

SECURITIES AND EXCHANGE COMMISSION
 WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d) of the
 Securities Exchange Act of 1934

For the quarterly period ended March 29, 1996

Commission file number: 0 - 23644

INVESTMENT TECHNOLOGY GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE (State or Other Jurisdiction of Incorporation or Organization)	13 - 3757717 (I.R.S. Employer Identification No.)
900 Third Avenue, New York, New York (Address of Principal Executive Offices)	(212) 755 - 6800 (Registrant's Telephone Number, Including Area Code)
10022 (Zip Code)	

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 /X/ No / /

As of April 29, 1996, the Registrant had 18,259,800 shares of common stock, \$.01 par value, outstanding.

QUARTERLY REPORT ON FORM 10-Q
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PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA

	March 29, 1996	December 31, 1995
	----- (unaudited)	-----
ASSETS		
Cash and cash equivalents	\$ 24,859	\$ 17,960
Securities owned	8,417	8,509
Trade receivable from affiliate	9,568	7,766
Due from affiliates	904	5,001
Premises and equipment	5,684	4,852
Capitalized software	2,947	2,757
Other assets	6,267	5,122
Goodwill	2,883	3,021
Deferred tax asset	1,376	330
	-----	-----
	\$ 62,905	\$ 55,318
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 7,080	\$ 5,112
Software royalties payable	2,305	1,794
Securities sold, not yet purchased	1,452	-
Due to affiliates	754	2,243
Income taxes payable to affiliate	1,787	690
	-----	-----
	13,378	9,839
Stockholders' equity:		
Preferred stock, par value \$.01; shares authorized: 5,000,000; none issued	-	-
Common stock, par value \$.01; shares authorized: 30,000,000; shares issued: 18,700,000	187	187
Additional paid-in capital	36,055	36,055
Retained earnings	16,675	11,279
Common stock held in treasury, at cost; shares: 420,200 at March 29, 1996 and 310,200 at December 31, 1995	(3,390)	(2,042)
	-----	-----
Total stockholders' equity	49,527	45,479
	-----	-----
	\$ 62,905	\$ 55,318
	=====	=====
Book value per share	\$ 2.71	\$ 2.47
	=====	=====

See accompanying unaudited notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF OPERATIONS (UNAUDITED)
DOLLARS AND SHARES IN THOUSANDS, EXCEPT PER SHARE AMOUNTS

	Three Months Ended	
	March 29, 1996	March 31, 1995
Revenues	\$ 26,667	\$ 16,343
Expenses:		
Compensation and employee benefits	5,869	3,542
Transaction processing	3,699	2,206
Software royalties	2,221	1,381
Occupancy and equipment	1,027	818
Consulting	854	563
Telecommunications and data processing services . .	1,251	486
Other general and administrative	2,112	1,566
	-----	-----
	17,033	10,562
	-----	-----
Earnings before income tax expense	9,634	5,781
Income tax expense	4,238	2,606
	-----	-----
Net earnings	\$ 5,396	\$ 3,175
	=====	=====
Net earnings per share of common stock	\$ 0.29	\$ 0.17
	=====	=====
Weighted average shares of common stock and common stock equivalents outstanding	18,425	18,531
	=====	=====

See accompanying unaudited notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
THREE MONTHS ENDED MARCH 29, 1996
DOLLARS IN THOUSANDS

	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balance at December 31, 1995	\$ -	\$ 187	\$ 36,055	\$ 11,279
Purchase of common stock for treasury (110,000 shares)				
Net earnings				5,396
Balance at March 29, 1996	\$ -	\$ 187	\$ 36,055	\$ 16,675
	-----	-----	-----	-----
	COMMON STOCK HELD IN TREASURY	TOTAL STOCK- HOLDERS' EQUITY		
Balance at December 31, 1995	\$ (2,042)	\$ 45,479		
Purchase of common stock for treasury (110,000 shares)	(1,348)	(1,348)		

Net earnings			5,396
Balance at March 29, 1996	\$	(3,390)	\$ 49,527

See accompanying unaudited notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
DOLLARS IN THOUSANDS

	Three Months Ended	
	March 29, 1996	March 31, 1995
Cash flows from operating activities:		
Net earnings	\$ 5,396	\$ 3,175
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Deferred income tax (benefit) expense	(1,046)	1,947
Depreciation and amortization	772	489
Decrease (increase) in operating assets:		
Securities owned	92	-
Trade receivable from affiliate	(1,802)	(1,290)
Due from affiliates	4,096	-
Income taxes receivable from affiliate	-	746
Other assets	(1,267)	(124)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	2,083	417
Software royalties payable	512	322
Securities sold, not yet purchased	1,452	-
Due to affiliates	(1,489)	442
Income taxes payable to affiliate	1,097	700
Net cash provided by operating activities	9,896	6,824
Cash flows from financing activities:		
Purchase of common stock for treasury	(1,348)	(280)
Net cash used by financing activities	(1,348)	(280)
Cash flows from investing activities:		
Investment in VERSUS Technologies, Inc.	8	250
Purchase of premises and equipment	(1,180)	(698)
Capitalization of software development costs	(477)	(589)
Net cash used by investing activities	(1,649)	(1,037)
Net increase in cash and cash equivalents	6,899	5,507
Cash and cash equivalents - beginning of period	17,960	21,446
Cash and cash equivalents - end of period	\$ 24,859	\$ 26,953
Supplemental cash flow information:		
Interest paid	\$ 12	\$ 8
Income taxes paid to (received from) affiliate	\$ 4,187	\$ (787)

See accompanying unaudited notes to consolidated financial statements.

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CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Investment Technology Group, Inc. and its wholly-owned subsidiaries (collectively, the "Company"), principally ITG Inc. ("ITG"), a Delaware corporation, registered

as a broker-dealer in securities under the Securities Exchange Act of 1934, and ITG Global Trading, Inc. ("Global Trading") which is a 50% partner in the Global POSIT joint venture. Jefferies Group, Inc. ("Jefferies Group") owned over 80% of the Company's common stock at March 29, 1996.

All material intercompany balances and transactions are eliminated in consolidation. The consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for the fair statement of the results for the interim periods and should be read in conjunction with the Company's 1995 annual report on Form 10-K.

Certain reclassifications have been made to the financial statements for the prior period to conform to the presentation for 1996.

INCOME TAXES

The Company is a member of the Jefferies affiliated group ("Group") for purposes of filing a Federal income tax return (i.e., Jefferies Group owns more than 80% of the Company). The Company's tax liability is determined on a "separate return" basis. That is, the Company is required to pay to Jefferies Group its proportionate share of the consolidated tax liability plus any excess of its "separate" tax liability (assuming a separate tax return were to be filed by the Company) over its proportionate amount of the consolidated Group tax liability. Alternatively, Jefferies Group is required to pay the Company an "additional amount" for the amount by which the consolidated tax liability of the Group is decreased by reason of inclusion of the Company in the Group.

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

FIRST QUARTER 1996 VERSUS FIRST QUARTER 1995 (Dollars in millions, except as noted)

	Three Months Ended		Change	
	March 29, 1996	March 31, 1995	Amount	Percentage
Revenues	\$26.7	\$16.3	\$10.4	64%
Number of Trading Days	63	63	0	0%
Revenues per Trading Day (Dollars in thousands)	\$423	\$259	\$164	63%

Increased revenues were attributed to a growing use of POSIT, QuantEX and the Company's other electronic trading desk services. For the quarter ended March 29, 1996, POSIT revenues were approximately 55% or \$6.0 million above the comparable period for 1995, while QuantEX revenues were approximately 70% or \$2.3 million above the comparable period for 1995. For the quarter ended March 29, 1996, other electronic trading desk services were \$2.5 million above the comparable period for 1995.

	Three Months Ended		Change	
	March 29, 1996	March 31, 1995	Amount	Percentage
Compensation and employee benefits expense	\$ 5.9	\$ 3.5	\$ 2.3	66%
Number of employees at period end	127	95	32	34%
Revenues per employee (Dollars in thousands)	\$210	\$172	\$38	22%

Compensation and employee benefits expense per employee (Dollars in thousands)	\$ 46	\$ 37	\$ 9	24%
--	-------	-------	------	-----

The increase is due primarily to an increase in the number of employees and an increase in profitability based compensation.

	Three Months Ended		Change	
	March 29, 1996	March 31, 1995	Amount	Percentage
Transaction processing expense	\$3.7	\$2.2	\$1.5	68%
Transaction processing expense per revenues	13.9%	13.5%	0.4%	3.0%

The increase is primarily due to the expense associated with a higher volume of transactions in 1996. The increase as a percentage of revenues increased by 3% primarily because the QuantEX revenues were a larger mix of the total revenues. The QuantEX product has slightly lower margins than POSIT because there are no floor brokerage expenses associated with POSIT.

	Three Months Ended		Change	
	March 29, 1996	March 31, 1995	Amount	Percentage
Software royalties expense	\$2.2	\$1.4	\$0.8	61%

The increase is due to higher revenue associated with POSIT.

	Three Months Ended		Change	
	March 29, 1996	March 31, 1995	Amount	Percentage
Occupancy and equipment expense	\$1.0	\$0.8	\$0.2	26%

The increase is due primarily to depreciation of capital expenditures acquired since the beginning of 1995 and increased rent expense, both of which are primarily related to the opening of the Boston office.

	Three Months Ended		Change	
	March 29, 1996	March 31, 1995	Amount	Percentage
Consulting expense	\$0.9	\$0.6	\$0.3	52%

Consulting is primarily for equity research functions which the Company currently believes are advantageous to out-source. The increase is due primarily to the Firm undertaking special projects related to contingency planning and systems' security.

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	----- March 29, 1996 -----	----- March 31, 1995 -----	----- Amount -----	----- Percentage -----
Telecommunications and data processing services expense	\$1.3	\$0.5	\$0.8	157%

The increase is due primarily to an increase in quotation services charges and communications charges associated with the increased number of QuantEX installations as well as the increased amount of QuantEX business.

	----- Three Months Ended -----		----- Change -----	
	----- March 29, 1996 -----	----- March 31, 1995 -----	----- Amount -----	----- Percentage -----
Other general and administrative expense	\$2.1	\$1.6	\$0.5	35%

The increase is largely due to an increase in amortization of capitalized software and an allowance for general legal expenses.

	----- Three Months Ended -----		----- Change -----	
	----- March 29, 1996 -----	----- March 31, 1995 -----	----- Amount -----	----- Percentage -----
Income tax expense	\$4.2	\$2.6	\$1.6	63%

The increase is primarily due to the increase in pretax earnings partially offset by a decrease in the effective tax rate from 45% to 44%.

PART II. - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

There are no exhibits for the quarter ended March 29, 1996.

(b) Reports on Form 8-K.

There were no reports filed on Form 8-K during the quarter ended March 29, 1996.

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SIGNATURE

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

INVESTMENT TECHNOLOGY GROUP, INC.

(Registrant)

Date: May 13, 1996

By: /s/ John R. MacDonald

John R. MacDonald

Chief Financial Officer, and
Duly Authorized Signatory of Registrant

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EXHIBIT INDEX

EXHIBIT 27 Financial Data Schedule

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