

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 27, 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 November 1, 1996, the Registrant had 18,254,800 shares of common stock, \$.01 par value, outstanding.

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PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 27, 1996	December 31, 1995
	----- (unaudited)	-----
ASSETS		
Cash and cash equivalents	\$ 39,986	\$ 17,960
Securities owned	6,858	8,509
Trade receivables	4,227	2,482
Trade receivable from affiliate	2,700	7,766
Due from affiliates	645	5,001
Premises and equipment	6,922	4,852
Capitalized software	3,361	2,757
Other assets	7,612	2,640
Goodwill	2,609	3,021
Deferred tax asset	1,832	330
	-----	-----
	\$ 76,752	\$ 55,318
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable and accrued expenses	\$ 9,757	\$ 5,112
Software royalties payable.....	2,280	1,794
Securities sold, not yet purchased	1,189	-
Due to affiliates	2,722	2,243
Income taxes payable to affiliate	208	690
	-----	-----
	16,156	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.....	28,119	11,279
Common stock held in treasury, at cost; shares: 445,200 at September 27, 1996 and 310,200 at December 31, 1995	(3,765)	(2,042)
	-----	-----
Total stockholders' equity	60,596	45,479
	-----	-----
	\$ 76,752	\$ 55,318
	=====	=====
Book value per share	\$ 3.32	\$ 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

	Nine Months Ended	
	September 27, 1996	September 29, 1995
Revenues	\$81,664	\$52,448
Expenses:		
Compensation and employee benefits	18,246	11,825
Transaction processing	11,815	7,641
Software royalties	6,515	4,210
Occupancy and equipment	4,183	2,614
Consulting	1,998	1,257
Telecommunications and data processing services	3,393	2,026
Other general and administrative	5,821	4,331
	51,971	33,904
Earnings before income tax expense	29,693	18,544
Income tax expense	12,853	7,138
Net earnings	\$16,840	\$11,406
Primary net earnings per share of common stock	\$ 0.91	\$ 0.62
Fully diluted net earnings per share of common stock	\$ 0.90	\$ 0.62
Primary weighted average shares of common stock and common stock equivalents outstanding	18,482	18,491
Fully diluted weighted average shares of common stock and common stock equivalents outstanding	18,726	18,491

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	
	September 27, 1996	September 29, 1995
Revenues.....	\$ 28,684	\$19,405
Expenses:		
Compensation and employee benefits.....	6,225	4,754
Transaction processing.....	4,340	2,707
Software royalties.....	2,272	1,565
Occupancy and equipment.....	1,899	913
Consulting.....	452	298
Telecommunications and data processing services.....	1,217	864
Other general and administrative.....	2,072	1,432
	18,477	12,533
Earnings before income tax expense.....	10,207	6,872
Income tax expense.....	4,330	1,990
Net earnings.....	\$ 5,877	\$ 4,882

Primary net earnings per share of common stock.....	\$ 0.32	\$ 0.27
Fully diluted net earnings per share of common stock.....	\$ 0.31	\$ 0.27
Primary weighted average shares of common stock and common stock equivalents outstanding.....	18,572	18,421
Fully diluted weighted average shares of common stock and common stock equivalents outstanding.....	18,691	18,421

See accompanying unaudited notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 27, 1996
DOLLARS IN THOUSANDS

	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Common Stock Held in Treasury	Total Stockholders' Equity
Balance at December 31, 1995.....	\$-	\$187	\$36,055	\$11,279	\$(2,042)	\$ 45,479
Purchase of common stock for treasury (135,000 shares).....					(1,723)	(1,723)
Net earnings.....				16,840		16,840
Balance at September 27, 1996.....	\$-	\$ 187	\$36,055	\$28,119	\$(3,765)	\$ 60,596

See accompanying unaudited notes to consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
DOLLARS IN THOUSANDS

	Nine Months Ended	
	September 27, 1996	September 29, 1995
Cash flows from operating activities:		
Net earnings.....	\$ 16,840	\$ 11,406
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Deferred income tax (benefit) expense.....	(1,502)	2,422
Depreciation and amortization.....	3,035	1,560
Unearned (loss) income related to investments.....	(176)	53
Decrease (increase) in operating assets:		
Securities owned.....	1,651	(363)
Trade receivables.....	(1,745)	-
Trade receivable from affiliate.....	5,066	(704)
Due from affiliates.....	4,356	(85)
Income taxes receivable from affiliate.....	-	1,511
Other assets.....	(5,138)	(2,099)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses.....	4,987	714
Software royalties payable.....	486	504
Termination of plans expense payable.....	-	(758)
Due to affiliates.....	479	996
Securities sold, not yet purchased.....	1,189	-
Income taxes payable to affiliate.....	(482)	782
Net cash provided by operating activities.....	29,046	15,939
Cash flows from financing activities:		

Purchase of common stock for treasury.....	(1,723)	(1,319)
Net cash used by financing activities.....	(1,723)	(1,319)
Cash flows from investing activities:		
Purchase of premises and equipment.....	(3,415)	(4,098)
Capitalization of software development costs.....	(1,882)	(1,689)
Net cash used by investing activities.....	(5,297)	(5,787)
Net increase in cash and cash equivalents.....	22,026	8,833
Cash and cash equivalents - beginning of period.....	17,960	21,446
Cash and cash equivalents - end of period.....	\$ 39,986	\$ 30,279
Supplemental cash flow information:		
Interest paid.....	\$ 87	\$ 32
Income taxes paid to affiliate.....	\$ 14,837	\$ 2,423

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 September 27, 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 NINE MONTHS OF 1996 VERSUS FIRST NINE MONTHS OF 1995 (Dollars in millions, except as noted)

	Nine Months		Ended Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Revenues	\$81.7	\$52.4	\$29.3	55.9%
Number of Trading Days	189	189	0	0%
Revenues per Trading Day (Dollars in thousands)	\$432	\$277	\$155	55.9%

Increased revenues is due to a growing use of POSIT, QuantEX and the Company's other electronic trading desk services. For the nine months ended September 27, 1996, POSIT revenues were approximately 49% or \$16.3 million above the comparable period for 1995, while QuantEX revenues were approximately 75% or \$8.3 million above the comparable period for 1995. For the nine months ended September 27, 1996, other electronic trading desk services were 77% or \$5.0 million above the comparable period for 1995.

	Nine Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Compensation and employee benefits expense	\$18.2	\$11.8	\$6.4	54.2%
Number of employees at period end	153	123	30	24.4%
Revenues per employee (Dollars in thousands)	\$534	\$426	\$108	25.4%
Compensation and employee benefits expense per employee (Dollars in thousands)	\$119	\$96	\$23	24.0%

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

	Nine Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Transaction processing expense	\$11.8	\$7.6	\$4.2	55.3%
Transaction processing expense as a percentage of revenues	14.4%	14.5%	(0.1%)	(0.7%)

The increase is primarily due to the expense associated with a higher volume of transactions in 1996. In addition, QuantEX is a larger portion of total revenues, causing higher execution charges.

	Nine Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Software royalties expense	\$6.5	\$4.2	\$2.3	54.8%
Software royalties expense as a percentage of POSIT revenues	13.1%	12.5%	0.6%	0.1%

The increase is due to higher revenue associated with POSIT.

	Nine Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Occupancy and equipment expense	\$4.2	\$2.6	\$1.6	61.5%

The increase is due primarily to depreciation of premises and equipment acquired since the beginning of 1996 and accelerated depreciation of leasehold improvements and furniture related to the relocation of the New York office in second quarter of 1997.

	Nine Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Consulting expense	\$2.0	\$1.3	\$0.7	53.8%

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

	Nine Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Telecommunications and data processing services expense	\$3.4	\$2.0	\$1.4	70.0%

The increase is due primarily to an increase in quotation services and communications charges associated with the increased number of QuantEX installations. In addition, an increased level of activity in the existing QuantEX business raised the semi-variable component of the quotation services and communications charges.

	Nine Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Other general and administrative expense	\$5.8	\$4.3	\$1.5	34.9%

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

	Nine Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Income tax expense	\$12.9	\$7.1	\$5.8	81.7%

The increase is primarily due to an increase in pretax earnings. In addition, 1995 was favorably impacted by a lower tax rate resulting from the recognition of research and development tax credits attributable to prior periods.

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

	Three Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Revenues	\$28.7	\$19.4	\$9.3	47.9%
Number of Trading Days	63	63	0	0%
Revenues per Trading Day (Dollars in thousands)	\$456	\$308	\$148	47.9%

Increased revenues is due to a growing use of POSIT, QuantEX and the Company's other electronic trading desk services. For the quarter ended September 27, 1996, POSIT revenues were approximately 32% or \$4.2 million above the comparable

period for 1995, while QuantEX revenues were approximately 93% or \$3.2 million above the comparable period for 1995. For the quarter ended September 27, 1996, other electronic trading desk services were 74% or \$1.8 million above the comparable period for 1995.

	Three Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Compensation and employee benefits expense	\$6.2	\$4.8	\$1.4	29.2%
Number of employees at period end	153	123	30	24.4%
Revenues per employee (Dollars in thousands)	\$188	\$158	\$30	19.0%
Compensation and employee benefits expense per employee (Dollars in thousands)	\$41	\$39	\$2	5.1%

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

	Three Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Transaction processing expense	\$4.3	\$2.7	\$1.6	59.3%

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Transaction processing expense as a percentage of revenues	15.0%	13.9%	1.1%	7.9%
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The increase is primarily due to the expense associated with a higher volume of transactions in 1996. In addition, QuantEX is a larger portion of total revenues, causing higher execution charges.

	Three Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Software royalties expense	\$2.3	\$1.6	\$0.7	43.8%
Software royalties expense as a percentage of POSIT revenues	13.3%	12.2%	1.1%	0.9%

The increase is due to higher revenue associated with POSIT.

	Three Months Ended		Change	
	September 27, 1996	September 29, 1995	Amount	Percentage
Occupancy and equipment expense	\$1.9	\$0.9	\$1.0	111.1%

The increase is due primarily to depreciation of premises and equipment acquired since the beginning of 1996 and accelerated depreciation of leasehold improvements and furniture related to the relocation of the New York office in second quarter of 1997.

Three Months Ended	Change
-----	-----

	September 27, 1996 -----	September 29, 1995 -----	Amount -----	Percentage -----
Consulting expense	\$0.5	\$0.3	\$0.2	66.7%

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

	Three Months Ended -----		Change -----	
	September 27, 1996 -----	September 29, 1995 -----	Amount -----	Percentage -----
Telecommunications and data processing services expense	\$1.2	\$0.9	\$0.3	33.3%

The increase is due primarily to an increase in quotation services and communications charges associated with the increased number of QuantEX installations. In addition, an increased level of activity in the existing QuantEX business raised the semi-variable component of the quotation services and communications charges.

	Three Months Ended -----		Change -----	
	September 27, 1996 -----	September 29, 1995 -----	Amount -----	Percentage -----
Other general and administrative expense	\$2.1	\$1.4	\$0.7	50.0%

The increase is largely due to an increase in the amortization of capitalized software.

	Three Months Ended -----		Change -----	
	September 27, 1996 -----	September 29, 1995 -----	Amount -----	Percentage -----
Income tax expense	\$4.3	\$2.0	\$2.3	115.0%

The increase is primarily due to an increase in pretax earnings. In addition, 1995 was favorably impacted by a lower tax rate resulting from the recognition of research and development tax credits attributable to prior periods.

INVESTMENT TECHNOLOGY GROUP, INC. AND SUBSIDIARIES

PART II. - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 10.3.1 - Amended 1994 Stock Ownership and Long-Term Incentive Plan

Exhibit 10.3.1A - Amended Non-Employee Directors' Stock Option Plan

Exhibit 10.3.2A - Amendment No.2 to Employment Agreement between Raymond L. Killian, Jr., the Company and ITG Inc.

Exhibit 10.3.4A - Amendment to Form of Employment Agreement between the Company, ITG Inc. and Senior Vice Presidents

Electing to Reprice Stock Options

Exhibit 27 - Financial Data Schedule

(b) Reports on Form 8-K.

There were no reports filed on Form 8-K during the quarter ended September 27, 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: November 11, 1996

By: /s/ John R. MacDonald

John R. MacDonald
Chief Financial Officer, and
Duly Authorized Signatory of
Registrant

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Amendments to Investment Technology Group, Inc.

1994 Stock Option and Long-Term Incentive Plan

The following amendments to the Investment Technology Group, Inc. 1994 Stock Option and Long-Term Incentive Plan (the "Plan") were adopted by the Board of Directors on May 14, 1996.

1. Section 5.5 of the Plan is amended by deleting such section in its entirety and substituting therefor the following new Section 5.5.

5.5 In the event of a merger, consolidation, reorganization, recapitalization, stock split, stock dividend, other extraordinary dividend or other changes in corporate structure or capitalization affecting the Common Stock, the Committee may make appropriate adjustment in the number or kind of shares subject to options, rights and other Awards granted under the Plan, and other terms and conditions of Awards and/or the exercise price of Awards in the event of any stock dividend, stock split, spin-off or recapitalization in the form of large, special and non-recurring dividends, appropriate provision for supplemental payments of cash, other Awards, or other property, or appropriate adjustment in the maximum number of shares referred to in Section 5 of the Plan, as the Committee may determine to be necessary or appropriate in order to prevent dilution or enlargement of the rights of Participants. In the event that the Company declares a cash dividend (other than one constituting a large, special and non-recurring dividend), the Committee shall make appropriate adjustment to the number of shares subject to options, rights and other Awards granted under the Plan or shall make appropriate provision for supplemental payments of cash, other Awards or other property, but shall not make any adjustment to the exercise price of Awards.

2. Section 6.1 of the Plan is amended by deleting such section in its entirety and substituting therefor the following new Section 6.1.

6.1 Stock Options. The Committee may grant Incentive Stock Options, Non-Qualified Stock Options or both to purchases shares of Common Stock from the Company to such Officers and other key employees, in such amount and subject to such terms and conditions, as the Committee shall determine in its sole discretion, subject to the provisions of the Plan, provided, however, that in no event may any Stock Option granted hereunder be exercisable prior to May 4, 1997 or after the expiration of 10 years from the date of such grant. The automatic or discretionary grant of "reload" Stock Options is specifically authorized.

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3. Except as so amended, the terms and conditions of the Plan are unchanged and remain in full force and effect.

Adopted by the Board of Directors: May 14, 1996

INVESTMENT TECHNOLOGY GROUP, INC.

AMENDED NON-EMPLOYEE DIRECTORS' STOCK OPTION PLAN

1. Purpose. The purpose of this Non-Employee Directors' Stock Option Plan (the "Plan") of Investment Technology Group, Inc. (the "Company") is to promote ownership by eligible non-employee Directors of a greater proprietary interest in the Company, thereby aligning such Directors' interests more closely with the interests of stockholders of the Company, and to assist the Company in attracting and retaining highly qualified persons to serve as non-employee Directors.

2. Definitions. In addition to terms defined in Section 1 of the Plan, the following are defined terms under the Plan:

(a) "Code" means the Internal Revenue Code of 1986, as amended. References to any provision of the Code shall be deemed to include successor provisions thereto and rules and regulations thereunder.

(b) "Exchange Act" means the Securities Exchange Act of 1934, as amended. References to any provision of the Exchange Act shall be deemed to include successor provisions thereto and rules and regulations thereunder.

(c) "Fair Market Value" of Stock means the closing sales price of a share of Stock on the date on which such value is to be determined, as reported for such day in the Nasdaq National Market, or, if no sales of Stock were reported for such date, such closing sales price on the last preceding date on which a sale of Stock was reported in the Nasdaq National Market.

(d) "Option" means the right, granted to a Participant under Section 6, to purchase Stock at the specified exercise price for a specified period of time under the Plan. Options granted under the Plan will be "non-qualified stock options" and not "incentive stock options" qualifying under Section 422 of the Code.

(e) "Participant" means a Director who has been granted one or more Options which are exercisable or may become exercisable under the Plan.

(f) "Stock" means the Common Stock, \$.01 par value, of the Company and such other securities as may be substituted for Stock or such other securities pursuant to Section 7.

3. Shares Available Under the Plan. The total number of shares of Stock reserved and available for issuance under the Plan is 125,000 (subject to adjustment under Section 7). Shares issued under the Plan may be authorized but unissued shares or treasury shares. If any Option expires or terminates for any reason without having been

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exercised in full, the unpurchased shares subject to such Option will again be available for issuance under the Plan.

4. Administration of the Plan. The Plan will be administered by the Board of Directors of the Company; provided, however, that any action by the Board of Directors relating to the Plan will be taken only if, in addition to any other required vote, approved by the affirmative vote of a majority of the Directors who are not then eligible to participate in the Plan. Ministerial tasks in connection with the Plan will be performed by executive officers of the Company.

5. Eligibility. Each Director of the Company who, on any date on which an Option is to be granted hereunder, is not, and has not been during the preceding three months, (i) an employee of the Company or any parent or subsidiary of the Company or (ii) a consultant who has received, during the

preceding 12-month period, payments in excess of \$150,000 from the Company and its subsidiaries for consulting services, will be eligible to receive a grant of an Option at such date. No person other than those specified in this Section 5 may be granted an Option under the Plan.

6. Options. An Option to purchase 10,000 shares of Stock (subject to adjustment under Section 7) will be granted under the Plan to each person who, after the effective date of the Plan, is first elected or appointed to serve as a Director of the Company, such grant to be effective at the date of such first election or appointment, if such Director is then eligible to receive an Option grant. In addition, beginning in 1995 and each year thereafter, an Option to purchase 2,500 shares of Stock (subject to adjustment under Section 7) will be granted, on the 45th day following the Company's Annual Meeting of Stockholders at which Directors (or a class of Directors if the Company then has a classified Board of Directors) are elected or reelected by the Company's stockholders, each year to each Director of the Company who is then eligible to receive an Option grant. The foregoing notwithstanding, no Director may be granted an Option more than once during any one calendar year under the Plan. Options granted under the Plan will be subject to the following terms and conditions:

(a) Exercise Price. The exercise price per share of Stock purchasable under an Option will be equal to 100% of the Fair Market Value of Stock on the date of grant of the Option.

(b) Option Term. Each Option will expire five years after the date of grant; provided, however, if the Participant ceases to serve as a Director of the Company prior to five years after the date of grant, the Option will expire as follows (except as otherwise provided in Section 9(e)): (i) if the Participant ceases to serve as a Director of the Company due to death, disability, or retirement at or after age 65, at the later of the date 12 months after such cessation of service or July 3, 1997, but in no event later than five years after the date of grant; (ii) if the Participant ceases to serve as a Director of the Company on or before May 4, 1997 for any reason other than due to death, disability, or retirement at or after age 65, at June 3, 1997; and (iii) if the Participant ceases to serve as

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a Director of the Company after May 4, 1997 for any reason other than due to death, disability, or retirement at or after age 65, at the date 60 days after such cessation of service, but in no event later than five years after the date of grant.

(c) Exercisability. Each Option will become fully exercisable beginning at the later of three months after the date of grant or May 4, 1997, and will thereafter remain exercisable until the Option expires; provided, however, that a Participant's Option will be exercisable after the Participant ceases to serve as a Director of the Company for any reason other than death, disability, or retirement at or after age 65 only if the Option was granted at least three months prior to such cessation of service.

(d) Method of Exercise. A Participant (or other person entitled to exercise an Option) may exercise an Option, in whole or in part, at such time as it is exercisable and prior to its expiration by giving written notice of exercise to the Company specifying the Option to be exercised and the number of shares to be purchased, and paying in full the exercise price in cash (including by check) or by surrender of shares of Stock acquired by the Participant prior to the exercise date and having a Fair Market Value at the time of exercise equal to the exercise price, or a combination of a cash payment and surrender of such Stock; provided, however, that shares previously acquired by exercise of a stock option granted by the Company may be surrendered under this Section 6(d) only if such shares have been held by the Director for at least six months.

7. In the event any recapitalization, reorganization, merger, consolidation, spin-off, combination, repurchase, exchange of shares or other securities of the Company, stock split, reverse split, stock dividend, other extraordinary dividend, liquidation, dissolution, or other similar corporate transaction or event affects the Stock such that an adjustment is determined by

the Board of Directors to be appropriate in order to prevent dilution or enlargement of Participant's rights under the Plan, then the Board of Directors will, in a manner that is proportion to the change to the Stock and is otherwise equitable, adjust (i) the number and kind of shares of Stock reserved and available for future issuance under the Plan, (ii) the number and kind of shares of Stock to be subject to each automatic grant of Options under Section 6, and (iii) the number and kind of shares of Stock issuable upon exercise of outstanding Options, and/or the exercise price thereof in the event of any stock dividend, stock split, spin-off or recapitalization in the form of large, special and non-recurring dividends.

8. Changes to the Plan. The Board of Directors may amend, alter, suspend, discontinue, or terminate the Plan or authority to grant Options under the Plan without the consent of stockholders or Participants, except that any such action will be subject to the approval of the Company's stockholders at the next annual meeting of stockholders having a record date after the date such action was taken if such stockholder approval is required by any federal or state law or regulation or the rules of any automated quotation system or securities exchange on which the Stock may then be quoted or listed, or if the Board of Directors determines in its discretion to seek such stockholder approval; provided, however, that, without the consent of an affected

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Participant, no such action may materially impair the rights of such Participant with respect to any previously granted Option; and provided, further, that any Plan provision that specifies the Directors who may receive grants of Options, the amount and price of securities to be granted to such Directors, and the timing of grants to such Directors, or is otherwise a "plan provision" referred to in Rule 16b-3(c) (2) (ii) (B) under the Exchange Act, shall not be amended more than once every six months, other than to comport with changes in the Code or the rules thereunder.

9. General Provisions.

(a) Consideration for Grants; Agreements. Options will be granted under the Plan in consideration of the services of Participants and, except for the payment of the Option exercise price, no other consideration shall be required therefor. Grants of Options will be evidenced by agreements executed by the Company and the Participant containing the terms and conditions set forth in the Plan together with such other terms and conditions not inconsistent with the Plan as the Board of Directors may from time to time approve.

(b) Compliance with Laws and Obligations. The Company will not be obligated to issue Stock in connection with any Option in a transaction subject to the registration requirements of the Securities Act of 1933, as amended, or any state securities law, any requirement under any listing agreement between the Company and any automated quotation system or securities exchange, or any other law, regulation, or contractual obligation, until the Company is satisfied that such laws, regulations, and other obligations of the Company have been complied with in full. Certificates representing shares of Stock issued under the Plan will be subject to such stop-transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Company, including any requirement that a legend or legends be placed thereon.

(c) Non-transferability. Options and any other right under the Plan that may constitute a "derivative security" as generally defined in Rule 16a-1(c) under the Exchange Act will not be transferable by a Participant except by will or the laws of descent and distribution (or to a designated beneficiary in the event of a Participant's death), and will be exercisable during the lifetime of a Participant only by such Participant or his or her guardian or legal representative.

(d) Compliance with Rule 16b-3. It is the intent of the Company that this Plan comply in all respects with applicable provisions of Rule 16b-3 under the Exchange Act. Accordingly, if any provision of this Plan or any agreement hereunder does not comply with the requirements of Rule 16b-3 as then

applicable to any Participant or any Option, or would cause any Participant to not be deemed a "disinterested person" within the meaning of Rule 16b-3, such provision will be construed or deemed amended to the extent necessary to conform to such requirements or to preserve such status as a "disinterested person." In addition, the Board of Directors shall have no authority to

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make any amendment, alteration, suspension, discontinuation, or termination of the Plan or any agreement hereunder, make any adjustment under Section 9, or take other action if and to the extent such authority would cause a Participant's transactions under the Plan not to be exempt, or would cause a Participant to not be deemed a "disinterested person," under Rule 16b-3.

(e) Continued Service as an Employee. If a Participant ceases serving as a Director and, immediately thereafter, he is employed by the Company or any subsidiary, then, solely for purposes of Sections 6(b) and (c) of the Plan, such Participant will not be deemed to have ceased service as a Director at that time, and his or her continued employment by the Company or any subsidiary will be deemed to be continued service as a Director; provided, however, that such former Director will not be eligible for additional grants of Options under the Plan.

(f) No Right to Continue as a Director; Other Compensation. Nothing contained in the Plan or any agreement hereunder will confer upon any Participant any right to continue to serve as a Director of the Company. Nothing contained in the Plan or any agreement hereunder will preclude the Company from paying other compensation to Directors, including grants of options and stock-related awards under other plans and arrangements.

(g) No Stockholder Rights Conferred. Nothing contained in the Plan or any agreement hereunder will confer upon any Participant any rights of a stockholder of the Company unless and until an Option is duly exercised hereunder.

(h) Governing Law. The validity, construction, and effect of the Plan and any agreement hereunder will be determined in accordance with the laws of the State of Delaware and applicable federal law.

10. Effective Date and Duration of Plan. The Plan will be effective on June 28, 1995, subject to subsequent approval, at or before the Company's 1996 Annual Meeting of Stockholders, by stockholders of the Company eligible to vote in the election of directors, by a vote sufficient to meet the requirements of Rule 16b-3 under the Exchange Act, the Nasdaq National Market, and other laws, regulations, and obligations of the Company applicable to the Plan. Options shall be automatically granted prior to such stockholder approval in accordance with the terms of the Plan, but such Options shall not be exercisable until such time as stockholders have approved the Plan in accordance with this Section 10, and such Options shall be forfeited if stockholders have failed to approve the Plan by the close of business of the 1996 Annual Meeting of Stockholders. Unless earlier terminated by action of the Board of Directors, the Plan will remain in effect until such time as no Stock remains available for issuance under the Plan and the Company has no further rights or obligations with respect to outstanding Options under the Plan.

Adopted by the Board of Directors: June 28, 1995

AMENDMENT NO. 2 TO
EMPLOYMENT AGREEMENT

This Amendment No. 2 to the Employment Agreement, dated as of May 1, 1994, among Investment Technology Group, Inc., a Delaware corporation ("Holding"), ITG Inc., a Delaware corporation, and Raymond L. Killian, Jr. (the "Employee") (the "Employment Agreement") is made and entered into among the parties as of this 22nd day of November, 1995.

WHEREAS, the parties previously entered into the Employment Agreement which, among other things, provided for the grant to the Employee of a stock option to purchase shares of the Common Stock, par value \$.01 per share (the "Common Stock") of Holding;

WHEREAS, the Board of Directors of Holding has determined that it is in the interests of Holding to permit employees to elect to exchange a portion of their existing stock options for new stock options to purchase shares of Common Stock at various exercise prices; and

WHEREAS, the Employee has elected to exercise his right to exchange all or a portion of his existing stock options for new stock options to purchase shares of Common Stock;

NOW, THEREFORE, the parties agree to amend the Employment Agreement as follows:

1. Capitalized terms used in this Amendment and not otherwise defined shall have the meanings assigned thereto in the Employment Agreement. In addition, as used in this Amendment, the following terms have the assigned meanings:

"New Options" mean the stock options granted by Holding to the Employee hereby to acquire the number of shares of Common Stock identified on Appendix A hereto as subject to options with exercise prices of \$9.13 and \$11.06 per share, as listed under the caption "Options Outstanding".

"Old Option" means the stock option previously granted by Holding to the Employee to acquire the number of shares of Common Stock identified on Appendix A hereto as subject to options with an exercise price of \$13.00 per share, as listed under the caption "Options Outstanding".

"Option Prices" mean the exercise prices in respect of the New Options and the Old Option, as such exercise prices are set forth on Appendix A hereto under the caption "Options Outstanding".

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"Originally Granted Option" means the stock option previously granted by Holding to the Employee to acquire the number of shares of Common Stock set forth on Appendix A under the caption "Originally Granted Option".

2. Section 5 of the Employment Agreement is amended by deleting such section in its entirety and substituting therefor new Section 5 set forth below:

5. Stock Option.

5.1.1. Holding hereby grants to the Employee nonqualified New Options to purchase shares of the Common Stock for the numbers of shares of Common Stock identified on Appendix A hereto as subject to options with exercise prices of \$9.13 and \$11.06 per share listed under the caption "Options Outstanding". The New Options are

intended to be nonqualified stock options, and the Old Option is a nonqualified stock option and neither shall be treated as incentive stock options under the provisions of the Internal Revenue Code of 1986, as amended. The New Options and Old Option are fully vested and nonforfeitable, and shall remain exercisable whether or not employment continues. The grant of the New Options are (and the grant of the Old Option was) exempt from the provisions of Section 16(b) of the Securities Exchange Act of 1934 pursuant to the provisions of Rule 16b-3, all of the requirements of which have been satisfied.

5.1.2. The number of shares of Common Stock that may be acquired upon exercise of the Originally Granted Option is hereby reduced to the number of shares identified on Appendix A hereto as subject to options with an exercise price of \$13.00 per share listed under the caption "Options Outstanding".

5.1.3. In consideration for Holding's grant of the New Options to the Employee hereunder, as a condition of such grant, the Employee hereby surrenders to Holding, for cancellation and termination, that portion of the Originally Granted Option set forth on Appendix A hereto under the caption "Options Surrendered Upon Conversion". Accordingly, such portion of the Originally Granted Option is hereby canceled and terminated as of the date of this Agreement.

5.2. (a) The Old Option (to the extent not earlier exercised) will expire at 11:59 p.m., New York City time, on April 30, 1999.

(b) The New Options (to the extent not earlier exercised) will expire at 11:59 p.m., New York City time, on November 21, 2000.

5.3.1. The Old Option may be exercised in whole or in part at any time at the earlier of (i) May 1, 1997 or (ii) immediately prior to a change

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of control (as hereinafter defined). The New Options may be exercised in whole or in part at any time at the earlier of (i) November 22, 1998 or (ii) immediately prior to a change of control (as hereinafter defined). Written notice of exercise of the New Options or the Old Option shall be given to the Secretary of Holding and shall be deemed to have been received either when delivered personally to the office of the Secretary or at 11:58 p.m. on the date of any U.S. Postal Service postmark on the notice, whichever is earlier. Such notice shall be irrevocable and must be accompanied by the payment of the purchase price as provided in Section 5.4 below. Upon the exercise of the New Options or the Old Option, Holding will transfer or will cause to be issued a certificate or certificates for the Common Stock being purchased as promptly as practicable.

5.3.2. "Change of control" shall mean (1) any event that results in Jefferies Group, Inc. ("Group") owning less than eighty percent (80%) of the Common Stock of Holding (other than a spin-off or split-off of Holding) or (2) a sale of more than fifty percent (50%) of the Common Stock of Holding, a merger of Holding with or into an unaffiliated entity or a sale of substantially all of Holding's assets.

5.4. The purchase price of Common Stock purchased by the Employee upon exercise of the New Options and the Old Option (the "Option Shares") shall be paid in full to Holding at the time of such exercise in cash (including by check) or with Common Stock of Holding.

5.5. In the event that the number of authorized shares of Common Stock of Holding are increased, decreased or exchanged for a different number or kind of security, or additional shares or new

or different shares or other non-cash assets are distributed with respect to such shares or other securities (whether by reason of recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction), then in order to prevent dilution or enlargement of rights hereunder, the Board of Directors of Holding shall make appropriate and proportionate adjustments in the New Options and the Old Option. In the event that Holding is the surviving corporation in any reorganization, merger or consolidation, then the New Options and the Old Option shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to such options would have been entitled immediately following such reorganization, merger or consolidation, and corresponding proportionate adjustments shall be made to such options.

5.6. The Employee represents and warrants that the Employee acquired the Old Option, and is acquiring the New Options, for his own account and not with a view to distribution of such options or the Option Shares. As a condition to the exercise of the New Options or the Old Option and in the event that the Option Shares have not yet been registered under the Securities Act of

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1933, as amended (the "Act") at the time they are issued, Holding may require the Employee to make any representation and/or warranty to Holding as may, in the judgment of counsel to Holding, be required under any applicable law or regulation, including but not limited to a representation and warranty that the Option Shares are being acquired only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for Holding, such a representation is required under the Act or any other applicable law, regulation or rule of any governmental agency.

5.7. Neither the Employee nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey the New Options or the Old Option or any amounts payable pursuant to the provisions of this Agreement, which options and amounts are, and all rights under this Agreement are, expressly declared to be unassignable and nontransferable, other than by will or under the laws of descent and distribution. No part of the New Options or the Old Option or such amounts payable shall be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by the Employee or any other person, nor be transferable by operation of law in the event of the Employee's or any other person's bankruptcy or insolvency.

5.8. Neither the Employee nor any other person shall acquire by reason of the New Options, the Old Option or the Option Shares any right in or title to any assets, funds or property of Holding whatsoever including, without limiting the generality of the foregoing, any specific funds or assets which Holding, in its sole discretion, may set aside in anticipation of a liability. No trust shall be created in connection with or by the granting of the New Options or the Old Option or the purchase of any Option Shares, and any benefits which become payable hereunder shall be paid from the general assets of Holding. The Employee shall have only a contractual right to the amounts, if any, payable pursuant to this Agreement, unsecured by any asset of Holding or any of its affiliates.

5.9. Nothing herein will limit Holding's right to issue Common Stock, or options or other rights to purchase Common Stock, to its employees, subject to vesting, expiration and other terms and conditions deemed appropriate by Holding and its affiliates.

5.10. The Employee authorizes Holding to withhold, in accordance with any applicable law, from any compensation payable to

him any taxes required to be withheld by federal, state or local law upon the issuance of Option Shares or the payment of money pursuant to the exercise of the New Options or the Old Option.

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3. Section 6 of the Agreement is amended by deleting such section in its entirety and substituting therefor the following:

6. Option Shares. Shares issued pursuant to exercise of the New Options and the Old Option shall be shares of Common Stock, the issuance of which is registered under the Act. In the event that the New Options or Old Option evidenced hereby represents the right to acquire a fractional share of Common Stock, Holding shall not be obligated to issue any fractional share certificate at the time of exercise of such option but shall, at the time of exercise of any such option, eliminate the Employee's right to acquire a fractional share interest by paying to the Employee an amount determined by multiplying the then fair market value of a share of Common Stock by the amount of such fractional interest. Payment of such amount may be made by Holding by reducing the amount of the exercise price otherwise payable by the Employee at the time of exercise of any such option.

4. Except as expressly amended hereby, the terms of the Employment Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 2 to Employment Agreement as of the date first above written.

"Holding"

INVESTMENT TECHNOLOGY GROUP, INC.,
a Delaware corporation

By: _____
James Lynch
Vice President and General Counsel

"Company "

INVESTMENT TECHNOLOGY GROUP, INC.,
a Delaware corporation

By: _____
James Lynch
Vice President and General Counsel

"Employee"

Raymond L. Killian, Jr.

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AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

This Amendment No. 1 to the Employment Agreement, dated as of May 1, 1994, among Investment Technology Group, Inc., a Delaware corporation ("Holding"), ITG Inc., a Delaware corporation, and _____ (the "Employee") (the "Employment Agreement") is made and entered into among the parties as of this 22nd day of November, 1995.

WHEREAS, the parties previously entered into the Employment Agreement which, among other things, provided for the grant to the Employee of a stock option to purchase shares of the Common Stock, par value \$.01 per share (the "Common Stock") of Holding;

WHEREAS, the Board of Directors of Holding has determined that it is in the interests of Holding to permit employees to elect to exchange a portion of their existing stock options for new stock options to purchase shares of Common Stock at various exercise prices; and

WHEREAS, the Employee has elected to exercise his right to exchange all or a portion of his existing stock options for new stock options to purchase shares of Common Stock;

NOW, THEREFORE, the parties agree to amend the Employment Agreement as follows:

1. Capitalized terms used in this Amendment and not otherwise defined shall have the meanings assigned thereto in the Employment Agreement. In addition, as used in this Amendment, the following terms have the assigned meanings:

"New Options" mean the stock options granted by Holding to the Employee hereby to acquire the number of shares of Common Stock identified on Appendix A hereto as subject to options with exercise prices of \$9.13 and \$11.06 per share, as listed under the caption "Options Outstanding".

"Old Option" means the stock option previously granted by Holding to the Employee to acquire the number of shares of Common Stock identified on Appendix A hereto as subject to options with an exercise price of \$13.00 per share, as listed under the caption "Options Outstanding".

"Option Prices" mean the exercise prices in respect of the New Options and the Old Option, as such exercise prices are set forth on Appendix A hereto under the caption "Options Outstanding".

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"Originally Granted Option" means the stock option previously granted by Holding to the Employee to acquire the number of shares of Common Stock set forth on Appendix A under the caption "Originally Granted Option".

2. Section 5 of the Employment Agreement is amended by deleting such section in its entirety and substituting therefor new Section 5 set forth below:

5. Stock Option.

5.1.1. Holding hereby grants to the Employee nonqualified New Options to purchase shares of the Common Stock for the numbers of shares of Common Stock identified on Appendix A hereto as subject to options with exercise prices of \$9.13 and \$11.06 per share listed under the caption "Options Outstanding". The New Options are

intended to be nonqualified stock options, and the Old Option is a nonqualified stock option and neither shall be treated as incentive stock options under the provisions of the Internal Revenue Code of 1986, as amended. The New Options and Old Option are fully vested and nonforfeitable, and shall remain exercisable whether or not employment continues. The grant of the New Options are (and the grant of the Old Option was) exempt from the provisions of Section 16(b) of the Securities Exchange Act of 1934 pursuant to the provisions of Rule 16b-3, all of the requirements of which have been satisfied.

5.1.2. The number of shares of Common Stock that may be acquired upon exercise of the Originally Granted Option is hereby reduced to the number of shares identified on Appendix A hereto as subject to options with an exercise price of \$13.00 per share listed under the caption "Options Outstanding".

5.1.3. In consideration for Holding's grant of the New Options to the Employee hereunder, as a condition of such grant, the Employee hereby surrenders to Holding, for cancellation and termination, that portion of the Originally Granted Option set forth on Appendix A hereto under the caption "Options Surrendered Upon Conversion". Accordingly, such portion of the Originally Granted Option is hereby canceled and terminated as of the date of this Agreement.

5.2. (a) The Old Option (to the extent not earlier exercised) will expire at 11:59 p.m., New York City time, on April 30, 1999.

(b) The New Options (to the extent not earlier exercised) will expire at 11:59 p.m., New York City time, on November 21, 2000.

5.3.1. The Old Option may be exercised in whole or in part at any time at the earlier of (i) May 1, 1997 or (ii) immediately prior to a change

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of control (as hereinafter defined). The New Options may be exercised in whole or in part at any time at the earlier of (i) November 22, 1998 or (ii) immediately prior to a change of control (as hereinafter defined). Written notice of exercise of the New Options or the Old Option shall be given to the Secretary of Holding and shall be deemed to have been received either when delivered personally to the office of the Secretary or at 11:58 p.m. on the date of any U.S. Postal Service postmark on the notice, whichever is earlier. Such notice shall be irrevocable and must be accompanied by the payment of the purchase price as provided in Section 5.4 below. Upon the exercise of the New Options or the Old Option, Holding will transfer or will cause to be issued a certificate or certificates for the Common Stock being purchased as promptly as practicable.

5.3.2. "Change of control" shall mean (1) any event that results in Jefferies Group, Inc. ("Group") owning less than eighty percent (80%) of the Common Stock of Holding (other than a spin-off or split-off of Holding) or (2) a sale of more than fifty percent (50%) of the Common Stock of Holding, a merger of Holding with or into an unaffiliated entity or a sale of substantially all of Holding's assets.

5.4. The purchase price of Common Stock purchased by the Employee upon exercise of the New Options and the Old Option (the "Option Shares") shall be paid in full to Holding at the time of such exercise in cash (including by check) or with Common Stock of Holding.

5.5. In the event that the number of authorized shares of Common Stock of Holding are increased, decreased or exchanged for a different number or kind of security, or additional shares or new

or different shares or other non-cash assets are distributed with respect to such shares or other securities (whether by reason of recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction), then in order to prevent dilution or enlargement of rights hereunder, the Board of Directors of Holding shall make appropriate and proportionate adjustments in the New Options and the Old Option. In the event that Holding is the surviving corporation in any reorganization, merger or consolidation, then the New Options and the Old Option shall pertain to and apply to the securities to which a holder of the number of shares of Common Stock subject to such options would have been entitled immediately following such reorganization, merger or consolidation, and corresponding proportionate adjustments shall be made to such options.

5.6. The Employee represents and warrants that the Employee acquired the Old Option, and is acquiring the New Options, for his own account and not with a view to distribution of such options or the Option Shares. As a condition to the exercise of the New Options or the Old Option and in the event that the Option Shares have not yet been registered under the Securities Act of

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1933, as amended (the "Act") at the time they are issued, Holding may require the Employee to make any representation and/or warranty to Holding as may, in the judgment of counsel to Holding, be required under any applicable law or regulation, including but not limited to a representation and warranty that the Option Shares are being acquired only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for Holding, such a representation is required under the Act or any other applicable law, regulation or rule of any governmental agency.

5.7. Neither the Employee nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate or convey the New Options or the Old Option or any amounts payable pursuant to the provisions of this Agreement, which options and amounts are, and all rights under this Agreement are, expressly declared to be unassignable and nontransferable, other than by will or under the laws of descent and distribution. No part of the New Options or the Old Option or such amounts payable shall be subject to seizure or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by the Employee or any other person, nor be transferable by operation of law in the event of the Employee's or any other person's bankruptcy or insolvency.

5.8. Neither the Employee nor any other person shall acquire by reason of the New Options, the Old Option or the Option Shares any right in or title to any assets, funds or property of Holding whatsoever including, without limiting the generality of the foregoing, any specific funds or assets which Holding, in its sole discretion, may set aside in anticipation of a liability. No trust shall be created in connection with or by the granting of the New Options or the Old Option or the purchase of any Option Shares, and any benefits which become payable hereunder shall be paid from the general assets of Holding. The Employee shall have only a contractual right to the amounts, if any, payable pursuant to this Agreement, unsecured by any asset of Holding or any of its affiliates.

5.9. Nothing herein will limit Holding's right to issue Common Stock, or options or other rights to purchase Common Stock, to its employees, subject to vesting, expiration and other terms and conditions deemed appropriate by Holding and its affiliates.

5.10. The Employee authorizes Holding to withhold, in accordance with any applicable law, from any compensation payable to

him any taxes required to be withheld by federal, state or local law upon the issuance of Option Shares or the payment of money pursuant to the exercise of the New Options or the Old Option.

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3. Section 6 of the Agreement is amended by deleting such section in its entirety and substituting therefor the following:

6. Option Shares. Shares issued pursuant to exercise of the New Options and the Old Option shall be shares of Common Stock, the issuance of which is registered under the Act. In the event that the New Options or Old Option evidenced hereby represents the right to acquire a fractional share of Common Stock, Holding shall not be obligated to issue any fractional share certificate at the time of exercise of such option but shall, at the time of exercise of any such option, eliminate the Employee's right to acquire a fractional share interest by paying to the Employee an amount determined by multiplying the then fair market value of a share of Common Stock by the amount of such fractional interest. Payment of such amount may be made by Holding by reducing the amount of the exercise price otherwise payable by the Employee at the time of exercise of any such option.

4. Except as expressly amended hereby, the terms of the Employment Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. ___ to Employment Agreement as of the date first above written.

"Holding"

INVESTMENT TECHNOLOGY GROUP, INC.,
a Delaware corporation

By: _____
Raymond L. Killian, Jr.
Chief Executive Officer

"Company "

INVESTMENT TECHNOLOGY GROUP, INC.,
a Delaware corporation

By: _____
Raymond L. Killian, Jr.
Chief Executive Officer

"Employee"

[Sign here]

[Print name here]

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This schedule contains summary financial information extracted from the consolidated statements of financial condition and the consolidated statements of earnings as of September 27, 1996 and for the nine months then ended and the notes thereto and is qualified in its entirety by reference to such financial statement filed in the 1996 Investment Technology Group, Inc. third quarter 10-Q filing.

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