withholding may in no event be in excess of the maximum statutory withholding amount in the Participant's relevant tax jurisdictions).

4.5 Use of Shares. Subject to the overall limitation on the number of Shares that may be delivered under the 2002 Stock Plan, a Committee may use available Shares as the form of payment for compensation, grants or rights earned or due under any other compensation plans or arrangements of the Company or a Subsidiary, including the plans and arrangements of the Company or a Subsidiary assumed in business combinations.

4.6 Dividends and Dividend Equivalents. An Award (including without limitation an Option or SAR Award) may provide the Participant with the right to receive dividend payments or dividend equivalent payments with respect to Stock subject to the Award (both before and after the Stock subject to the Award is earned, vested, or acquired), which payments may be either made currently or credited to an account for the Participant, and may be settled in cash or Stock as determined by a Committee. Any such settlements, and any such crediting of dividends or dividend equivalents or reinvestment in Shares, may be subject to such conditions, restrictions and contingencies as a Committee shall establish, including the reinvestment of such credited amounts in Stock equivalents.

4.7 Payments. Awards may be settled through cash payments, the delivery of Shares, the granting of replacement Awards (subject to Section 5.2(e)), or combination thereof as a Committee shall determine. Any Award settlement, including payment deferrals, may be subject to such conditions, restrictions and contingencies as a Committee shall determine. A Committee may permit or require the deferral of any Award payment, subject to such rules and procedures as it may establish, which may include provisions for the payment or crediting of interest, or dividend equivalents, including converting such credits into deferred Stock equivalents. Each Subsidiary shall be liable for payment of cash due under the 2002 Stock Plan with respect to any Participant to the extent that such benefits are attributable to the services rendered for that Subsidiary by the Participant. Any disputes relating to liability of a Subsidiary for cash payments shall be resolved by a Committee.

4.8 Non-alienation of Awards. Unless specifically provided by a Committee in the Award Agreement, Awards under the 2002 Stock Plan may not be sold, assigned, conveyed, hypothecated, encumbered, anticipated, or otherwise disposed of, and are nontransferable except as designated by the Participant by will or by the laws of descent and distribution; provided, that an Award Agreement shall not provide that an Award is transferable during the lifetime of the Participant, except to the extent that such Award Agreement permits transfers made to family members, to family trusts, to family controlled entities, to charitable organizations, and/or pursuant to domestic relations orders or agreements, in all cases without payment for such transfers to the Participant. Any attempt to sell, assign, convey, hypothecate, encumber, anticipate, transfer, or otherwise dispose of any Award under the 2002 Stock Plan in violation of this Section 4.8 shall be void, and no Shares or cash subject to any Award shall, prior to receipt thereof by a Participant, be in any manner subject to the debts, contracts, liabilities, engagements, or torts of such Participant.

4.9 Agreement With Company. An Award under the 2002 Stock Plan shall be subject to such terms and conditions, not inconsistent with the 2002 Stock Plan, as a Committee shall, in its sole discretion, prescribe. The terms and conditions of any Award to any Participant shall be reflected in an Award Agreement, a copy of which shall be provided to the Participant, and a Committee may, but need not require that the Participant shall sign a copy of such Award Agreement.

4.10 Gender and Number. Where the context admits, words in any gender shall include any other gender, words in the singular shall include the plural and the plural shall include the singular.

4.11 Limitation of Implied Rights.

(a) Neither a Participant nor any other person shall, by reason of participation in the 2002 Stock Plan, acquire any right in or title to any assets, funds or property of the Company or any Parent or Subsidiary whatsoever, including, without limitation, any specific funds, assets, or other property which the Company or any Parent or Subsidiary, in their sole discretion, may set aside in anticipation of a liability under the 2002 Stock Plan. A Participant shall have only a contractual right to the Stock or amounts, if any, payable under the 2002 Stock Plan, unsecured by any assets of the Company or any Parent or Subsidiary, and nothing contained in the 2002 Stock Plan shall constitute a guarantee that the assets of the Company or any Parent or Subsidiary shall be sufficient to pay any benefits to any person.

(b) The 2002 Stock Plan does not constitute a contract of employment, and selection as a Participant will not give any Participant the right to be retained in the employ of the Company or any Subsidiary, nor any right or claim to any benefit under the 2002 Stock Plan, unless such right or claim has specifically accrued under the terms of the 2002 Stock Plan. Except as otherwise provided in the 2002 Stock Plan, no Award under the 2002 Stock Plan shall confer upon the holder thereof any rights as a stockholder of the Company prior to the date on which the individual fulfills all conditions for receipt of such rights.

5. COMMITTEES

5.1 Committees . The authority to control and manage the operation and administration of the 2002 Stock Plan shall be vested in a committee or committees established by the Board with such powers and authority as shall be determined by the Board in its discretion (each such committee, a " Committee "). In addition to any other Committee established by the Board, the Compensation Committee of the Board (the " Compensation Committee ") shall be considered a Committee hereunder and shall be comprised, unless otherwise determined by the Board, solely of not less than two members of the Board who shall be "outside" directors within the meaning of Treasury Regulation Section 1.162-27(e)(3) under Section 162(m) of the Code. If a Committee does not exist, or for any other reason determined by the Board, the Board may take any action under the 2002 Stock Plan that would otherwise be the responsibility of a Committee.

5.2 Powers of Committee . Each Committee's administration of the 2002 Stock Plan shall be subject to the authority granted to such Committee by the Board and the following:

(a) Subject to the provisions of the 2002 Stock Plan, a Committee will have the authority and discretion to select from among the Participants those persons who shall receive Awards, to determine the time or times of receipt, to determine the types of Awards and the number of shares covered by the Awards, to establish the terms, conditions, performance criteria (provided, that for purposes of Section 162(m) of the Code, performance goals shall be based on one or more of the criteria set out on **Attachment I** hereto), restrictions, and other provisions of such Awards, and (subject to Section 7) to cancel or suspend Awards.

(b) To the extent that a Committee determines that the restrictions imposed by the 2002 Stock Plan preclude the achievement of the material purposes of the Awards in jurisdictions outside the United States, such Committee will have the authority and discretion to modify those restrictions as such Committee determines to be necessary or appropriate to conform to applicable requirements or practices of jurisdictions outside of the United States.

(c) A Committee may grant Awards to Participants who are subject to the tax laws of nations other than the United States, which Awards may have terms and conditions as determined by the Committee as necessary to comply with applicable foreign laws. A Committee may take any action which it deems advisable to obtain approval of such Awards by the appropriate foreign government entity; provided , however, that no such Awards may be granted under this 2002 Stock Plan and no action may be taken which would result in a violation of the Exchange Act, the Code or any other Applicable Law.

(d) In controlling and managing the operation and administration of the 2002 Stock Plan, a Committee shall take action in a manner that conforms to the articles and by-laws of the Company, and Applicable Law.

(e) Notwithstanding anything in the 2002 Stock Plan to the contrary, (i) the reduction of the exercise price of any Option awarded under the 2002 Stock Plan and the base appreciation amount of any SAR awarded under the 2002 Stock Plan shall be subject to stockholder approval and (ii) canceling an Option or SAR at a time when its exercise price or base appreciation amount (as applicable) exceeds the Fair Market Value of the underlying Shares, in exchange for another Option, SAR, Restricted Stock Award, other Award or cash payment shall be subject to stockholder approval, unless the cancellation and exchange occurs in connection with a Transaction. Notwithstanding the foregoing, canceling an Option or SAR in exchange for another Option, SAR, Restricted Stock Award, or other Award with an exercise price, purchase price or base appreciation amount (as applicable) that is equal to or greater than the exercise price or base appreciation amount (as applicable) of the original Option or SAR shall not be subject to stockholder approval.

(f) Notwithstanding the authority granted to any other Committee, the Compensation Committee will have the sole authority and discretion to interpret the 2002 Stock Plan, to establish, amend, and rescind any rules and regulations relating to the 2002 Stock Plan, and to make all other determinations that may be necessary or advisable for the administration of the 2002 Stock Plan. The Compensation Committee may correct any defect or supply any omission or reconcile any inconsistency in the 2002 Stock Plan in the manner and to the extent the Compensation Committee deems necessary or advisable. Any decision of the Compensation Committee in the interpretation and administration of the Plan, as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, without limitation, Participants and their beneficiaries or successors).

5.3 Delegation by Compensation Committee . Except to the extent prohibited by Applicable Law or the applicable rules of a stock exchange, a Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its ministerial duties to any person or persons selected by it. Any such allocation or delegation may be revoked by a Committee at any time.

5.4 Information to be Furnished to Committee . The records of the Company and its Subsidiaries as to a Participant's employment, termination of employment, leave of absence, reemployment and compensation shall be conclusive on all persons unless determined to be incorrect. Participants must furnish a Committee such evidence, data or information as such Committee considers desirable to carry out the terms of the 2002 Stock Plan in order to be entitled to benefits under the 2002 Stock Plan.

6. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION OR CORPORATE TRANSACTION

6.1 Changes in Capitalization . In the event of any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock or any transaction similar to the foregoing, the Compensation Committee shall make such substitution or adjustment, if any, as it deems to be equitable in order to prevent the enlargement or diminution of the benefits or potential benefits intended to be made available under the 2002 Stock Plan, subject to any required action by the stockholders of the Company, as to (a) the number and/or class of securities covered by each outstanding Award, (b) the price per share covered by each such outstanding Award, (c) the number and/or class of securities which have been authorized for issuance under the 2002 Stock Plan but as to which no Awards have yet been granted or which have been returned to the 2002 Stock Plan upon cancellation or expiration of an Award, and (d) the maximum number of Options, SARs, Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards which may be granted to any Participant in any one-calendar-year period; provided, that, for the avoidance of doubt, in the case of the occurrence of any of the foregoing events that is an "equity restructuring" (within the meaning of applicable stock-based compensation accounting guidelines), the Compensation Committee shall make an equitable adjustment to outstanding Awards to reflect such event.

6.2 Transactions . In the event of the proposed dissolution or liquidation of the Company or of a merger or corporate combination (a " Transaction ") in which the successor corporation does not agree to assume the Award or substitute an equivalent Award, the Compensation Committee shall make a determination (subject to Section 7) as to the equitable treatment of outstanding Awards under the 2002 Stock Plan and shall notify Participants of such treatment no later than ten (10) days prior to such proposed Transaction. To the extent it has not been previously exercised, an Award that is not assumed will terminate immediately prior to the consummation of such proposed Transaction.

7. AMENDMENT AND TERMINATION

The Board may, at any time, amend or terminate the 2002 Stock Plan; provided , that no amendment or termination (i) may adversely affect the rights of any Participant or beneficiary under any Award granted under the 2002 Stock Plan prior to the date such amendment is adopted by the Board unless written consent of the change by the affected Participant (or, if the Participant is not then living, the affected beneficiary) is obtained, and (ii) shall be made without the approval of the Company's stockholders to the extent such approval is required by Applicable Laws, the requirements of any applicable stock exchange, or if such amendment would lessen the stockholder approval requirements of Section 5.2(f) or this Section 7; provided , that, anything to the contrary notwithstanding, the Board may amend the 2002 Stock Plan in such manner as it deems necessary to cause an Award to comply with the requirements of the Code or any other Applicable Law (including, without limitation, to avoid adverse tax consequences) or for changes in new accounting standards; provided , further, that such amendment shall not adversely affect the rights or potential benefits of a Participant under an Award unless the Participant consents in writing. Notwithstanding anything herein to the contrary, modifications or adjustments pursuant to Sections 6.1 or 6.2 or that may cause an Incentive Stock Option to become a Nonstatutory Stock Option shall in no event be deemed to have an adverse effect on any Award.

8. DEFINED TERMS

In addition to the other definitions contained herein, the following definitions shall apply:

(a) " Applicable Law " means the corporate, securities and tax laws (including, without limitation, the Delaware corporate law, the Exchange Act, the Securities Act and the Code) applicable to the establishment and administration of employee stock incentive plans and the grant of awards thereunder.

(b) " Award " means any award or benefit granted under the 2002 Stock Plan, including, without limitation, the grant of Options, SARs, Restricted Stock Awards, Restricted Stock Unit Awards and Performance Share Awards.

(c) " Award Agreement " means a written agreement between the Company and a holder of an Award, executed by the Company, evidencing the terms and conditions of the Award.

(d) " Board " means the Board of Directors of the Company.

(e) " Code " means the Internal Revenue Code of 1986, as amended. A reference to any provision of the Code shall include reference to any successor provision of the Code.

(f) " Common Stock " means the common stock, par value, $.10 per share, of the Company.

(g) " Continuous Status as an Employee " means the absence of any interruption or termination of the employment relationship by the Company or any Subsidiary. Continuous Status as an Employee shall not be considered interrupted in the case of: (i) sick leave, military leave or any other leave of absence approved by the Board, provided , that, solely for purposes of Incentive Stock Options, such leave is for a period of not more than ninety (90) days, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to Company policy adopted from time to time; or (ii) in the case of transfers between locations of the Company or between the Company, its Subsidiaries or its successor.

(h) " Exchange Act " means the Securities Exchange Act of 1934, as amended.

(i) " Fair Market Value " means the value of a share of Stock granted pursuant to the 2002 Stock Plan as of any date determined as follows:

(i) If there should be a public market for the Stock on such date, the closing price of such share of Stock as reported on such date on the composite tape of the principal national securities exchange on which such share is listed or admitted to trading, or if such share is not listed or admitted to trading on any national securities exchange, the arithmetic mean of the per share closing bid price and the per share closing asked price on such date as quoted on the National Association of Securities Dealers Automated Quotation System (or such market in which such prices are regularly quoted) (" NASDAQ "), or if no sale of such share shall have been reported on the composite tape of any national securities exchange or quoted on the NASDAQ on such date, then the immediately preceding date on which sales of such shares has been so reported or quoted shall be used; and

(ii) If there should not be a public market for the Stock on such date, then the Fair Market Value of the Stock shall be determined in good faith by the Board (or a committee thereof).

(j) " Incentive Stock Option " means an Option intended to qualify as an incentive stock option within the meaning of Section 422 of the Code.

(k) " Nonstatutory Stock Option " means an Option not intended to qualify as an Incentive Stock Option.

(l) " Option " means a stock option granted pursuant to Section 2 of the 2002 Stock Plan.

(m) " Optionee " means a Participant who receives an Option.

(n) " Parent " means a "parent corporation", whether now or hereafter existing, as defined in Section 424(e) of the Code.

(o) " Participant " means any executive, employee, director of the Company or any of its Subsidiaries. An Award may be granted to an employee, in connection with hiring, retention or otherwise, prior to the date the employee first performs services for the Company or its Subsidiaries; provided , that such Awards shall not become vested prior to the date the employee first performs such services. The term "Participant" also includes any non-employee director of the Company or its Subsidiaries.

(p) " Performance Goals " means the business criteria applicable to the grant of Awards intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

(q) " Performance Share Award " means a grant of a right to receive Shares or cash that is contingent on the achievement of performance or other objectives during a specified period.

(r) " Restricted Stock Award " means a grant of Shares subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives, as determined by a Committee.

(s) " Restricted Stock Unit Award " means a grant of a right to receive Shares in the future, with such right to future delivery subject to a risk of forfeiture or other restrictions that will lapse upon the achievement of one or more goals relating to completion of service by the Participant, or achievement of performance or other objectives, as determined by a Committee.

(t) " Securities Act " means the Securities Act of 1933, as amended, and any successor thereto.

(u) " Share " means a share of the Common Stock, as adjusted in accordance with Section 6 of the 2002 Stock Plan.

(v) " Stock " mean shares of Common Stock of the Company.

(w) " Subsidiary " or " Subsidiaries " means any company during any period in which it is a "subsidiary corporation" (as that term is defined in Code section 424(f)) with respect to the Company.

9. SECTION 409A

The 2002 Stock Plan is intended to comply with the requirements of Section 409A of the Code or an exemption or exclusion therefrom and, with respect to amounts that are subject to Section 409A of the Code, it is intended that the 2002 Stock Plan be administered in all respects in accordance with Section 409A of the Code. Each payment under any Award shall be treated as a separate payment for purposes of Section 409A of the Code. In no event may a Participant, directly or indirectly, designate the calendar year of any payment to be made under any Award, but only to the extent such payment is considered "nonqualified deferred compensation" within the meaning of Section 409A of the Code. Notwithstanding any provision of the 2002 Stock Plan or any Award Agreement to the contrary, in the event that a Participant is a "specified employee" within the meaning of Section 409A of the Code (as determined in accordance with the methodology established by the Company), amounts that constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code that would otherwise be payable on account of a separation from service within the meaning of Section 409A of the Code and during the six-month period immediately following a Participant's "separation from service" within the meaning of Section 409A of the Code ("Separation from Service") shall instead be paid or provided on the first business day after the date that is six months following the Participant's Separation from Service. If the Participant dies following the Separation from Service and prior to the payment of any amounts delayed on account of Section 409A of the Code, such amounts shall be paid to the personal representative of the Participant's estate within thirty (30) days after the date of the Participant's death. The Company shall use commercially reasonable efforts to implement the provisions of this Section 9 in good faith; provided , that neither the Company, the Committee nor any of the Company's employees, directors or representatives shall have any liability to any Participant with respect to this Section 9.

10. PLAN HISTORY

The 2002 Stock Plan became effective as of October 10, 2002. The 2002 Stock Plan was originally approved by the stockholders of the Company on January 30, 2003. The Board approved an amendment and restatement of the 2002 Stock Plan on December 16, 2004 to (a) include additional Performance Goals and (b) amend Section 6.1 to increase the scope of adjustments that may be made as a result of changes in capitalization of the Company, which amendment and restatement was approved by the stockholders of the Company on January 25, 2005. The Board approved a further amendment and restatement of the 2002 Stock Plan on December 18, 2009 to (a) revise the Performance Goals such that they conform to the Performance Goals under the Franklin Resources, Inc. 2004 Key Executive Incentive Compensation Plan and (b) make certain administrative updates, which amendment and restatement became effective upon its approval by the stockholders of the Company on March 16, 2010. The Board approved a further amendment and restatement of the 2002 Stock Plan on December 16, 2010 to increase the number of authorized Shares subject to the 2002 Stock Plan by ten million (10,000,000) Shares, for a total maximum aggregate of forty million (40,000,000) Shares, which amendment and restatement became effective upon its approval of the stockholders of the Company on March 15, 2011. The Board approved a further amendment and restatement of the 2002 Stock Plan on October 22, 2012 to permit additional committees of the Board to exercise certain authority under the Plan, which amendment and restatement was not subject to the approval of the stockholders of the Company. The Board approved a further amendment and restatement of the 2002 Stock Plan on December 15, 2015, to provide for a minimum vesting schedule for Options and SARs and clarify that cancellation of an Option or SAR at a time when its exercise price or base appreciation amount (as applicable) exceeds the Fair Market Value of the underlying Shares requires shareholder approval, which amendment and restatement was not subject to the approval of the stockholders of the Company. The Board approved a further amendment and restatement of the 2002 Stock Plan on June 14, 2017 to limit the total value of awards to non-employee members of the Board of Directors in any fiscal year and provide that the Committee may

permit a Participant to elect to withhold up to the maximum statutorily required amount for applicable tax withholding upon the vesting, exercise or settlement of Awards and to make other immaterial administrative changes, which amendment and restatement was not subject to the approval of the stockholders of the Company.

ATTACHMENT I

PERFORMANCE GOALS

The Compensation Committee shall grant performance-based compensation Awards tied to one or more of the following business criteria:

(a) annual revenue,

(b) budget comparisons,

(c) controllable profits,

(d) Company earnings per share,

(e) expense management,

(f) improvements in capital structure,

(g) net income,

(h) net or gross sales,

(i) operating income (pre- or post-tax),

(j) profit margins,

(k) operating or gross margin,

(l) profitability of an identifiable business unit or product,

(m) return on investments,

(n) return on sales,

(o) return on stockholders' equity,

(p) total return to stockholders,

(q) assets under management,

(r) investment management performance,

(s) mutual and other investment fund performance,

(t) institutional account performance,

(u) high net worth and other separate account performance,

(v) cash flow, operating cash flow, or cash flow or operating cash flow per share (before or after dividends),

(w) price of the shares or any other publicly traded securities of the Company,

(x) reduction in costs,

(y) return on capital, including return on total capital or return on invested capital,

(z) improvement in or attainment of expense levels or working capital levels, and

(aa) performance of the Company relative to a peer group of companies and/or relevant indexes on any of the foregoing measures.

The Performance Goals may be applicable to the Company and/or any of its individual business units and may differ from Participant to Participant. In addition, the Performance Goals shall be calculated in accordance with generally accepted accounting principles, but excluding the effect (whether positive or negative) of any change in accounting standards and any

extraordinary, unusual or nonrecurring item, as determined by the Compensation Committee, occurring after the establishment of the Performance Goals applicable to an Award intended to be performance-based compensation. Each such adjustment, if any, shall be made solely for the purpose of providing a consistent basis from period to period for the calculation of Performance Goals in order to prevent the dilution or enlargement of the Participant's rights with respect to an Award intended to be performance-based compensation; provided, however, that certain categories or types of such adjustments can be specifically included (rather than excluded) at the time the Performance Goals are established if so determined by the Compensation Committee.

EXHIBIT 10.10

NAMED EXECUTIVE OFFICER COMPENSATION

The following table sets forth the base salaries of the Named Executive Officers [1] (the "NEOs") of Franklin Resources, Inc. (the "Company") as of October 1, 2017.

Name and Principal Positions		Base Salary
Gregory E. Johnson *Chairman of the Board and Chief Executive Officer*	$	780,132
Jennifer M. Johnson *President and Chief Operating Officer*	$	600,000
Kenneth A. Lewis *Executive Vice President and Chief Financial Officer*	$	525,000
Craig S. Tyle *Executive Vice President and General Counsel*	$	525,000
Alok Sethi *Officer of Various Operations and Technology Subsidiaries*	$	400,000
Vijay C. Advani [2] *Former Co-President*		--

The Named Executive Officers are also eligible to:

Incentive Compensation

(a) receive an annual cash incentive award pursuant to the Company's 2014 Key Executive Incentive Compensation Plan and the Company's Amended and Restated Annual Incentive Compensation Plan, each as amended and restated;

(b) participate in the Company's equity incentive program, which currently involves restricted stock awards and restricted stock unit awards (including both time and performance based awards), in each case pursuant to the Company's 2002 Universal Stock Incentive Plan, as amended and restated; and

(c) receive additional cash or equity payments or awards for special recognition of significant contributions or for retention purposes (which may include time and performance based awards).

Benefit Plans and Other Arrangements

(a) participate in the Company's broad-based benefit programs generally available to its salaried employees, including health, disability and life insurance programs, the Franklin Templeton 401(k) Retirement Plan and the Company's 1998 Employee Stock Investment Plan, as amended and restated (the "ESIP"); provided that Mr. G. Johnson and Ms. J. Johnson are not eligible to participate in the ESIP; and

(b) receive certain perquisites offered by the Company, including club memberships, and, in certain limited cases, use of the Company's aircraft for personal use.

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[1] The Named Executive Officers listed herein are the Company's principal executive officer, principal financial officer, and the three most highly compensated executive officers of the Company as of October 1, 2017.

[2] Mr. Advani's employment with the Company terminated on December 30, 2016.

EXHIBIT 12

COMPUTATION OF RATIOS OF EARNINGS TO FIXED CHARGES

(in millions)

for the fiscal years ended September 30,	2017	2016	2015	2014	2013
Income before taxes excluding income (losses) from equity method investees	$ 2,441.2	$ 2,443.1	$ 3,091.6	$ 3,341.5	$ 2,952.6
Additions:					
Dividends received from equity method investees	9.5	10.9	21.9	13.3	18.8
Interest on uncertain tax positions included in income before taxes	1.6	(1.3)	(6.6)	2.4	1.0
Fixed charges					
Interest expense excluding interest on deposits	51.5	49.9	39.6	47.4	48.9
Interest expense on deposits	—	—	—	0.2	1.2
Interest on uncertain tax positions not related to third party	(1.6)	1.3	6.6	(2.4)	(1.0)
Interest factor on rent [1]	18.8	23.1	19.3	19.4	19.1
Total fixed charges	68.7	74.3	65.5	64.6	68.2
Adjusted earnings	$ 2,521.0	$ 2,527.0	$ 3,172.4	$ 3,421.8	$ 3,040.6
Ratio of adjusted earnings to fixed charges including interest on deposits	36.7	34.0	48.4	53.0	44.6
Ratio of adjusted earnings to fixed charges excluding interest on deposits	36.7	34.0	48.4	53.1	45.4

[1] Interest factor on rent represents one-third of rental expense (the approximate portion of rental expense representing interest).

EXHIBIT 21

FRANKLIN RESOURCES, INC.
LIST OF SUBSIDIARIES
(as of September 30, 2017)

Name	State or Nation of Incorporation or Organization
Balanced Equity Management Pty. Limited	Australia
Darby Asia Investors (India) Private Limited	India
Darby - Hana Infrastructure Fund Management Co., Ltd.	South Korea
Fiduciary Trust Company of Canada	Canada
Fiduciary Trust (International) Sàrl	Switzerland
Franklin Advisers, Inc.	California
Franklin Advisers GP, LLC	Delaware
Franklin Advisory Services, LLC	Delaware
Franklin Mutual Advisers, LLC	Delaware
Franklin Templeton Asset Management (India) Private Limited	India
Franklin Templeton Asset Management (Malaysia) Sdn. Bhd.	Malaysia
Franklin Templeton Asset Management Mexico, S.A. de C.V., Sociedad Operadora de Fondos de Inversion	Mexico
Franklin Templeton Austria GmbH	Austria
Franklin Templeton Capital Holdings Private Limited	Singapore
Franklin Templeton Chile SpA	Chile
Franklin Templeton Companies, LLC	Delaware
Franklin Templeton Financial Services Limited	Hong Kong
Franklin Templeton France S.A.	France
Franklin Templeton Fund Management Limited	United Kingdom
Franklin Templeton Global Investors Limited	United Kingdom
Franklin Templeton GSC Asset Management Sdn. Bhd.	Malaysia
Franklin Templeton Holding Limited	Mauritius
Franklin Templeton International Services (India) Private Limited	India
Franklin Templeton International Services S.à r.l.	Luxembourg
Franklin Templeton Investímentos (Brasil) Ltda.	Brazil
Franklin Templeton Investment Consulting (Shanghai) Limited	China
Franklin Templeton Investment Management Limited	United Kingdom
Franklin Templeton Investment Services GmbH	Germany
Franklin Templeton Investment Services Mexico S. de R.L.	Mexico
Franklin Templeton Investment Trust Management Co., Ltd.	South Korea
Franklin Templeton Investments (Asia) Limited	Hong Kong
Franklin Templeton Investments Australia Limited	Australia
Franklin Templeton Investments Corp.	Canada
Franklin Templeton Investments Japan Limited	Japan
Franklin Templeton Investments (ME) Limited	Dubai, U.A.E.
Franklin Templeton Investments Poland sp. z o.o.	Poland
Franklin Templeton Investments South Africa (Pty) Ltd	South Africa
Franklin Templeton Investor Services, LLC	Delaware
Franklin Templeton Luxembourg S.A.	Luxembourg
Franklin Templeton Magyarorszag Kft.	Hungary

Name	State or Nation of Incorporation or Organization
Franklin Templeton Management Luxembourg S.A.	Luxembourg
Franklin Templeton Services, LLC	Delaware
Franklin Templeton Services (India) Private Limited	India
Franklin Templeton Servicios de Asesoria Mexico, S. de R.L. de C.V.	Mexico
Franklin Templeton Slovakia, s.r.o.	Slovakia
Franklin Templeton Strategic Investments Ltd.	Cayman Islands
Franklin Templeton Switzerland Ltd.	Switzerland
Franklin Templeton Trustee Services Private Limited	India
Franklin Templeton Uruguay S.A.	Uruguay
Franklin/Templeton Distributors, Inc.	New York
FT FinTech Holdings, LLC	Delaware
FT Opportunistic Distressed Fund Ltd.	Cayman Islands
FTC Investor Services Inc.	Canada
FTCI (Cayman) Ltd.	Cayman Islands
ITI Capital Markets Limited	India
LSIMC, LLC	Delaware
Riva Financial Systems Limited	Isle of Man
Templeton Asset Management (Labuan) Limited	Malaysia
Templeton Asset Management Limited Mexico, S. de R.L. de C.V.	Mexico
Templeton Asset Management Ltd.	Singapore
Templeton Asset Management (Poland) TFI S.A.	Poland
Templeton do Brasil Ltda.	Brazil
Templeton Global Advisors Limited	The Bahamas
Templeton Global Holdings Ltd.	The Bahamas
Templeton International, Inc.	Delaware
Templeton Investment Counsel, LLC	Delaware
Templeton Restructured Investments, L.L.C.	Delaware
Templeton Restructured Investments III, Ltd.	Cayman Islands
Templeton Restructured Investments IV, Ltd.	Cayman Islands
Templeton Worldwide, Inc.	Delaware
Templeton/Franklin Investment Services, Inc.	Delaware
TSEMF III (Jersey) Limited	Jersey (Channel Islands)
TSEMF IV (Jersey) Limited	Jersey (Channel Islands)

* Certain subsidiaries have been omitted because, when considered in the aggregate, they do not constitute a significant subsidiary.

** All subsidiaries currently do business principally under their respective corporate names except as follows:

- some of our subsidiaries may use the names Franklin Templeton Investments, Franklin Templeton International and Templeton Worldwide;
- our Darby subsidiaries may use the name Darby Private Equity;
- Fiduciary Trust Company of Canada may use the names Fiduciary Trust Canada and Franklin Templeton Solutions in various Canadian jurisdictions; and
- Franklin Templeton Investments Corp. may use the names Franklin Bissett Investment Management, Franklin Templeton Investments and Franklin Templeton Institutional in various Canadian jurisdictions.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-173905, 333-143402, 333-128691, 333-103869, 333-100801, 333-89517, 333-83377, 333-70035, 333-57682 and 333-48171) of Franklin Resources, Inc. of our report dated November 13, 2017 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
San Francisco, California
November 13, 2017

EXHIBIT 31.1

CERTIFICATION

I, Gregory E. Johnson, certify that:

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

Date: November 13, 2017

/s/ GREGORY E. JOHNSON

Gregory E. Johnson
Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Kenneth A. Lewis, certify that:

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

Date: November 13, 2017

/s/ KENNETH A. LEWIS

Kenneth A. Lewis
Chief Financial Officer and Executive Vice President

EXHIBIT 32.1

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

I, Gregory E. Johnson, Chairman of the Board and Chief Executive Officer of Franklin Resources, Inc. (the “Company”), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended September 30, 2017 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Dated: November 13, 2017

/s/ GREGORY E. JOHNSON

Gregory E. Johnson
Chairman of the Board and Chief Executive Officer

EXHIBIT 32.2

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

I, Kenneth A. Lewis, Chief Financial Officer and Executive Vice President of Franklin Resources, Inc. (the "Company"), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended September 30, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, "filed" with the Securities and Exchange Commission.

Dated: November 13, 2017

/s/ KENNETH A. LEWIS

Kenneth A. Lewis
Chief Financial Officer and Executive Vice President